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I. Setting the Scene: Globalisation over the Centuries

Friedman (2006) recently posited three basic stages whereby human society at large has evolved over the past 500 years or so, to become progressively integrated throughout the world as a result of processes broadly categorised as 'globalisation'.

The first phase, from about the time of Columbus' discovery of the Americas in 1492 until about 1800, coincided with the Renaissance, the early phases of formal science and then the Industrial Revolution in Europe. Apart from the New World, colonialisation by nations in western Europe was mainly limited to the Indian subcontinent during this period. This phase of globalisation was initiated by a powerful regionalising force – the more-or-less aggressive spread of Islam from its birthplace in the Arabian peninsula – and the consequent need to find alternative routes from western Europe to the east for access to goods and commodities (Cook, 2005). Whilst Friedman considered that this initial, grossly expansionist phase was made possible mainly because of the raw power of the newly-invented machinery which provided the impetus for the Industrial Revolution, this on its own would seem too simplistic an explanation (industrialisation was confined mainly to the latter part of this phase: Cook, 2005): various other factors also helped contribute to the sequential subjugation and colonisation of other continents by various European nation-states (Diamond, 1997). As a result, natural products (including slaves) were transported between continents in order to satisfy the increasing demand in Europe for luxury goods by the growing middle class, together with that for raw materials for burgeoning industrial growth. During this time, however, historical economic

analyses based on estimated GDP indicate that present-day developing economies (including especially China and India) still dominated the global economy (Woodall, 2006).

According to Friedman (2006), the main vehicle for expansion in the second phase of globalisation (approximately 1800-2000) was by way of the multinational corporations formed as a result of increasing industrialisation and the consequent growing prosperity; he considered the main driving forces to be, first, falling costs in transportation (especially with the development of the coal-powered steam engine) and then, later, the development of increasingly powerful telecommunications. The relatively benign sociopolitical environment of Britain, and the origin of the Industrial Revolution there, helped to make this an important initiator of this phase (Cook, 2005). However, whilst this and thereafter much of the rest of Europe continued to play an active part, the recently-formed United States and then the newly opened-up Japan (and, subsequently, the 'Asian Tigers'), in particular, came to play an ever more important role. Again, this was associated with the relocation of natural products, but the re-export of the resultant processed goods came to be of growing importance for income-generation.

Since about the turn of the 21st century, the world has entered Friedman's third phase of globalisation, which he attributed to three successive 'convergences'. The first of these was the result of the continued development of communications and associated systems using a single, widely accessible digital platform involving personal computers with sophisticated, readily available software (including both for enhanced communication; and for the digitisation of an increasing variety of different types of information) and high-speed global internet connections. (Others, however, do not believe that the internet is a major factor: instead, they point to, for example, continuing decreases in the cost of long-distance travel; *e.g.* Edgerton [2007].) A second convergence was the development of collaborative business practices to pool different skills horizontally, between individuals and between organisations, to take full advantage of the new technologies involved in the first convergence. Friedman's third convergence was associated with the collapse of communism as a viable political philosophy: these events greatly expanded the potential workforce – the opening up of China, India and the countries of the former Eastern Bloc tapped a new source of cheap labour, which has effectively doubled the global pool of workers, from 1.5 to 3 billion. In addition, the push for increased education in developing economies has meant that the developed economies are no longer the main loci for skilled work-forces and the production of high-tech goods: thus, there has been an increase in the pool of skilled workers, as well as workers in general (Woodall, 2006).

Regarding the future, Friedman considered that, whereas the first era of globalisation involved nation-states and the second mainly private business, the third phase increasingly will involve individuals acting in fluid collaborations with each other in competition for a piece of the kaleidoscopic pie. This is because people in an increasing proportion of the world are becoming able to interact on an ever-more-level global playing field (on what Friedman termed the 'flat-world platform'), using digitised information which can be processed by computers and exchanged on the internet. Further impetus is being provided by the ability of individuals to upload their own material onto the internet for global access, coupled with their capacity to research the vast amounts of information uploaded by others. As a result of this, international trade has expanded from the traditional emphasis on goods to include services which can be encoded electronically (thereby permitting the out-sourcing of various operations to companies in the developing world). Furthermore, the new economy of global trade is predicted to become less driven by institutions and treaties; and more by individuals, who will be empowered as the main agents of change (Friedman, 2006).

However, in the meantime, nations and institutions in the developed world have distorted the processes of globalisation to their own ends. Stiglitz (2003) has pointed out that, contrary to the expectations of those who have advocated globalisation, its purported economic benefits have not extended to many of those who, it was claimed, would be lifted out of poverty: thus, the number of

people living in poverty increased by almost 100 million between 1990 and 1999, despite an average 2.55-fold annual increase in total world income over the same period. Moreover, globalisation has, through spreading economic crises initiated in Asia and Latin America, also failed to promote stability. These failures can, at least in part, be attributed to the self-serving hypocrisy of developed countries (Stiglitz, 2003): through taking a less-than-global perspective, international institutions have mismanaged things, in order to shield those in developed countries (in connivance with some of the latter's governments) from the consequences of *e.g.* competition and misguided investments. For example, whilst forcing developing countries to eliminate their trade barriers, they themselves have maintained barriers against agricultural imports for the sake of special interest-groups, with the consequence that their own populations have to pay higher prices and taxes; and those in developing countries find it difficult to compete and end up even more impoverished.

This doctrinaire attitude on the part of some of those in the developed world, and the consequent unrealised dreams of the world's poor as a result of failures in the implementation of true globalising practices, has fuelled a growing antipathy to globalisation in general. However, reflecting the standard view of economists, Stiglitz (2003; see also Friedman, 2006) considers that it is not rational to seek to abandon globalisation: it has resulted in benefits where the economic climate is right (for example, to East Asia, before the crisis), as well as bringing improved political and personal health to various countries. Thus there is the need for these institutions to re-evaluate their place in the global economy, and the roles which they are meant to fulfill, to ensure a more equitable future with true free markets (Stiglitz, 2003).

As originally foreseen by Marx and Engels in their *Communist Manifesto* of 1848 (Sandel, quoted by Friedman, 2006), this ongoing sequence of changes will have profound consequences for work and management practices and for politics as society evolves in the 21st century.

II. The Changing Concept of Leadership

The continuing evolution and globalisation of society has been paralleled by changes in the nature of leadership (Rost, 1991). In the past, the capitalist systems of much of the period of industrialisation, like the feudal and other systems of pre-industrial societies, were organised hierarchically, very much in a top-down fashion: leaders were generally remote, permitting them to at least appear to be decisive and efficient in directing the work of those under them.

However, towards the end of the last century, and thus the end of the second phase of globalisation, this rigid stratification started to breakdown. Rost (1991) has noted that leadership has become more of an emergent behaviour, where the use of discussion and persuasion through rationalisation leads to enactment by consensus and cooperation, rather than by coercion. Thus 'leadership' is becoming more of a collaborative relationship between various members (the leaders and the followers) of an organisation (be it a business, a country, or a group of countries), to drive changes which maximise the overall benefits – and minimise the overall costs – to all: whilst the wishes of the leader are achieved, the desires of the followers are also factored into the decision-making process. Similarly, Friedman (2006) has noted that there is an ongoing switch from vertical 'command and control' to horizontal 'connect and collaborate', with a leveling of hierarchies and an increase in the potential for creativity.

This has accelerated in the post-industrial era of knowledge-based economies, where information is more freely available, so as to maximise the potential involvement of other members of an organisation in decision-making. As Friedman (2006) has emphasised, this greater access to information, together with the facility of uploading one's own information onto the internet and other forms of electronic communication, has empowered the individual, both to act on his own and to participate in leadership processes.

The fact that the contemporary leadership paradigm depends on collaboration, with empowerment and the sharing of information and the capacity for influence, leads to greater fluidity – and thus greater complexity and diversity – in the leadership 'structures' associated with organisational behaviour. As a result, organisations are likely to be much smaller and more transient, making them more responsive to changing internal and external circumstances.

A corollary of this is that status in a leadership structure is becoming more tightly linked to meritocracy rather than predestiny. This trend towards the 'flattening out' and 'democratisation' of the processes associated with decision-making, and thus the tracing out trajectories into the future, is likely to become increasingly important during the course of the 21st century, as a premium is placed on an organisation's dynamism and flexibility.

Associated with these changes, there is an ever-increasing convergence in what is required for, and thereafter expected of, leadership in business and in politics; this is reflected in the fact that individuals are increasingly moving back and forth between these two domains (raising the spectre of the 'revolving door' and consequent conflicts of interest: *e.g.* Stiglitz, 2003). Thus there is a growing realisation that the traditional approach – schools of business are assigned the tasks of research and teaching on the principles of corporate leadership, together with the art of making products and earning money; whilst schools of government are concerned with research and teaching on the principles of political leadership, together with the art of making policy and earning votes – is an increasingly artificial schism. Consequently, as with the trend towards the democratisation of corporate governance, there has been a trend in politics to develop leaner, more efficient and thus economically more responsible government.

III. Leadership and Change

As with other aspects of life on Earth, society is constantly changing and evolving in response to external and internal forces. A major difference is that, to some extent at least, evolution of human societies is directional, and thus volitional and deterministic: individuals (or groups of individuals) can take the driving seat in order to try to selectively promote or resist change, and thereby direct social evolution – or at least the evolution of a segment of society (a business, a town, *etc.*) – down particular avenues of potential opportunity, or to avoid looming disaster.

Change is unpopular psychologically, but entrepreneurship is the essence of economic growth: there is the need to recognise opportunities – whether to reduce costs or to exploit new opportunities – so that these can be exploited to the benefit of businesses in particular and society in general. A key role for a dynamic leadership is the ability to anticipate, and thereafter exploit, potential such opportunities; or, at worst, to compensate for externally-driven changes (Friedman, 2006). This is becoming increasingly important now, not just because of the ever-accelerating effects of globalisation with out-sourcing and off-shoring; but also because society is starting to realise that it has to confront the consequences of its past excesses. Thus, increasingly, there are potential constraints threatening developed countries, and actual restraints which may serve to strangle developing economies.

Thus, an essential component of leadership (whether in the public or the private sector) is the ability not only to identify opportunities, but also to recognise necessities and thenceforth to drive changes towards a particular end. This includes the need to persuade and recruit others to help in the enterprise. Where this involves the re-directing of the efforts of an organisation from an established routine, there is the need to keep the others on board whilst changing course: in this way, the same crew can help maintain the new direction.

IV. Leadership in Regional and Global Affairs

Because they were inward-looking meant that South and East Asia declined in their significance as active participants in the global economy during the latter part of the first phase of globalisation and the early portion of the second phase. Subsequently, successful Asian leaderships were those who were open to, and had the ability to respond positively to, changes driven by evolving events in the rest of the world and thereby set their nations on the road to developed status.

Now, in the 21st century, it is the developing, or (re-)emerging, economies (defined as those countries which did not fall into the 'rich man's club' of the OECD in 1994: Woodall, 2006) which are driving global growth, and thus providing the largest impetus to, and potential influence on, the world economy since the Industrial Revolution. Today, their industrialisation, together with market reforms, mean that they are increasingly integrated into the world economy, which they are coming to dominate again (based on purchasing-power parity), with consequent increases in their need for energy supplies and other raw materials (Woodall, 2006). Woodall (2006) has argued that it is the developed world's fear of the success of developing economies, rather than the latter's climb out of poverty *per se*, which is the main impediment to globalisation; if this perceived threat was met with attempted pre-emptive action through interventions and protectionism on the part of developed economies, then this would lead to the developed economies of today being displaced as the rich economies of the future, just as China was by the nineteenth century.

1. International Organisations and Economic Stability Global issues – requiring a concerted action worldwide – are becoming of increasing importance (Stiglitz, 2003; Friedman, 2006). These relate not just to trade and other economic issues, but also to health matters like HIV/AIDS (see section VI) and environmental concerns like global warming and the ozone hole (see section VII). There is thus the growing need for an effective global governance to stand above national interests and deal with such issues for the common good.

The three principal institutions overseeing the processes of globalisation, primarily on the economic front, are the IMF (always headed by a European), the World Bank (always headed by an American) and the WTO; others playing a subsidiary role (but with views often at variance with those of the two main players) include regional banks and components of the UN (Stiglitz, 2003).

The IMF was created as a result of Keynes' analysis of the causes underlying the Great Depression. The latter spread as a result of 'beggar-thy-neighbour' policies, whereby a recession in one country led it to promote demand for its own products and cut down on imports (by currency devaluation or by tariffs), so that it 'exported' its recession (Stiglitz, 2003). The risk of such knock-on effects being repeated in the future could be avoided by global collective action to initiate appropriate expansionist fiscal policies (increasing expenditure; or decreasing taxes or interest rates) to remedy inadequacies in market functioning and thus maintain global aggregate demand through employment and the provision of liquidity (Stiglitz, 2003). This was the original remit of the IMF, as a global public institution founded to put pressure on countries to maintain their aggregate demand, when necessary; and to thereby counter prevailing market forces and avoid a global depression by providing extra liquidity where necessary.

However, the leadership of the IMF is responsible to the G-7 ministries of finance and central banks (and is thus influenced by their commercial and financial interests), rather than the tax-payers and others who are ultimately affected by its actions. Thus, today, the IMF takes the opposite tack since, as part of the 'Washington Consensus' together with the World Bank and the US Treasury, it subscribes to market fundamentalist philosophy, which holds that markets work well and public institutions badly. However, this stand-point is at variance with the growing realisation that interventions are necessary to correct the imperfections of the market place at a global level, so that it is necessary to treat the underlying contagion rather than the overt symptoms in order to control a potential slump (Stiglitz, 2003).

Similarly, the setting up of the WTO in 1995, like the GATT before it, aimed to directly circumvent the imposition of beggar-thy-neighbour policies, where countries create tariff barriers to sustain their economies at the expense of others with the attendant risk of runaway financial crises and global instability. However, the WTO is not responsible for establishing rules, but rather serves as a negotiating forum for trade ministers (whose first priorities are thus looking after the best interests of their respective countries, and most especially the business community); it thus is acting to promote commercial interests, regardless of other considerations including environmental concerns which run counter to market forces (Stiglitz, 2003). Nevertheless, by joining the WTO, and thus agreeing to conform with the norms for international law and business practices, countries in the region and elsewhere have facilitated their chances gaining contracts for off-shoring and out-sourcing, hence increasing their attractiveness to outside investment (Friedman, 2006).

Stiglitz (2003) considered that, despite these criticisms, many finance and trade ministers and those in the financial institutions believe that they are acting for the common good: thus there is the need for them to broaden their perspectives – need for sensitivity to local conditions, and thus the need to recognise that there is more than one valid (capitalist) economic model – if the full benefits of globalisation are to be realisable. Thus the power of the developed countries needs to be tempered: the influence of their finance ministers and central bank governors at the IMF, and their trade ministers at the WTO, needs to be counterbalanced in order to satisfy global, rather than their regional, requirements. Also there is the need for more flexibility and openness to alternative strategies to those advocated to the IMF in the past, so that governments can more finely tune development based on differences in emphasis and/or policies: international institutions should provide the means for developing countries to make their own informed choices, and also to accept responsibility for the risks involved. These ends can be achieved by a change in the balance of voting rights, and hence a change in accountability to embrace all those affected by particular decisions, including those in the developing world. There also needs to be an increase in transparency: for example, to expose the influence of multinationals and other lobby groups at the WTO (Stiglitz, 2003).

2. *International Relations and Political Stability* The natural resources of countries in the Asian region are insufficient to meet their current requirements, never mind their projected future needs. This means that they are dependent on imports of materials vital for their growing economic needs. In the past, this has led, in part, to internal conflicts within the region (with potential sources of conflict remaining: for example, for offshore hydrocarbon reserves). Also the region has been, and will continue to be, susceptible to external socio-political-economic changes which may disrupt external sources of supply, with obvious ramifications for the region's continued development.

Also, many developing economies are becoming increasingly self-financing and independent of outside investment, as a result of a continuing drive towards open markets, an effective banking system with high saving rates, and improvements in the education system: thus, they are becoming increasingly dependent on external demand. These shifts in economic power towards developing economies mean that there are emerging threats to the old world-order; as noted above, such destabilising influences need to be recognised and counteracted by updating the functioning and membership of economic and other institutions (Woodall, 2006). Thus, the demand of China, in particular, not just for raw materials but also for management skills, brands and market access, can be perceived as a threat, especially by the United States, with China's growing economic power augmenting this perception (Friedman, 2006).

Whilst the increased global demand, stimulated as a result of the increased export earnings and the growing middle class in these new markets, has also promoted growth in developed economies, this has been largely restricted to a growth in shareholders' profits (Woodall, 2006). Wages for most sectors of the economy in developed countries – and thus general living standards (despite the concomitant decrease in inflation, as a result of competition and the increased supply of

goods and services, without any matching increase in demand) – have stagnated or fallen, rather than unemployment increasing, as was originally feared by many. This imbalance in the growth of developed economies creates the potential risk of a (self-defeating) backlash against globalisation through demands anew for trade-barriers, subsidies and other policies. To minimise these political pressures, the democratic governments of developed economies need to implement safety nets to catch those adversely affected by unfolding events; and to encourage new growth by facilitating the invention and development of new industrial technologies or management models. Such pressures are lesser for developing economies, which can ride on the back of rich countries by importing these innovative methods (Woodall, 2006).

The result is the potential for an increased risk of escalating disagreements over access to resources leading to political and economic machinations and even formal armed conflict. Friedman (2006) points out that China is securing ties with countries which can provide them with the natural resources they need, but which are not interested in how the Taiwan dispute is resolved, or are even hostile to America.

In addition, globalisation also permits terrorist groups – formed as a result of the frustration and humiliation of marginalised, disenfranchised groups during the ongoing process of globalisation – to become established through uploading of emotionally-evocative mis-information and supply-chaining; this creates a lack of the trust requisite for globalisation, and raises problems of control distinct from those with conventional businesses (Friedman, 2006).

On the other hand, globalisation is likely to be a potent force for minimising the risk of future conflicts. A large middle class (the product of at least the hope of climbing out of poverty and social mobility, rather than just income level itself) is vital for geopolitical stability (Friedman, 2006). It is in the best interests of countries in the mainstream of global commerce to avoid escalating disputes, except in the most extreme circumstances: otherwise, they will jeopardise their position in global supply chains, and thus their stability, prosperity and attractiveness for future investment (Friedman, 2006). There is also the implicit need for greater tolerance, with changes in cultural mind-set so that individuals are more trusting, and thus more prepared to work together collaboratively and also more open to adopting and adapting outside influences (Friedman, 2006). Furthermore, with companies going global, their interests and requirements, and thus their loyalties, are no longer tied to the nation where they were originally founded and may have remained headquartered; thus, they will out-source, regardless of the consequences, to meet the best interests of management and investors and regardless of the interests of politicians (Friedman, 2006).

3. Evolution of a Global Society Historically, Japan pioneered the recent development of the region with the opening up of its economy, starting in the Meiji period in the latter portion of the 19th century. Thereafter, in the latter half of the last century, the five Asian 'economic tigers' began their transition from developing to developed economies, together with various other members of ASEAN. Following upon this, coincident with the events leading up to the end of the Cold War and the collapse of the Soviet Union, the vast populations of China and India, in particular, started to come on-line (both metaphorically and literally) as a result of the continuing process of globalisation. All of these socio-economic evolutionary developments required an enlightened leadership – whether autocratic or, to a greater or lesser extent, democratic – who could respond to changes elsewhere whilst seeking to maintain their own national mores and values.

In the future, these leaderships will increasingly be required to look outward and have the ability to participate in actually shaping the future evolution of global society at large, if they are not to be swamped – the oft-repeated fear that globalisation will lead to *de facto* Americanisation. Thus, as Asian nations move towards the forefront of global development, there is inevitably going to be a shift towards a more active involvement in the steering of humanity into the future. Mahhubani (2006) has noted that there is an increasing need for foregoing the safe option of merely copying the

West, in education as in other matters. Coming with this cultural awakening is the need for a reappraisal of, for example, Western-derived theories in the social sciences.

This notwithstanding, there is evidence for a polarisation developing between nations, where the governments of many developed countries are defensive of their current status (and tending to be blasé about the environmental consequences of their continuing prosperity), whilst the governments of many developing countries are in active pursuit of their potential future status (and thus tending to downplay the environmental consequences of their aspirations). Thus there is the need for leaders of developing and developed countries alike to try to agree upon a common goal, and thus to rein in their peoples' expectations; and thus for developed countries, in particular, to make more effort to reduce their ecological footprints, for example.

Friedman (2006) considered resistance to social evolution to be a particular problem with many present-day Muslim countries, where there is a lack of tolerance, and thus trust, of non-Muslims. He argued that this led to a lack of innovativeness, which, reinforced by their natural resources, negates the need to the populations of these and other such countries (cf. the relative lack of such resources in the case of China and India) to be entrepreneurial.

V. Leadership in National and Local Government

Governments are generally recognised to play an important role in national economic development, although there is no consensus on precisely what this should be: however, they must not only try to select and develop an appropriate economic model, but also ensure social justice and an adequate infrastructure (institutional, educational and otherwise) to optimise the socio-economic environment and determine the underlying core-values (*e.g.* the importance of democracy, the alleviation of poverty, environmental concerns) in response to the inevitable imperfections in either information availability or the markets themselves. This contrasts with the market fundamentalist standpoint of the Washington Consensus, which assumes that the inefficiencies in the markets are less than those on the part of governments (so that governments are part of the problem, rather than players in the formulation of solutions). Thus there is the need for a more balanced view, where the strengths and weaknesses of both the national government and the nation's markets are recognised; and a balance is sought to take into account their respective potential contributions to future development (Stiglitz, 2003).

Friedman (2006) has argued that it is likely that Ricardo's theory of comparative advantage, where individual countries each create their own niche in the global market by specialising in an appropriate range of activities, will still apply in the third era of globalisation, except that the nature of these specialisations will change more rapidly with time. Thus, it is important that countries need to identify their strengths and weaknesses, and then dynamically enact policies which allow them to create the necessary friendly environment for their businesses and entrepreneurs through infrastructure, education and governance.

1. Evolution of Economic Changes Stiglitz (2003) has argued that when – as always, especially in developing countries – markets are imperfect and information is incomplete, then Adam Smith's 'invisible hand' fails to ensure that market forces and the desire for profits will result in the most efficient outcomes. Thus free market policies are flawed, and there is the need to establish a measure of government intervention: an emerging consensus which contradicts a fundamental assumption of the Washington Consensus. For example, despite free-market ideology, markets are often not self-regulating, and government intervention is necessary for stability and the avoidance of cycles of boom and bust. Also governments may require to create markets in the first place – for example, for student loans (Stiglitz, 2003).

Stiglitz (2003) has likened the banking system to 'the brain of the economy': financial leaders should aim to allocate capital to competing uses in the most effective manner, so that it produces the

highest yields. Otherwise, when money to business is cut back, this will set up a positive feedback where companies cut back on production: the resultant lower incomes, depressed profits and increased bankruptcies leads to further bank cut-backs in a vicious cycle. Also, without adequate supervision, weak banks with a low capital adequacy ratio may offer very risky loans: if their gamble – that these loans will generate high returns – fails, then so do they, but at greater cost to the government than if they had not tried to postpone failure by taking out these risky loans in the first place. However, in times of financial troubles, such supervision needs to be applied judiciously, otherwise the situation may be made worse, as with the IMF intervention in the East Asian crisis (Stiglitz, 2003).

To ensure macroeconomic stability, there is the need for a developing economy to give promotion of exports priority over the removal of barriers for imports: a philosophy contrary to that of the Washington Consensus (Stiglitz, 2003). Thus, successful developing countries have implemented market-friendly strategies to encourage investment and boost exports during the second era of globalisation. Such 'competitive flattening' is likely to continue, with countries (and inland provinces in China) giving tax breaks, subsidies and other incentives to attract off-shoring (Friedman, 2006). Thereafter, markets can be liberalised progressively, as increasing exports lead to job creation – an ongoing process, in the case of China, for example (Stiglitz, 2003).

Economic programmes for developing countries thus require careful planning of their pace and sequencing in order to achieve their aims, as well as transparency in their advocacy: developed countries have slowly evolved to their present state through the progressive enactment of economic and legal changes in their systems, and there is the need for care in recreating similar systems in developing economies to avoid undesirable side-effects. Consequently, whilst the IMF has generally recommended a 'shock-therapy' approach to the re-organisation of economies when there is evidence that they are facing imminent crisis, a more carefully thought-out, 'gradualist' approach involving sequential, tandem improvements in both the underlying economic and legal frameworks is likely to be more effective (Stiglitz, 2003).

- Trade liberalisation – where government interference is removed, with the aim of ensuring that productivity will be determined by comparative advantage to maximise efficiency – should be introduced in such a way as to ensure that, as old inefficient jobs and practices are eliminated through competition from outsiders, new jobs are created to absorb the slack and thereby minimise insecurity and social and economic upset. This means that there is a need to avoid fiscal austerity and recession, when higher interest rates will discourage business investment and job creation.
- Liberalisation of financial markets in developed countries has taken place relatively late in their evolution: but removal of controls on trans-border money flow mean that this exposes a country to risks, and may be destabilising unless there are appropriate regulatory structures in place.
- Similarly, privatisation needs to proceed with caution: it presumes a lack of cronyism, and that markets will develop to fill the vacuum – perhaps wrongly, which was why the government stepped in in the first place. Also, privatisation of government assets needs to take into account social costs (especially if there are no safety nets), including erosion of the middle class; it needs to be integrated with other components of a macroeconomic programme (*e.g.* low interest rates) to ensure that job creation at least balances job destruction; and with legal and other provisions so that it does not create cartels and monopolies, or other forms of corruption, and thus higher prices.
- Part-and-parcel with this is the need to develop adequate legal frameworks to handle bankruptcies, when ownership of a business in the interregnum between the current owners

and future creditors is no longer clear-cut and it is thus prone to asset-stripping unless trustees are appointed. Similarly, the trust inherent in making exchanges in market economies should be backed up by laws to make contracts enforceable.

Privatisation and liberalisation, together with the stability which is meant to result, are supposed to serve to attract foreign direct investment and thus fuel growth. However, care is required in managing these downstream events. Thus, the influx of foreign companies can often overrun developing local businesses and then establish monopolies. Also, foreign banks may ignore the needs of a country's small and medium businesses and other local concerns. Furthermore, these investments may result from special privileges as a result of corruption, especially for natural resources; this undermines democratic processes, and may not promote growth – there is a dual economy, with pockets of wealth, and may lead to the 'Dutch disease', where influx of currency raises the exchange rate, making imports cheap and exports expensive (Stiglitz, 2003).

However, Friedman has emphasised that macroeconomic reform alone is insufficient in the third era of globalisation. Governments need also to formulate and enact policies which will provide their people with access to the necessary infrastructure to support connectivity with each other and the rest of the world, the appropriate education programmes and the right governance (tax systems, trade and investment laws, research and development facilities and – most importantly – inspirational leadership), so that individuals can better realise their latent talents and more easily open a business which will allow them to overcome poverty and compete in the international arena (Friedman, 2006).

This is important because capital migrates not to areas with the cheapest labour, but to those with the most productive labour at the cheapest price: where infrastructure is competitive, education is best, and supportive governance favours creativity (Friedman, 2006). Thus, East Asian governments have also enacted policies to channel the development of their economies – including their markets – in particular directions, supplemented by policies to increase their populations' education and to facilitate technology transfer; as well as ensuring social cohesion through decreasing poverty and reducing inequality (Stiglitz, 2003).

2. Evolution of Social Changes In the past, the differences between the developed and the developing world have resulted in marked asymmetries. Thus there has been a paternalistic (at best) attitude of developed nations towards developing ones, which has favoured the continued development of the former at the expense of the latter. However, there was also a brain-drain from developing countries in the region and elsewhere, where trained professionals (scientists, engineers, etc.) were drawn from the developing to the developed world to further their education and fill well-paying vacancies – so that expertise and business activity was concentrated in centres of more-or-less specialised excellence – which would otherwise be unfilled because, Friedman concluded, science and technology have become less attractive in the developed world: they are regarded as 'non-fun' subjects requiring a lot of investment in study-effort.

In the future, social changes are likely to be profound. The growing influence of developing countries in the global economy (Woodall, 2006) is likely to ensure that the traditional, verging on neo-colonial, influence of the developed world is at least likely to be neutralised.

On the one hand, populations of many developed nations are entering a period where they are increasingly skewed towards older people: this trend towards senescence means that there is an inevitable increase in the dependence of these countries on the importation of (cheaper) outside labour, together with various forms of expertise, in order to try to maintain their standard of living.

On the other hand, developing countries have an increasingly urbanised society with greater access to the media and the art of what is possible: the standard of living is assuming an ever-increasing impact on people's ambitions, so that they want to leap the fence to greener pastures and join developed societies on the other side. Thus there is increasing desire to join the middle-class, at

least in name if not in financial actuality. Directly, this creates pressures for governments to meet the aspirations of their populaces; indirectly, the resultant increase in the middle-class creates pressures on governments to introduce frameworks favouring a more open and democratic society, and the rule of law. This contrasts with the stance of the Washington Consensus, which denies the relevance of considering the ramifications of any such social transformations – and the consequent stresses arising from a re-evaluation of traditions – which occur during development and the need for globalisation, and which can serve to retard or reverse the latter. Thus, in the face of continuing change and continual evolutionary pressures, there is the need for governments to maintain their 'social contracts' with their citizenries, and ensure 'fairness' despite the threats of disruption. Such 'social capital' is the "glue which holds society together", and was destroyed during *e.g.* the Russian crisis where the social contract was violated (Stiglitz, 2003).

As a result, there is the need for mainly agricultural Asian nations to encourage the creation of industrial and post-industrial jobs, both to reinforce their economic independence and to satisfy their people's growing expectations in the face of increasing contact with the developed world: there is the need for social evolution, to avoid the spectre of revolution. The third era of globalisation is playing a crucial role in satisfying this, particularly after the bursting of the dot-com bubble and the resultant need for competitive businesses to lower wages and other costs (Friedman, 2006). Thus, out-sourcing of specific jobs, together with the off-shoring of whole operations, from developed nations (including Japan) represent important potential sources of foreign revenue to obtain greater economic stability, sustain the evolution of a substantial middle class, and thereby promote political stability.

This need to anticipate societal changes is reinforced by the fact the increased opportunities for out-sourcing and off-shoring from the developed world to developing countries are augmented in those of the latter which take steps to deregulate and otherwise improve their economic performance. Such measures place increasing pressure for the elimination of sources of inefficiency and friction, for markets and businesses alike. This is having potentially profound implications for national characteristics in developing countries: for habits, cultures and traditions; and for various institutions with non-market values, such as religious practices and nationhood, which promote social cohesion (Friedman, 2006). Also, in many developing countries, most of the land is owned by only a few rich people – the majority sharecrop for them as tenant farmers, and so have little incentive as a result of what is effectively a large tax-burden upon them. Thus necessary land reform (as in *e.g.* Taiwan, Korea) to open up the economy will necessitate large social changes, which are resisted by those in power and who deal with international institutions (Stiglitz, 2003).

Thus the effects of ongoing globalisation are likely to lead to a degree of economic instability as a result of these and other social developments. As a consequence, political stability is also likely to be threatened. Compassionate leadership will be required to identify and implement a broad range of policies, so as to not only level the playing field between countries but also that within. These potentially profound social changes (including empowerment of the individual), together with those from the reversing of the brain-drain of the previous half century – with the return of professionals (and their families) who have become adapted to life in a different society – will require enlightened national leadership in order to ensure a smooth evolutionary progression. As part of their tight-rope walk to the future, they will need to identify which frictions and other values ought – or need – to be preserved in the new era. Enacting the necessary reforms in democratic societies will thus depend on leaders who understand the implications of implementing a broad range of policy-decisions; but are also able to forego personal interests in their efforts to push for the necessary changes, and are also good sales-people, so that they can win over the populace to make short-term sacrifices and work together towards a common goal, rather than just let matters slide (Friedman, 2006).

Moreover, this ongoing globalisation also requires active participation of all sectors of the population, not just the government. There is thus also the need for changes in cultural mind-set, so

that individuals are more trusting: they are both more prepared to work together collaboratively, and also more open to outside influences, so that the latter can be readily accommodated and tailored to the local environment (Friedman, 2006). Thus, leaders will need to educate their people about globalisation and what is required of them as the economy changes from one of lifelong employment to one where the individual's goal is lifelong employability. Because the latter is dependent on flexibility and versatility, political leaders (and also employers – possibly as a result of government subsidies or tax incentives) need to provide people with opportunities for lifelong learning (including via the internet) and also portable benefits (pensions, health care) to facilitate mobility. Friedman considered that it is important that the welfare state be redesigned in an appropriate manner (rather than its safety nets simply being discarded), to avoid political backlash, especially when the system is stressed in times of recession.

VI. Leadership and the Elimination of Poverty

Trickle-down theories, where the initial benefits of growth to the rich will be passed on to the poor, are invalid, despite the assumptions of the Washington Consensus: growth does not automatically lead to poverty reduction. Thus East Asian countries adopted pro-poor growth strategies, including measures to increase educational opportunities and to prevent increased inequality in the face of growth, so that social and political stability were maintained (Stiglitz, 2003).

Despite the 'flattening' of considerable areas of the world, poverty traps mean that many in these and other portions of the globe are being denied this hope because of illness (as a result of AIDS, *etc.*); and/or through the lack of one or more of adequate food, potable water or regular electricity; and/or due to failings in their government (Friedman, 2006). Thus, globalisation has conspicuously failed to obviate poverty in Africa and countries of the former Soviet Union (Stiglitz, 2003).

1. The Millennium Development Goals In recognition of this, the United Nations Millennium Declaration, adopted by 189 nations and signed by 147 heads of state and government in 2000, included the identification of eight Millennium Development Goals. All countries and all leading development institutions in the world agreed to achieve these Goals by 2015, and thereby reduce the global situation regarding poverty, relative to as a baseline.

Goal 1: Reduce the incidence of extreme poverty and hunger

Goal 2: Achieve universal primary education

Goal 3: Promote gender equality and empower women

Goal 4: Reduce child mortality

Goal 5: Improve maternal health

Goal 6: Combat HIV/AIDS, malaria and other diseases

Goal 7: Ensure environmental sustainability

Goal 8: Develop a global partnership for development

2. Their Implementation In 2005, the UNDP, the World Bank and various other bodies assessed the progress in achieving these goals, to determine whether commitments were being fulfilled, whether implementation was on track to achieve the desired targets, and whether any further steps or fine-tuning was necessary.

The World Bank's 'Global Monitoring Report 2005' concluded that, as part of their five-point agenda for achieving MDGs, target countries must both own and lead poverty reduction strategies for their development; the overall strategy of each for achieving the Goals must be built around the need for good governance, with effective measures to promote economic growth and fiscal

management; and effective management and adequate financing be allocated for the scaling-up of basic educational and health-care services. In addition, leaders in developed countries need to at least double Official Development Assistance over the next five years. Another requirement, that world leaders complete the Doha Round by 2006, has unfortunately not been met.

Similarly the UNDP, in their 'Human Development Report 2005', identified three 'pillars of cooperation'. However, each of these 'pillars' is needing 'renovation', since human development is slipping behind in some important areas, so that existing inequities are continuing to widen. Thus, unless there is "a renewed commitment to cooperation with practical action, the Goals will be missed, ... the promise to the world's poor [will be] broken". The three 'pillars' which they identified, and the cracks which needed to be patched up, are:

- A. Development assistance through international aid has problems as a result of:
 - under-financing, so that funds are inadequate for countries to invest in achieving the Goals (despite the fact that whilst per capita income in rich countries has increased by \$6,070 since 1990, per capita aid donations have only increased by \$1, compared with \$10 for military spending);
 - poor quality (because there has been a slow implementation of the Paris declaration on Aid Effectiveness), where aid may be unpredictable (making planning difficult, especially when donors fail to match prior commitments with actual money), be uncoordinated, be tied to goods and services provided by the donor, or have other high transaction costs;
 - lack of the recipients having 'country ownership', so that they have to raise costs in an effort to set targets and otherwise comply with conditions dictated by donors.
- B. International trade has the potential to be a powerful driver of human development, but –
 - barriers maintained by rich countries against developing countries (but not other rich countries) – at variance with their avowed commitment to the Goals – still act to depress poor countries' economic growth and thus their rightful share of global prosperity.
- C. Security and freedom from conflict is an ideal, but –
 - purchasing of exports from conflict zones continues to provide funds for the purchase of weapons.

There has been a recent growing realisation that development institutions like the World Bank share common goals with religious traditions in the alleviation of poverty and its attendant problems; and that there is the need for a symbiotic dialogue between these two in order to maximise the benefits from their working together synergistically. To this end, bodies such as the World Faiths Development Dialogue have been established, which seek to promote networking and a constructive dialogue – whilst overcoming the many prejudicial barriers – between (secular) development institutions and religious institutions, so that their common goals of reducing poverty and human suffering can be best realised.

3. Additional Strategies Because many governmental leaders in the developed world have failed to match their commitments to help meet the Millennium Development Goals, philanthropy has emerged as a potentially important alternative to offset at least a small proportion of these failings. Thus, donors who have benefited from the process of globalisation are now becoming important players in the drive to help 'flatten' the rest of the world (Bishop, 2006; *The Economist*, 1st July 2006, p. 69 *et seq.*). Their efforts are often targeted at the solving of problems which have defied conventional approaches, and may not be viable economically: thus they are prepared to take risks

and go where private business and foreign governments fear to tread, and public bodies unfortunately fail to give adequate consideration.

The largest such fund is the Bill & Melinda Gates Foundation. Recalling the trail-blazing initiatives of the Rockefeller Foundation to provide developmental aid to the third world, its goals reflect those of the UN Millennium Development project (especially those regarding poverty and health); however – as was also the case with Rockefeller – there is additional money available for research and development, to further the ideals of these Millennium Development Goals. Befitting this third era of globalisation, the fund has been supplemented by monies out-sourced from other philanthropists. Also, this and many of the other various foundations have become more pragmatic and focused in their disbursements: so-called 'philanthrocapitalism', whereby modern business practices are applied in order to maximise value for the money donated to achieve specific goals (including in partnership with private companies).

As recently recognised by the Nobel Committee, microfinance is emerging as another important vehicle to help reduce poverty in the developing world through providing financial services for poor people who lack collateral (*The Economist*, 5th November 2005 – *A Survey of Microfinance* Special Report).

VII. Leadership in Science, Technological Innovation and Environmental Issues

In the past, education has played an important role in national development: this is implicit in the fact that basic education is a key component of the Millennium Development Goals. Thus, for example, the demise of agricultural employment through mechanisation in the United States, which resulted in employment in this sector decreasing from 90% to 3% of the workforce, meant that high-school was made compulsory around the start of the last century, so that people were empowered and could make the transition to finding alternative forms of employment (Friedman, 2006).

1. Education and Empowerment Jeremy Sachs (quoted by Friedman, 2006) has pointed out that, with the dawning of the era of science and its technological spin-offs, societies progressively became enabled to transcend living at subsistence levels. Thereafter, the accelerating accumulation of scientific knowledge (and the consequent feedback loop of proliferating technological developments) has not only made possible a progressively more sophisticated, insulated life-style; but also both permitted and required a progressively more elaborate education system.

2. Education and Life-long Learning Likewise, in the transition to the third phase of globalisation, education must play an important role in the empowerment of the work-force, as it adopts and adapts to continually evolving technologies. Friedman (2006) proposed that, apart from a solid grounding in the fundamentals, there should also be an appropriate education (including at least two years of tertiary education) to help individuals to cope with the greater demands of the newer, more complex jobs with greater added value. Thus, there is the growing recognition world-wide that there is the need for broader access to quality higher education, long considered as a right in developed countries, as a primary engine for social evolution and a promoter of social mobility (Gregorian, 2006). However, this is dependent not just on the political will to ensure all deserving individuals can get access, but also on the provision of adequate funding to ensure that the quality is of a high enough standard. Furthermore, there needs to be a matching of the programmes taught (with scaled incentives to encourage students to pursue the less popular ones) with society's future needs, and thus the job-openings which await graduating students, to avoid discontent and disillusionment. To some extent, the setting up of offshore branches of established universities and/or the use of distance-learning approaches can serve to ensure both quality and quantity. However, the increased ease of access to information on the internet will also call for a revolution in the education system and the role of teachers.

The accelerating pace of technological innovation will also require increased emphasis on life-long learning to ensure life-long employability: in future, individuals will have to become more flexible 'versatilists' (Friedman, 2006), who progressively build upon and supplement their skills throughout their working life to help them to compete for new types of (ideas-generated) jobs.

3. Basic Research and the Development and Transfer of Beneficial Technologies Universities have an additional role as centres with the necessary infrastructure for research and development, and thus as foci for innovation. However, innovation also requires trust, to encourage not only collaborative ventures but also risk-taking and the ability to attract money for investment: thus there is the need to develop and maintain well-run capital markets with risk protection for minority shareholders who provide venture capital (Friedman, 2006).

Downstream, there is the need for foresight and insight in the implementation of the resultant medical, and agricultural and other environmental programmes; and for the continued growth and evolution of industrial and post-industrial activity.

4. Environmental Issues The Industrial Revolution and the first era of globalisation heralded global effects on not just trade relationships but also on the environment; particularly since then, there has been progressively increasing pollution and habitat destruction, with increasing evidence for cumulative deleterious effects on global 'physiology'. Diamond (2006) has provided a broad

perspective on the looming problems which confront mankind – and the options open to us if our socio-economic fabric is not going to be ever more severely strained – in the context of the sequelae which have led to the demise of various societies in the past.

Whilst the cyclotron of scientific discovery and technological innovation has led to a marked improvement in the human condition over just a few centuries, its long-term consequences are only now starting to be felt. As a result of medical developments and the resultant increase in population growth (which can create socio-economic pressures: for example, the Rwandan genocide of 1994), together with the general increase in standards of living (and the expectations thereof, for developing countries), this is leading to ever-increasing impact of the global population on our planet, with profound implications about whether this growing suite of environmental impacts will render our future tenure unsustainable. On top of this, the continued development of Asian countries is driven by their understandable striving for the standards of living already achieved by developed countries: in a sense, they are "green with envy". However, the drive to achieve these goals is being accomplished by 'non-green' means, placing the increasingly fragile global environment under yet more stress: current evidence indicates that we may have only 50 years to come to terms with, and then try to solve, the global problems we have been creating (Diamond, 2006).

The momentum of these changes is increasing as a result of continuing globalisation: the vast populations of China and India (and others in the developing world) naturally aspire to achieve the same socio-economic status as those in the first world, and increasingly are acquiring the economic power to realise these understandable ambitions. Thus, for example, the accelerating development of China and the drive of its rapidly urbanising population to achieve a developed world standard of living (and hence a comparable per capita human impact: the average resource consumption and waste production of one individual) is posing major environmental problems for the region and beyond; problems compounded by the fact that the economy is mainly using inefficient, out-of-date polluting technologies. The drive for development means that this is given priority over the enforcement of laws regarding environmental protection and sustainability, although outside pressure has been effective in tying development to good environmental management (Diamond, 2006).

Now, there is growing evidence that society in general may be in danger of succumbing to a malaise due to the cumulative consequences of past actions. Whilst the views of Lomborg (2001), and the subsequent short-term cost-benefit analyses of the 'Copenhagen Consensus' by a myopia of economists, have set out to counterbalance this viewpoint, they have failed to neutralise the growing consensus amongst scientists and others (*e.g.* Stern, 2006; Intergovernmental Panel on Climate Change, 2007) that mankind is at a crossroads, and that a balanced leadership – who can stand aloft from vested commercial and other interests – is required for us to change direction and choose the correct road to follow, using exploratory models to determine the most robust optimising strategies (*e.g.* Popper et al., 2005).

Of all the looming threats to mankind's future, the most wide-reaching is that of global warming. The increasingly unbridled combustion of fossil fuels (as one source of carbon dioxide and other greenhouse gases), together with a decrease in potential carbon-sinks (especially as a result of deforestation), is now widely considered to be having drastic effects on the planet's climate and weather systems (Intergovernmental Panel on Climate Change, 2007). Recently, Stern (2006) has taken a more targeted approach to analysing the potential economic problems confronting human societies now and in the future as a result of these ongoing and imminent environmental changes, mainly mediated by way of changes in hydrological systems, with consequent effects on, for example, sea level, rainfall, ecosystems and agricultural productivity.

Acknowledging the limitations of using necessarily imprecise risk models to make long-term predictions, Stern's main conclusion was that inaction and 'business as usual' would mean that society is committed to an annual loss of at least 5% (and possibly as high as 20%) in GDP for the

foreseeable future, with severe, irreversible effects on the environment and thus water availability, food-production and health. Just to adapt to the local changes which result from the ongoing global warming will require planning and foresight, with the implementation of appropriate changes in infrastructure and land-use. Developing countries will suffer the most, because of their more susceptible geographical locations compounded by their poverty; so there will be the need for financial safety nets to protect the poorest segments of global society, and thus contain the potential threat of political unrest (Stern, 2006).

Historically, individual, often isolated societies have died out as a result of their effects on their environment: the case of Easter Island is a classic example. Diamond (2006) identified four main sets of reasons:

- i.* a failure to anticipate a problem;
- ii.* a failure to perceive a problem once it had already arrived;
- iii.* a failure to try to solve a problem once it has been perceived; or
- iv.* a failure to succeed in efforts to solve the problem.

The first two are a product of ignorance – through wilful self-denial or otherwise – of the decision-makers, if only because they are distant from the site of the problem. On the other hand, the latter two sets of reasons are the result of a failure of leadership to show an adequate response. This failure may take many forms (Diamond, 2006); and it may arise from irrational behaviour (for example, religious values), or from rational behaviour (note that 'rational' and 'irrational' are economists' terms).

Diamond (2006) identified several mechanisms whereby rational behaviour could lead to a failure to adequately address a perceived problem. For example, there may be conflicts of interest between short-term gains – to society as a whole or to an isolated elite – and costs to society in the longer term in the exploitation and subsequent pattern of utilisation of natural resources (sustainable or otherwise). Such problems can be easiest avoided in the case of shared, easily circumscribed and potentially sustainable resources, where the risk of a potential 'tragedy of the commons' can be minimised by privatisation, or by regulation either by an outside body or by consumers.

Whilst rational behaviour by individuals is directed towards the acquisition of short-term benefits (which could presumably be political rather than purely economic) for themselves or for their groups, irrational behaviours are harmful to all because they are driven by non-economic considerations. Typical examples of irrational behaviours are core values, including those derived from faith systems; they are thus deeply held and resistant to rational modification and optimisation in response to changing circumstances. Thus irrational behaviours have been blamed for the demise of societies – for example, Easter Islanders, and the Greenland Norse.

Diamond (2006) has identified two contrasting alternatives in societies which have succeeded in resolving their environmental problems in the past: bottom-up and top-down. The first is found in small communities (and also in the Indian caste system), whilst the second is characteristic of larger, hierarchical communities. An insightful example of a top-down solution is Japan, during the period of the Tokugawa shogunate, when peace and prosperity led to population growth and pressure on the environment, including deforestation (for construction materials, fuel and to open up land for agriculture, to maintain the country's self-sufficiency). To deal with this problem, a rigid practice of forestry management was developed, which was made easier to implement because of the uniform institutional structure. This top-down solution, imposed by the shogun's bureaucracy, was made possible because of the ruling class's long-term vested interests in the future of the country, and the fact that the economic system side-lined the seeking out of short-term gains.

Considering mankind's current predicament, and more specifically the problems engendered by the evidence for global warming, Stern (2006) concluded that, whilst *laissez-faire* inaction would lead to irreversible environmental deterioration and annual loss of at least 5% (and possibly as high as

20%) in GDP for the foreseeable future, taking immediate, suitably firm measures to mitigate these trends over the next 10-20 years would incur long-term costs amounting to about 1% of annual GDP. Although the first, and thereafter the main, victims of climate change will be the inherently-vulnerable least developed countries, warming is a global problem requiring international cooperation to identify and implement solutions. Thus there is the need for a shared perception of what needs to be done, not just to forestall further increases in greenhouse gases (requiring emissions to be reduced to about 20% of current levels), but also to adapt to climate changes which are already inevitable; and for international agreement (*e.g.* a much beefed-up Kyoto Protocol, with all countries as signatories in partnership) on the means by which to achieve these goals.

To mitigate against continuing climactic changes through unrestrained business-as-usual activities, and thus to decouple continuing growth and development from greenhouse gas emissions, Stern concluded that credible long-term globally-enforceable policies would need to be enacted to:

- increase the costs of carbon-based fuels – *e.g.* by emissions trading, so that money can flow to less-developed countries, including to encourage reductions in deforestation; or by taxes so that consumers are forced to pay the full social cost of their activities;
- support the cooperative development of low-carbon alternative technologies, including with increased public expenditure on research and development; and
- increase energy efficiency, including by recruiting the population as a whole to act responsibly.

In addition, developed countries will need to increase aid provision to help less developed ones to adapt to the inevitable changes resulting from the already-existing elevated levels of greenhouse gases: this should be so, if only because the very success of developed countries has driven global warming as a consequence.

Diamond (2006) has pointed out that, ultimately, it is not business but the public, either directly or through politicians, which is responsible for ensuring environmentally-friendly practices. Apart from exerting pressure on governments to enact legislation (a top-down approach) to make business more eco-friendly, Diamond noted that the public can exert a more direct effect on private businesses through consumer-pressure. For the latter, bottom-up, approach to be successful, the participants need to be able to organise and regulate themselves: they must constitute a homogeneous, well-defined population who trust and communicate with each other, and who share a common future (Diamond, 2006). This set of requirements is well met by members of a religion, suggesting that faith-systems represent a large, largely untapped, source of potential bottom-up incentives for promoting a more realistic, sustainable approach to mankind's continuance on this planet. [Indeed, Cook (2005) has described the Catholic church as "the most impressive and durable nongovernmental organisation in the history of the world".]

VIII. Leadership and Corporate Development

With companies going global, their interests and requirements, and thus their loyalties, are no longer tied to the nation where they were originally founded and may have remained headquartered; thus, they will out-source to meet the best interests of management and investors, regardless of the perceived threat to jobs and the interests of politicians (Friedman, 2006). Moreover, the decentralised nature of multinational corporations favours a different type of leadership: a more meritocratic system rather than the more concentrated oligarchic control typical of small and medium enterprises.

As noted in Section III, and also by Friedman (2006), change is unpopular, but necessary for economic growth: the most successful companies are those whose leadership recognises the need for change before it becomes a necessity; and thus have developed strategies to take advantage of the new opportunities, or at least to try to counterbalance the imposed changes. More than ever, globalisation requires an analysis of a company's organisation to identify its strengths and

weaknesses; its sources of income and outlay; and thus what should be out-sourced in a collaborative effort to enhance innovation and growth prospects, rather than merely to save money (Friedman, 2006).

As a result of the 'convergences' (Section I) which have served to promote globalisation, supply-chaining has also been much developed. This allows horizontal collaboration between suppliers, retailers and their customers, epitomised by WalMart short-circuiting the process by excluding any other middlemen. At the global level, it allows goods to be obtained from the best producers at the cheapest prices (through balancing reliability with cost); and supply to be matched with demand, so that there is just-in-time inventory. Thus information is pre-eminent, so that the vagaries of both the supply-side and demand can be anticipated, and their potential impact smoothed out as much as possible (Friedman, 2006).

Supply-chains bring out the conflicting expectations of the producer, the consumer and the conscientious citizen: there has emerged the need to seek a balance, so that the leverage of low prices for the consumer should not be the holy grail – there is the need to ensure that the basic rights of producers and the retail staff in a civilised society have the respect that they deserve, rather than capitulating wholesale to the sacred cow of consumers' (and share-holders') expectations. Social responsibility means that cost-cutting should not result in an increasing burden to the tax-payer as a result of increased reliance of the employees and others on social security and other 'hand-outs' of established safety nets (Friedman, 2006).

There is also the continuing need for corporate responsibility in abating corruption; and the ever-growing need to minimise environmental impact. Regarding the latter, Diamond (2006) concluded that it is ultimately not business but the public, whether directly or through the recruitment of politicians, which is responsible for ensuring environmental friendliness. However, businesses may perceive that it is to their advantage to take the lead and anticipate consumer demands by setting their own house in order. Thus, Diamond (2006) identifies the non-profit Forest Stewardship Council and Marine Stewardship Council, with certification of their respective products, as being a response of the main players in these respective industries to try and develop a sustainable supply of harvestable primary products and thereby improve their profile in the eyes of the consumer and their shareholders. Similarly, in the absence of global governance, Friedman (2006) reports that an NGO, Conservation International, seeks to collaborate with big business to try to introduce socially responsible solutions to sources of supply which favour the environment and producers as well as the consumer, and thereby improves image of the business. In another such collaboration, HP-Dell-IBM are setting up Electronic Industry Code of Conduct for their supply chain.

Thus, in the third era of globalisation, consumers can take on a leadership role: the power of the internet means that word can be rapidly spread about irresponsible environmental (and other) practices to embarrass big business. Friedman (2006) considered that there is the need for education of consumers about their buying power, so that they can be active players in this bottom-up form of leadership.

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The Characteristics associated with Leadership

Traditionally, leadership traits have been identified as those which characterise individuals who have a vision of the future, which they endeavour to realise by (acquiring and thereafter) exerting power and coercion. For example, the United States Small Business Administration has identified the following core of characteristics –

- *Practical intelligence*, so that they can make rapid, balanced decisions after seeking informed opinions and minimising subjective considerations.
- *Emotional stability*, with flexibility and openness to change, an optimistic outlook, and the psychological maturity to handle frustration and stress.
- *Self-control*, so that they are careful in making decisions and in social relationships, using foresight to anticipate and preempt situations which may damage their reputation.
- *Thoroughness*, so that they are organised and self-disciplined, being driven to have high expectations of themselves and their work, and also of those with whom they work.
- *Self-assurance*, so that they have the security and confidence to recover from past mistakes and act without the need for approval.
- *Assertiveness*, so that they are competitive and enjoy challenges, to which they respond with decisiveness; and they are willing to exert authority and influence to achieve their desires
- *Energy and enthusiasm*, so that they get actively involved in what they are doing
- *Daring*, so that they are aggressive and willing to take various kinds of risks.

Changes in the nature of leadership of contemporary organisations mean that, in addition, today's leaders are increasingly required to also have:

- *Vigour*, so that they can remain alert and focused for long hours, including coping with any need for travel
- *Maturity*, so that they can allow the personal development and empowerment of others with delegation of power, meaning that more can be accomplished than by dictats.
- *Empathy*, so that they can understand the feelings of others and thereby both build up feelings of trust and foster the capability for team-work.

- *Intuition*, where they have developed the art of making reliable decisions in situations when a surfeit of information may preclude a completely rational solution.

Leaders and Managers

Even with the 'flattening out' and tendency for democratisation in the leadership of contemporary organisations, there remains the necessary distinction, in larger organisations, between leaders who are predominantly responsible for driving changes; and managers, whose main function is downstream, to try and implement the requisite change processes in order to achieve the desired end-point. Thus, there must still be a hierarchy: the main difference is that there is increasing feedback, in order to sensitise leaders to an increasing diversity of problems – whilst the bottom line is still profits for business, and votes for politicians, the situation is complicated by the need for other considerations.

The United States Small Business Administration has identified various characteristics which serve to differentiate leaders from managers, according to various categories.

- *Personality* – On the one hand, leaders are often solitary and individualistic non-conformists, who are imaginative and passionate about what they do. On the other hand, managers are required to analyse particular situations and use logic to solve specific problems or achieve specific predetermined objectives; many of their dealings are with people, so that they must interact well with others, and be tolerant yet tough when the situation requires.
- *Attitude toward goals* – Leaders formulate and develop new ideas and directions; managers, however, must use existing information rationally to plan how to respond in order to attain or maintain these predetermined goals.
- *Attitude to work* – Leaders like risk and dislike routine; they prefer the challenge of confronting and solving long-standing problems, or of identifying new, potential fruitful avenues to explore; and thereafter inspiring others to stretch themselves in pursuit of new goals. Managers, on the other hand, consider work to involve identifying strategies and tactics to implement plans for getting people to achieve objectives; and thereafter monitoring progress, with fine-tuning as and when necessary. Managers also tend to be risk-averse and prefer routine, where they can use their 'people-skills' to negotiate and compromise in order to ensure that predetermined goals can be attained.
- *Relations with others* – Leaders tend to be charismatic and excite strong feelings in others, so that relations may be tumultuous despite their reliance on insight and empathy to understand people. On the other hand, the nature of their work means that managers prefer working with other people, both at the collaborative and the supervisory level; they are thus adept at the arts of persuasion and compromise to smooth over personal differences and thereby motivate and mobilise people to achieve the desired objectives, whilst at the same time being able to maintain a low level of emotional involvement in interpersonal relationships (so that they may be considered as as inscrutable, detached, manipulative, or worse).
- *Personal history and sense of self* – Leaders have often faced adversity from early in their lives, and have derived drive and inner strength from having to understand their personal problems, and then successfully confronting them; they are comfortable with change; in their sense of self, they often feel distant from the organisations within which they work, and their functions therein. On the other hand, managers have generally grown up in a relatively stable environment; they are sociable and continue to strive for stability, and are thus conservative in nature.

