**Strategic Leadership 5.0: Reality or Illusion?**

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**Keywords:** Strategic Leadership 5.0, Industry 5.0, Impact, Organizational Performance.

**Purpose**

This study explores the impact of strategic leadership-industry 5.0 (SL-I5.0) on organizational performance using an empirical model. Unlike Industry 4.0, which focuses on managing technological capabilities, Industry 5.0 radically transforms business operations, consumption patterns, and environmental protection. This shift, emphasizing human-robotic cognitive collaboration, significantly influences organizational performance. We argue that navigating this process requires strategic leadership 5.0, empirically examined through integrated models assessing performance.

**Relevant background information**

Sustainable digital transformation (SDT) challenges traditional notions of strategic leadership. As organizations strive to navigate technological innovations, integrating strategic leadership with Industry 5.0 becomes crucial for achieving competitive advantage (Chaniago, 2023; Philip et al., 2023; Hashim et al., 2022). Implementing digital transformation requires leadership across organizational layers, giving rise to the concept of strategic leadership 5.0, demanding an enhanced set of skills and practices relevant to Industry 5.0 capabilities.

1. Emerging Value Propositions: Organizations now associate value propositions with data/information bundles, aiming for a balanced benefit for customers, the planet, and the organization. This shift requires new sensing capabilities for technological development and customer-centric organizational positioning.

2. Drift in Focus: Business strategy is shifting from technology-focused (Industry 4.0) to ecosystem-focused (Industry 5.0). This transition demands a strategic leadership shift, focusing on ecosystem deployment of SDT, tactical decision-making, and integration capabilities.

3. Demand for Knowledge Workers and Process Assets: In Industry 5.0, knowledge workers and process assets are becoming key to competitive advantage. However, they only become relevant when invested in utilizing Industry 5.0 resources, emphasizing the need for strategic leadership 5.0.

The rapid transition from Industry 4.0 to Industry 5.0 highlights the urgent need to explore the evolving relationship between manufacturing technology and leadership. A universal definition of leadership remains elusive, but as Industry 5.0 unfolds, understanding its correlation with the evolving landscape of strategic leadership becomes crucial. Strategic leadership 5.0 is not just an adaptation to Industry 5.0 but an aspirational shift, demanding that leaders embrace a new decision mindset to navigate the transformative potential of Industry 5.0. Strategic leadership 5.0 challenges traditional assumptions in two keyways:

1. Co-Evolution of Technologies and Operations: Strategic leadership should reimagine itself to lead the co-evolving nature of technological change and organizational operations in SDT.

2. Human-Centric Digital Advantages: Industry 5.0 places the human element at the centre of cognitive collaboration, viewing human cognitive capabilities as the source of competitive advantage. Assimilating this phenomenon requires strategic leadership 5.0.

**Design Methodology**

This desk-based study employs a unique and systematic approach, using grounded theory (Strauss and Corbin, 1998; Mohamed Hashim et al., 2022), to comprehensively assess the impact of strategic leadership 5.0 on organizational performance. By mapping and sizing the key antecedents, forces, and elements of Strategic Leadership 5.0, this qualitative research method provides valuable insights. Our nested fundamental model (see Figure 1) establishes the empirical relationship and causal independence of variables, laying the foundation for a precise exploration of the impact of strategic leadership 5.0 on organizational performance. Additionally, researchers can apply the model to a specific context, choosing an industry or sector for a case study or conducting cross-sectional analysis to evaluate the utility and robustness of the grounded theory logic.

Theoretical Sensitivity

Suggested Tools

Nvivo/ Ucinet and Pajek

Coding Procedure of Grounded theory

Fracturing

Open Coding

*Iterative Revision*

Abstracting

Axial Coding

*Iterative Revision*

Selective Coding

Integration

*Figure 1: Fundamental model and variable view of strategic leadership 5.0*

In contrast to traditional models, we argue that organizations in the era of Industry 5.0 require creative, yet implementable empirical models. Previous scholars have employed the grounded theory approach to study, predict, and project human behaviour patterns and the logical integration of systems, encompassing patterns, facts, and real-world phenomena (Mohamed Hashim et al. 2022, Tsai et al. 2011). Researchers can utilize the grounded theory approach to analyse the definitive impact of strategic leadership 5.0 through multiple rounds of interviews with specifically targeted groups. This robust grounded theory feature is essential before establishing the specialized body of knowledge known as strategic leadership 5.0.

The proposed fundamental model draws theoretical sensitivity primarily from the existing literature on Industry 5.0 and strategic leadership. The data analysis technique includes theoretical understanding and sensitivity, obtaining necessary coding, and identifying tool requirements, as outlined in Figure 1. Using three distinct coding techniques is recommended to thoroughly examine and compile the study data. Each coding procedure is baselined for construct-theoretical sensitivity and contextual meaning, relating it to existing theories.

**1. Open coding**: This method involves breaking down, categorizing, analysing, and creating a framework for conceptualizing the data. It is specifically used to break down two separate theoretical ideas: Industry 5.0 and its integration, and strategic leadership. The conceptual model includes important characteristics, sources, and the direction of impact.

**2. Axial coding**: Following the open coding procedure, the axial coding process identifies and proves empirical and vital links between two categories. This unique method integrates coding patterns like scenario, action, results, and interaction.

**3. Selective coding**: This task picks, filters, and identifies core coding processes, creating categories that need more changes and carrying out essential validation between categories.

**Discussion**

Recent research has illuminated the need for substantial support from organizational leaders and decision-makers in navigating SDT (Mohamed Hashim et al. 2022). Notably, however, these researchers have not presented a model for empirically integrating the two distinct independent concepts. Consequently, as a value addition, this research introduces several models capturing the influence of strategic leadership on digital strategy. Thus, we divide organizations into four categories concerning the application and development of Strategic Leadership 5.0, namely: (a) Strategic Leadership 5.0 (Factual); (b) Strategic Leadership 5.0 (Perceived but in fact Illusory); (c) Management-Oriented SDT Strategy; and (d) Managing the Current Situation without transforming (see Figure 2).

Strategic Leadership 5.0

(Fact)

Strategic Leadership 5.0

(Illusion?)

***High Strategic Leadership Low***

Management Oriented Sustainable Digital Transformation (SDT) Strategy

Managing the current situation.

***Low Sustainable Digital Transformation Necessities for I5.0 High***

Figure 2 Categories of strategic leadership 5.0. (Yao et al., 2023; Mohamed Hashim et al, 2021 and 2022).

It is crucial to shed light on these four distinct categories to help organizations identify their current positioning in terms of how effectively they embrace and adopt strategic leadership 5.0 (Porfírio et al., 2021; Mohamed Hasim et al., 2022; Jones and van Hulst, 2020; Weber et al., 2022).

1. Strategic Leadership 5.0 (Fact): This reflects a competitive positioning where strategic leadership dominates the digital transformation strategy, with both being equally important priorities.
2. Strategic Leadership 5.0 (Illusion?): Organizations express strategic intent for strategic leadership primarily due to a lower investment requirement, but it lacks significant support from SDT capabilities.
3. Management-Oriented SDT Strategy: This position substantially focuses on managing I5.0 technological advancement to build organizational competitiveness, but top management does not prioritize fostering strategic leadership at the core of organizational involvement.
4. Managing the Current Situation: This is the least favourable position, indicating a clear disconnect in terms of fostering strategic leadership 5.0. Both strategic leadership and SDT are not priorities for harvesting beneficial performance.

**Conclusions/implications**

This study explores the impact of strategic leadership 5.0 on organizational performance through an empirical model. It extends the application of strategic leadership in the context of Industry 5.0, offering insights for decision-making and design thinking. The paper suggests research propositions and outlines a roadmap for enhancing strategic leadership 5.0 models for organizational performance, providing practical, theoretical, and implementable implications for policy. Conceptual frameworks integrating strategic leadership 5.0, industry 5.0, and organizational performance are essential, but currently lacking. This theoretical gap poses significant managerial implications.

1. Mindset Development: Organizations should train managers in seven key aspects - Inspirational Vision, Cognitive Decision Making, Strategic Management, Relationship Building, Human Centricity, Business Innovation, and Research and Development - to foster a new mindset: Strategic Leadership 5.0.

2. Integration of SDT: Leading SDT requires robust integration across all business functions. The proposed empirical model can aid leaders in creating superior value and should be adopted as a strategic initiative throughout the organization.

3. Human-Centric Approach: Prioritize the human element in digital advancements to leverage cognitive capabilities, maintain diversity, and ensure employee morale for successful digital initiative rollouts.

4. Performance Measurement: Establish, monitor, and streamline the impact of Strategic Leadership 5.0 on performance using tangible and intangible metrics.

Overall, leaders can use the proposed model to enhance organisational dynamics, promote digital adoption, and reduce communication barriers in alignment with Strategic Leadership 5.0 initiatives.

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