



For Industry 4.0 - CEO 4.0

Why a dialogue on management among CEOs, who are the real drivers of the economy, is lacking in Bulgaria? Turns out there are at least 11 barriers on its way

Three to five years from now the world won't be the same, forecasts PricewaterhouseCoopers. But exactly what it would look like no one yet dares to say. Digital technologies become disruptive factor №1 for business – from consumer behavior and how we will be doing business to how CEOs will lead organizations.

In Germany they call this digital wave “Industry 4.0”, in the US - “Industrial Internet of Things”, “Internet of Everything”, others dub it Fourth Industrial Revolution¹. No matter what

we call it, this change is quiet, profound and fast and will take place not in stages, but simultaneously everywhere on the planet. Cisco estimates by 2025 it will bring \$14.4 trillion new private sector profits. It is potentially the biggest

since mechanization, electrification and computerization. “Internet of things” is “the intelligent connectivity of smart devices by which objects can sense one another and communicate, thus changing how, where and by whom decisions about our physical world are made. In the US its application is manufacturing is called “Industrial Internet of Things”.

Industry 4.0 is an initiative of the German government for digitalization of manufacturing in order to ensure the country will remain a manufacturing power in the future.

¹ Terms, describing the Fourth Industrial Revolution

business opportunity in the history of mankind.

In Industry 4.0 the CEO is in the eye of the technological tsunami. How will this change management? Imagine that you are driving a race car in an electronic game and you are moving to its next level, where the speed is 50 times higher, and all around you cars are speeding, cutting corners and overtaking you. Now, imagine that each employee is driving such a car and you as the leader need to orchestrate the game in such a way that you cross the finishing line in sync. How would you feel? How would you act? What new leadership capacity would you need?

Instead of giving a single answer, we would suggest that all of us pause and reflect for a moment on the following questions: How exactly will the CEO 4.0 look like in five years? How can current executives build CEO 4.0 leadership capacity on the go?

In the meantime, everything is calm in Bulgaria. To the contrary of all sorts of crises and waves, we manage to survive, even the economy is growing. While a conversation among CEOs *on* business management itself has never taken place since the fall of the Berlin wall. In competitive economies like the US, the UK, the Netherlands, Singapore, etc. such conversations are regular and in a variety of formats – from CEO conferences to work formats, where executives are not simply an audience, but actively think and work *on* the business. And how many CEO conferences on the management of business have taken place since 1989? One.

Why a dialogue *on* management among CEOs, who are the real drivers of the economy, is lacking in Bulgaria? It turns out there are at least 11 barriers on its way. The list below is by no means exhaustive or applicable to all cases. The goal of listing them is to see reality more as it is, because then “it would become obvious what we need to do”². That is why while reading, for each barrier ask yourself these two questions:

- 1) How this barrier limits me as a CEO and the business?
- 2) What becomes obvious that I need to do?

And don't forget that “where we stumble, our treasure lies”³.

We discovered what stops such dialogue in honest conversations with successful CEOs - from small and medium business, to corporate executives to owners exporting to over 40 countries. In their words the eleven barriers sound like this:

“A conversation on the management of business among CEOs has never taken place in Bulgaria since the fall of the Berlin wall.”

1. A habit to do it alone. A corporate executive summed it up with the saying,

² Words of one of the leading practitioners in leadership Peter Senge.

³ Joseph Campbell, mentor of George Lucas for “Star Wars”.

“If you want a thing done well, do it yourself.” A manufacturer of a company exporting to over 50 countries shared: “Those like me go it alone. There are no others like me or we are a rarity at best – we are not a critical mass.”

This is an issue abroad too. According to Stanford research two thirds of CEOs in the U.S. feel lonely at the top. What has business to lose out of this?, someone would ask. “If I’ve got nobody to talk to and I am under a lot of pressure and I have to make a tough decision, it is harder, a lot harder. And I am more likely to make a poor one.”, says Robert Kaplan, professor of Management Practices at Harvard Business School.

2. Expectation that “they know it all and can do it”. A corporate executive shared that after he entered the corner office all of a sudden everyone expected him to know it all. And without any preparation to handle the management of the whole organization which was far more complex than his duties in his previous position. Despite that, he found courage and ways to build his leadership capacity, while leading the business forward. Today he is responsible for a larger region and company portfolio. According to Financial Times, the global executive education market is worth over \$70 billion a year. INSEAD business school “credits” the demise of companies like Yahoo, for example, to the fact that corporations channel only a small chunk of these resources to CEOs precisely due to the belief that they already know and can do it all. As Richard Branson wrote in his blog recently: “When you experience success, it is easy to fall into the trap of thinking you know it all. Of course, this is the biggest mistake you could make. We all have the potential to continue learning,

and all need to be brave enough to ask for support.”

3. Lack of belonging to a profession.

In contrast with doctors and lawyers for example, it turns out that executives lack the sense of clear professional identity – many of them view their work more as a function, rather than a distinct profession. On the question “On a scale from 0% to 100%” to what extent “Chief Executive Officer” is a profession for you?, some say 35-40%, others 50%, those with 100% are an exception.

4. They are not proud that they are part of the CEO community.

On the question “On a scale from 0% to 100%” to what extent are you proud that you belong to the CEO community in Bulgaria?”, one corporate executive responded, “I have a sense of pride at about 70%, because there are 30% of CEOs who are not fit for the job.”

Another shared, “I am not sure there is such community (of CEOs) at all, let alone me feeling part of it.” The majority of responses are in the 20% range, just a few - in the 70-90% range and this shows a desire to distance themselves from peer executives.

5. Lack of trust and skepticism. The shadows from the past are jumping out of the closet too. They are either due to historical reasons: “There are people from the communist State Security Service who are running businesses. How do I know that I won’t run into them?” Or due to negative experiences in business relationships during the last 25 years: “I gave money to one CEO and he didn’t bother to return it. There is no way I would go somewhere where I

might meet him.”

“If I’ve got nobody to talk to and I am under a lot of pressure and I have to make a tough decision, it is harder, a lot harder. And I am more likely to make a poor one.”

**Robert Kaplan,
professor at Harvard
Business School**

6. Wide spread shrinking and scarcity mentality

In the words of a business owner whose company is leader in its industry globally: “How to sit down and think along with other executives since there aren’t many entrepreneurs who set audacious goals. Many businesses work on a small margin and low added value and this is where poverty comes from. They don’t invest in R&D and remain small.” And he summed it up, “Bulgarians don’t have the self-esteem to make products that are competitive on the global markets and that is why not so many of them are manufactured.”

7. Accumulated distrust in industry associations, which one executive summarized as follows: “With the exception of just a few well functioning clusters and associations, there is devaluation of the work inside them which is supposed to be aimed at the common good. Instead of caring for

businesses, they fail to create real value for their members. More and more executives participate formally.”

8. Non-market principles make the dialogue on management meaningless.

A corporate executive shared: “One CEO firmly decided not to bribe. But when the tender was announced, all other companies gave bribes and he succumbed too. Instead of companies to cross on the brighter side, it is still the other way around.” An entrepreneur cut it to the chase, “The business environment is poisoned. There are companies which are paying to win public tender and if they are not filtered out, there is no way for me to participate in a conversation about management with them.”

9. Focus outside their zone of

influence. Obviously, the frustration and the pain from the environment in Bulgaria are so great that they withdraw much of the executives’ attention and the energy out of their zone of influence. “Institutions went bankrupt both in terms of the service they provide and their value system. The education system is devalued – this is the greatest pain in Bulgaria. The judicial system – the pain is very deep there, too.” That is why CEOs need a great psychological strength in order to focus on the management and the development of their business.

10. The CEO is not on his own

radar. As one owner of a medium size business summed it up: “I constantly try to make my clients happy, my partners happy, the people on my team happy, educated, I constantly invest in them...”

And now that I am thinking about it I have forgotten myself.” This barrier shows that executives in fact forget how important they really are and that the investment in their own capacity to deal with “the brutal facts of reality”, while orchestrating the business, actually directly impacts the financial results. For example, when Kasper Rorsted, one of the most advanced CEOs in Europe, left the helm at Henkel to become CEO of adidas, the shares of the former company dropped by 4.1% and those of the latter soared by 12%.

11. Poor quality of conversations

in business. According to executives the effectiveness of conversations in business is below 50% - between 20%, 30%, 40% and rarely assessed at 50%. What most blocks it is “the lack of trust, bad previous experience”, “the need to realize that in order to understand, you need to try to listen”. Often another barrier is the “inflated ego of some executives”.

When climbing Everest, there are just a few days within the year, when Mother Nature allows the prepared to match power with her and break the limits of what is possible. Alike, in the Fourth Industrial Revolution there is a window of opportunity, where we as business to join the wave or miss it and remain a “so-so” economy. And that window is open right now.

And if the digital wave is the greatest business opportunity in the history of mankind, there is no way we catch and surf it without true conversations on management among CEOs in Bulgaria. As David Isaacs put it: “The moments when collective wisdom appears are

always breathtaking. And the appearance of such wisdom is a huge relief. We actually do know how to solve our problems! We can discover solutions that work! We’ve just been looking in the wrong places—we’ve been looking to experts, or external solutions, or to detailed, empty analyses. And all this time, the wisdom has been waiting for us, waiting for us to enter into meaningful conversations and deeper connections, waiting for us to realize that we can be wise only together.”

“When you experience success, it is easy to fall into the trap of thinking you know it all. Of course, this is the biggest mistake you could make. We all have the potential to continue learning, and all need to be brave enough to ask for support.”

Richard Branson