

**DEVELOPING HOLISTIC LEADERSHIP:  
A SOURCE OF BUSINESS INNOVATION**

# DEVELOPING HOLISTIC LEADERSHIP: A SOURCE OF BUSINESS INNOVATION

BY

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# **Preface – Age of Strategic Knowledge Creation and Leadership**

A host of innovations including the rapid extension of ICT and environmentally friendly systems are accelerating changes in industry, the economy, society, and other fields at a dizzying pace. ICT is interactively networking people all over the world and is continuing to develop as a platform that enables the transmission, sharing, inspiration, creation, and stockpiling of information and knowledge that people have. At the same time, environmentally friendly systems are becoming vital infrastructure as core technology in recycling-oriented social and economic systems. Amid these changes, a new business model based on an ICT platform has emerged. Represented by innovative products such as U.S. Apple's iPhone and iPad and the advent of new systems of technology including smart grid frameworks and electric cars aimed at realizing a recycling-oriented society and economy, this model transcends different technologies and industries and significantly diverges from the strategic model that focused on competition among firms within the conventional business world.

Underlying this new business model that traverses new developments in technology and different industries through the integration of different technologies including ICT in recent years is the phenomenon of "convergence," and this phenomenon is making conventional competition among corporations more complex. Convergence is accelerating strategic partnerships including their customers, joint ventures, strategic outsourcing, and M&A among companies at a rapid pace and is becoming a dynamic force with the potential to significantly change existing corporate boundaries.

Therefore, strategic collaboration based on partnerships among different industrial sectors, which transcends the business axes of ordinary cross-industrial competition, is becoming increasingly important as a core driver of corporate strategies. In other words, the transition from a strategy that focused on competition among companies in an industry or competition among different business sectors to strategic collaboration with various industries (companies) including their customers is becoming an urgent need for today's innovation companies.

At the same time, in recent years strategic collaboration with partners throughout the world and leadership for executing strategic collaboration are becoming pressing issues for companies promoting business on a world scale including emerging countries. In knowledge economies of the 21st century, values regarding the way individuals live and work are also changing significantly and at the same time the existence and view of “communities” such as corporate organizations and nonprofit organizations, which are the collective bodies of individuals, are also changing.

Following the rapid extension of ICT in corporate organizations in particular, companies are actively adopting methods of knowledge management aimed at the accumulation and utilization of knowledge of individuals and knowledge inside and outside the company. As a result, corporate transformation and business innovation are progressing at a global level. Nevertheless, it is important to bear in mind that even if a company adopts ICT and undertakes the transformation of its business, the most vital element in initiating strategic behavior in a company is business innovation based on the values of individuals and the knowledge and core competence accumulated in individuals.

Moreover, to promote ICT business or recycling-oriented business that intersects different industries as described above, a company must strategically adopt knowledge and core competence that it does not possess within its own company. It also requires leadership capable of generating ongoing business innovation through strategic collaboration that places importance on relationships with other partners.

Therefore, practitioners (employees of all management levels including top management) must strategically form business communities that start with the formation of diverse “Ba” with internal and external partners including customers to build organizational platforms for promoting strategic collaboration. Moreover, in addition to promoting innovation in its own core competence, a company must endeavor to absorb the core competence of superior external partners as well as promote integration and consolidation of core competence within the company.<sup>1</sup> The strategic behavior of practitioners, who include corporate leaders, managers, and all staff, in forming business communities that originate with the formation of “Ba” ultimately leads to the ongoing creation of new values in customers.

Dense strategic collaboration through the formation of such business communities promotes strategic knowledge creation processes among various organizations within and outside the company. The formation of business communities within the company is an element that enhances the

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<sup>1</sup>The author calls companies that integrate superior knowledge at a global level “knowledge integration firms.” For details, see Kodama (2009b).

company's organizational competence, and at the same time the formation of business communities among companies including customers can become the trigger for creating synergies in the mutual core competencies of companies.<sup>2</sup>

The fundamental aim of strategic collaboration based on partnerships with companies in different industries is to promote cocreation and coevolution through the formation of business communities. "Cocreation" means creating new business, new economies, and new societies together with customers and partners, while coevolution is rooted in the concept of not only developing business communities together with customers and partners, but also bringing about the development of broader economic communities and social communities.

Essentially, the most important task for a company in promoting strategic collaborations is to determine how to form business communities that will generate cocreation and coevolution inside and outside the company including with customers. To achieve that, it is essential that all practitioners demonstrate leadership that will result in the formation of business communities as an extension of the formation of diverse "Ba" within and outside the company and, simultaneously, acquire leadership that transcends the conventional narrow view of competition, that is, a strategic view of a competitive strategy within the industry or competition across sectors of the industry, to focus on strategic collaboration with diverse partners and customers throughout the world.

In other words, in today's world there is a strong demand for the kind of leadership that facilitates strategic knowledge creation through strategic collaboration across and within corporations as strategic collaboration among companies accelerates at a global level. This book presents in-depth case studies of hi-tech companies and their approaches to new strategic knowledge creation through the formation of business communities and offers a new perception of existing leadership theory through the concept of holistic leadership as a new theoretical concept.

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<sup>2</sup>The author calls innovation systems that integrate this kind of diverse core knowledge within and outside the company "hybrid innovation" (which is an intermediary form of closed innovation and open innovation, and is equivalent to half-open innovation).