Leadership
Futures

Advancing into Industry 5.0

Unlocking the potential for enhanced ethics,
sustainability and human-centricity

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Foreword

As we advance into Industry 5.0, we're entering a transformative era that extends beyond technology alone. The way we lead, the values we hold and how we approach the future of work are all being reshaped in significant ways. My background in technology and its impact on society has shown me that this new phase is about more than just innovation – it's about integrating human-centric values, sustainability and purpose into every aspect of business.

Industry 4.0 brought us automation and efficiency, which were crucial steps forward. But now, with Industry 5.0, the focus shifts. It's not enough to simply increase productivity; we must also consider the wellbeing of our workforce, the ethical implications of our decisions, and the long-term impact on our communities and the environment. Leaders today face the challenge of balancing these priorities, ensuring that we don't lose sight of the human element in our pursuit of progress.

The upheaval of the 2020s – from demographic shifts to evolving societal values and environmental challenges – has created a landscape where leadership must be more inclusive, strategic and resilient. It's not just about adapting to change but actively shaping it to ensure that organisations succeed while being responsible and sustainable.

This report explores the essential dynamics of Industry 5.0, offering leaders valuable insights into navigating this complex landscape. By embracing purpose, empathy and ethical practices, leaders can ensure their organisations thrive while making a positive impact on society. The decisions made today will shape the trajectory of businesses and communities for years to come.

Professor Keiichi Nakata (2024)
Director of AI & Automation in the World of Work Institute.

The Dawn of Industry 5.0

We stand at a pivotal moment, transitioning from the established era of Industry 4.0's digital transformation and advancing into the next significant shift – the Fifth Industrial Revolution, or Industry 5.0. At Henley Business School, we are confident that this evolution has the potential to unlock unparalleled opportunities for organisations to innovate, grow and remain competitive in an increasingly complex market.

While Industry 4.0 focused on automation and efficiency, Industry 5.0 builds on this foundation to introduce a new era of human-machine collaboration. This next phase emphasises augmentation, where advanced technologies like artificial intelligence (AI) and robotics are used to amplify human intelligence and capabilities, creating a more symbiotic relationship.

We believe Industry 5.0 represents more than just an evolution, and it's not about technology for technology's sake. Instead, we view it as a pivotal opportunity to address some of the world's most pressing challenges and overcome traditional business limitations. This new era requires a radical reimagining of how we approach the future of work, prioritising human-centricity, resilience and sustainability. At its core, Industry 5.0 is about driving innovation and progress that benefit people and the planet, rather than just the bottom line. This marks a significant move from a shareholder value model, focused primarily on profits, to a stakeholder value model that considers the broader impact on employees, communities and the environment.

The European Commission (EC) has described the new industrial age as "defined by a re-found and widened purposefulness, going beyond producing goods and services for profit." This shift is both crucial and inevitable. According to EC research, "a purely profit-driven approach has become increasingly untenable. In a globalised world, a narrow focus on profit fails to account correctly for environmental and societal costs and benefits. For industry to become the provider of true prosperity, the definition of its true purpose must include social, environmental and societal considerations."

Evolution of the Industrial Revolutions

1.0 The Age of Mechanised Production
The steam-powered revolution transformed manufacturing, transportation and the nature of work.

2.0 The Age of Mass Production
The use of electricity and petroleum led to mass production, giving rise to new industries like automotive and telecommunications.

3.0 The Digital Revolution
Computers and the internet drove automation, globalisation and the rise of smart manufacturing.

4.0 The Era of Smart Automation
The fusion of physical and digital worlds with IoT, AI and robotics created hyper-automated, smart systems.

5.0 The Era of Augmentation
A new era of human-machine collaboration, where AI and automation amplify human capabilities, foster creativity and tackle complex challenges.

> " Human beings are at the heart of leadership, and also of work. We must ask ourselves: how is work meaningful for human beings? "

Professor Kleio Akrivou (2024),
Professor of Business Ethics and Moral Development, Director of the Centre for Business Ethics and Sustainability.

> **As we move into Industry 5.0, we're not just advancing technology but rethinking the balance between human creativity and machine efficiency. This era isn't about replacing humans with AI; it's about integrating human values with intelligent systems to enhance our work, wellbeing and societal impact.**

Professor Keiichi Nakata (2024), Director of AI & Automation in the World of Work Institute.

> " How do I motivate, set direction, engage, and leverage opportunities to achieve the three P's within the technology/human interface? That's the key leadership question. "

Professor Bernd Vogel (2024),
Professor in Leadership,
Founding Director of Henley Centre for Leadership.

> " Industry 5.0 complements the existing Industry 4.0 paradigm by highlighting research and innovation as drivers for a transition to a sustainable, human-centric and resilient European industry. It moves focus from shareholder to stakeholder value, with benefits for all concerned. Industry 5.0 attempts to capture the value of new technologies, providing prosperity beyond jobs and growth, while respecting planetary boundaries, and placing the wellbeing of the industry worker at the centre of the production process. "

European Union (2020) Industry 5.0: Towards a sustainable, human-centric and resilient European industry.

Technology becomes a powerful partner in problem-solving, combining its speed and precision with human traits such as creativity, empathy and critical thinking. As machines handle routine tasks and boost productivity, people are empowered to focus on high-value activities such as strategic planning, creative thinking and driving environmental, social and governance (ESG) initiatives. However, this shift also poses challenges, as some jobs may be displaced and require reskilling, potentially leaving certain workers behind. Balancing technological advancement with equitable opportunities is crucial to ensuring that the benefits of Industry 5.0 are widely shared, driving businesses toward outcomes that contribute to a better world while safeguarding against social inequalities.

We recognise that we are in the early adopter stage of Industry 5.0, and leadership requirements are evolving rapidly. For those who embrace it, this shift offers a significant strategic advantage in an increasingly complex business landscape. However, we understand that transformation will be disruptive and demanding. Embracing its many opportunities requires thoughtful consideration of where, when and how to deploy advanced technologies to avoid potential pitfalls, while carefully balancing the people, planet and profit equation of the triple bottom line.

Success in this era means creating and leading organisational cultures that foster purpose, connection and meaningful work, ultimately encouraging human flourishing and creating lasting value for all stakeholders. We are committed to equipping leaders with the skills and knowledge to successfully navigate this transition, positioning them to innovate, adapt and thrive in the face of future challenges.

Insight:

The transition to Industry 5.0 represents a fundamental change in how businesses operate, emphasising human-machine collaboration, sustainability and stakeholder value creation alongside traditional profit motives.

Opportunity:

- Invest in human-machine collaboration initiatives that leverage next-generation technologies and tools to augment human capabilities, focusing on enhancing areas where technology adds value while preserving the human processes that are critical to creativity and decision-making. This approach boosts productivity, innovation and problem-solving, driving competitive advantage and sustainable growth.

- Develop comprehensive reskilling and upskilling programmes to help employees adapt to the changing work landscape. This proactive strategy will not only prepare your workforce for Industry 5.0, but also demonstrate commitment to employee growth, potentially improving retention and attracting top talent.

- Implement a stakeholder value model that balances profit with social and environmental impact, while leveraging AI to boost productivity across the business. This increased efficiency enables your organisation to better prioritise ESG initiatives, enhancing reputation, attracting values-driven stakeholders, and addressing global challenges while maintaining strong financial performance.

Influential Macro Trends

> 66 There is a huge crisis at the moment in our world - an economic crisis, a sustainability crisis and also a humanistic crisis. 99

Professor Kleio Akrivou (2024),
Professor of Business Ethics and Moral Development, Director of the Centre for Business Ethics and Sustainability.

The 2020s have been marked by extraordinary upheaval and uncertainty, with complex challenges emerging on multiple fronts. We've observed various disruptive forces coming together to create the perfect storm for a major shift in the global business landscape.

Embracing Industry 5.0 requires a deep understanding of the macro trends that are reshaping the landscape of work and leadership and have far-reaching implications for its future. Our research highlights how multifaceted and interconnected today's business challenges have become, driven by evolving stakeholder expectations, shifting economic conditions, geopolitical crises, urgent sustainability needs, rapid technological advancements and changing societal values.

These challenges are the undercurrents that will define how businesses operate, innovate and lead in the future.

66 It's a time of uncertainty, shaped by unpredictable global events, lightning-fast advances in technology and AI, evolving workplace cultures and markets, growing worker mental health and wellbeing concerns, and transformative shifts in how people think about work and the workplace. 99

Deloitte Insights (2024),
2024 Global Human Capital Trends.

66 45% of CEOs believe their company will not be viable in ten years if it stays on its current path. 99

PwC (2024) PwC's 27th Annual Global CEO Survey: Thriving in an age of continuous reinvention, 15 January.

"Trust is generally low in governments, organisations and businesses. Industry 5.0 must bring about some form of improvement in trust."

Dr Naeema Pasha (2024),
Visiting Fellow.

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Influential Macro Trends

Leaders are finding it increasingly difficult to keep pace with the rapid rate of change, with 45% of CEOs believing their company will not be viable in ten years if it stays on its current path (PwC, 2024). As the world becomes more volatile, uncertain, complex and ambiguous (VUCA), we recognise that the demands on leadership will intensify. Our approach to future-fit leadership in this era of constant disruption looks very different from the past. Traditional skills and mindsets must be reevaluated; the demands of Industry 5.0 require leaders who are strategic, visionary, ethical, inclusive and resilient.

To navigate these ongoing changes effectively, we believe that businesses must build on the post-pandemic era of crisis, transition, and transformation by leveraging the Power of People, Purpose and Technology.

Climate emergency, ongoing and unclear technological disruption, and continuous global-level crises are here to stay. Our research shows that executive teams need to be willing to destroy their current business model to find the urge, imagination and freedom to reinvent their business.

Sources: 'Positive contributions, leadership, and energy dynamics of senior management teams.' (Henley Centre for Leadership Africa, Henley Business School Africa)
'Work 2028: Trends, dilemmas & choices.' (Henley Centre for Leadership, Deutsche Telekom & Detecon International)

Demographic Changes and Workforce Evolution

Demographic changes are dramatically altering the workforce. An ageing population, combined with the rising influence of Millennials and Generation Z, is creating a diverse mix of experiences and perspectives.

This generational diversity means that the voices of younger generations must be respected and amplified, while continuing to value the contributions of more experienced professionals. Addressing the talent imperative requires a deep understanding of the emerging attitudes, behaviours and demands of tomorrow's workforce, including any anti-work sentiments.

The landscape becomes even more complex when considering the issues brought to the fore by the COVID-19 pandemic and its aftermath. The increasing demand for work-time flexibility is expanding the global talent pool while also introducing new management challenges. Leaders must navigate the ongoing debate over returning to the office, maintain work-life balance, prevent burnout, ensure accountability for wellbeing, and meet rising expectations for equity, diversity and inclusion.

To effectively manage and integrate this evolving workforce, leaders now need to adopt inclusive and culturally aware approaches.

In our 2021 report, 'The Four-Day Week: The Pandemic and the Evolution of Flexible Working,' we highlighted that attempting to maintain "traditional" working environments with fixed patterns of work, in fixed locations and with inflexible approaches to people can only damage business, the economy and society. Our research shows that 68% of businesses already offering a four-day week report that flexible working options help them attract the right talent.

Furthermore, our research in 'The Equity Effect' (2021) revealed that 30% of business leaders and nearly a quarter (24%) of employees believe racial inequity exists within their organisation.

Societal Values and the Rise of Ethical Leadership

Societal values are evolving rapidly, placing greater emphasis on sustainability, social responsibility and ethical governance. Stakeholders now demand much more from organisations – they seek transparency, accountability and a genuine commitment to social impact.

As a result, businesses must authentically shift towards value-driven practices to meet these rising expectations. It is our belief that leaders must embrace values-based leadership, embedding purpose and integrity at the heart of their strategy. This means not only meeting regulatory requirements but also striving for greater impact through proactive efforts to enhance societal wellbeing.

Equitable Transformation and Inclusive Progress

A vision for Industry 5.0 means a commitment to equity. Having equitable outcomes impacts everything from AI to customer services. It also improves the bottom line. Henley's research found those organisations that actively confront inequity and racism with practical measures can expect to see an improvement in their employees' job satisfaction, loyalty, creativity and, ultimately, value, recording an average revenue 58% higher than those which did not.

Leaders Need To Be A Catalyst for Equity

Inequality, on a human level, is exhausting and divisive. Our research has revealed that when a CEO or Director establishes a clear, unwavering vision that places equity at the heart of the business, not relegated to an HR or D&I plan that is often overlooked, it can significantly boost motivation and foster a sense of connection among all employees across all races.

A commitment to equity means leaders need to cultivate an organisational ethos that is rooted in understanding history, interrogating personal biases, building empathy, respecting difference, and acknowledging the vulnerability of discrimination then businesses must prioritise ongoing training and open dialogue to build trust and growth. This way they are showing commitment to everything from AI Ethics to Good Work and Responsible Customer Services.

> " Most C-suites face the challenge of fully understanding the waves of generational shifts moving through the workforce. "

Professor David Pendleton (2024), Professor in Leadership, Programme Director of High Performance Leadership.

Beyond Profit - Corporate Activism and Stakeholder Capitalism

The traditional focus on shareholder priority is giving way to a more inclusive model of stakeholder capitalism.

We see that companies are increasingly expected to consider the interests of employees, customers, suppliers, communities and the environment alongside those of shareholders. This shift is driving a new wave of corporate activism, where businesses take public stances on social and political issues. Leaders must navigate this complex landscape carefully, balancing profit with purpose and weighing the risks and rewards of corporate advocacy. The rise of ESG (Environmental, Social and Governance) metrics in investment decisions further highlights the need for a broader view of corporate success. In this changing business landscape, leaders need to rethink value to include both financial returns and positive societal impact.

Environmental Imperatives and Sustainable Innovation

Climate change and environmental decline are urgent challenges that every industry must address.

Our research and analysis indicate that the shift towards regeneration is gaining greater momentum, making it imperative to develop innovative solutions and a proactive commitment to restoring planetary health. Industry 5.0 promotes sustainable innovation, leveraging technology to minimise environmental impact and restore ecosystems. Leaders should look to lead efforts to reduce carbon footprints, adopt circular economy practices and prioritise investments in sustainable technologies. True leadership in Industry 5.0 depends on environmental stewardship, ensuring that economic success is achieved without compromising the planet and its people.

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Transformative Technology

We see the transformative power of technology, especially AI, driving systemic changes across all sectors.

AI's ability to boost productivity and redefine the nature of work is unparalleled, leading to a new era of intelligent automation, personalisation and smart integration. However, the extent of this change highlights the need for ethical deployment and the importance of human-centric processes. Success depends on human-machine collaboration, where technology supports and enhances human capabilities rather than replacing them. Leaders must not merely adapt but actively drive this change, building agile, innovative cultures ready to harness these tools or risk obsolescence.

The business landscape is evolving rapidly, and so must leaders. As challenges grow and intersect in new ways, the environment becomes increasingly complex, requiring a forward-thinking and holistic approach to leadership. We advocate for a new breed of leaders – those who are not only visionary and strategic but also ethical, inclusive and resilient. While the path ahead is challenging, we see it as full of potential. Navigating it successfully will require bold, informed and values-based leadership.

> " There are multiple tensions among the trends shaping the future of work, and we need to acknowledge that these tensions are here to stay. This isn't about problem-solving with a clear solution at the end; it's about maintaining a permanent balance. How leaders navigate the tension between being purposeful, human-centric, and focused on diversity and inclusion, while also running a pragmatic business, is crucial – especially when the business faces challenging times. "

Professor Bernd Vogel (2024),
Professor in Leadership,
Founding Director of Henley Centre
for Leadership.

Insight:

The 2020s have brought unprecedented change, requiring businesses to be adaptive and agile as they navigate interconnected challenges including demographic shifts, evolving societal values and rapid technological advancements, all while balancing profit with purpose and environmental sustainability.

Opportunity:

- Develop a comprehensive strategy for managing a multi-generational workforce, incorporating Universal Design Standards to ensure inclusivity in how you structure and run your organisation. This strategy should include flexible work arrangements, mentorship programmes that leverage the experience of older employees while amplifying the voices of younger generations, and tailored development paths to enhance employee engagement and retention across all age groups.

- Implement a robust ESG framework that goes beyond compliance to create measurable positive impact. Set science-based environmental targets, establish community engagement programmes and ensure transparent governance. These efforts drive sustainable growth, build stronger stakeholder relationships and position your organisation as a leader in ethical business practices.

- Keep up to date with technological advancements through ongoing education and investment in AI and other transformative technologies. Develop programmes that assess which tasks would benefit most from automation and where human processes add the most value. By upskilling employees to work alongside AI, you can align technology with human expertise, fostering a culture of iterative improvement and innovation. This approach ensures that productivity and creativity are optimised, while also addressing workforce concerns about job displacement.

Generational Flux

> **"** There's a common misconception about Gen Z, with many viewing them as lazy or nonconformist. I refer to them as the misunderstood generation.
>
> For Gen Z, I believe they seek the same things we all want from work, but their approach differs because of what's at stake. It's the gravity of what's at stake that truly drives their behaviour. **"**

Dr Adeyinka Adewale (2024),
Associate Professor of Leadership Ethics and Entrepreneurship.

Transformative demographic shifts are fundamentally redefining the composition and culture of the workforce, signalling a profound era of change and opportunity that will shape the evolution of Industry 5.0.

How is the "Silver Tsunami" impacting the workforce?

A "Silver Tsunami" is sweeping across industries as the Boomer generation approaches retirement. We observe that this demographic trend is set to accelerate, leaving a void that younger generations are poised to fill. Generation Z is set to overtake Millennials as the largest generation globally, comprising over one-third of the world's population. This demographic upheaval is creating a diverse, multi-generational workforce with divergent values and expectations.

What distinguishes Generation Z from previous generations?

Our research indicates that Generation Z, shaped by transformative global forces including environmental crises, digital revolutions, and socio-economic upheavals, stands distinctly apart from previous generations. Their entrance into the workforce brings significant changes not just in numbers, but in influence and ideology. Nearly four in ten (44% of Gen Zs and 37% of Millennials) say they have rejected assignments due to ethical concerns, while 39% and 34%, respectively, have turned down employers that do not align with their values (Deloitte, 2023). As these young professionals assert their presence, they are challenging entrenched industrial mindsets and redefining success both in life and at work. Their core values – distinct from those of the Boomer generation – are reshaping attitudes towards education, career aspirations, work styles, and environmental and social sustainability.

Why are organisations struggling to engage with Generation Z?

Many organisations struggle to fully grasp the perspectives of this new generation of employees, often misinterpreting their approach as simply nonconformist. Entering a job market shaped by Industry 4.0's limitations, Generation Z faces significant affordability challenges and often feels economically disadvantaged – a sentiment increasingly shared by Millennials and even some Gen X workers. Our insights reveal their disillusionment with traditional work structures and 'hustle culture', driving them to question the status quo. This discontent has led some to opt out entirely, choosing to be Not in Education, Employment or Training (NEETs) as they reject conventional career paths and seek alternative lifestyles.

How will Generation Z transform the workplace?

Looking ahead, we believe the potential for Generation Z to transform the workplace is immense. Unlike previous generations who often adapted to fit existing corporate structures, Generation Z is more likely to expect companies to accommodate their needs and values. This generation is not merely seeking employment but is looking for roles that resonate with their values, expecting companies to foster ethical cultures and demonstrate a tangible commitment to making a positive impact.

The changing landscape does not stop at expectations. Generation Z's unique position and perspective enable them to be pivotal agents of change. As natural disruptors, they are redefining traditional business models and driving a radical rethinking of workplace norms. Their influence compels leaders to adopt new mindsets and strategies, transitioning from an era of adaptation to one of innovation, with a focus on personalised career development that aligns with individual aspirations and values.

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> " We're not different species. We're all the same people, but we're influenced by social, political and technological factors around us. "

Dr Naeema Pasha (2024),
Visiting Fellow.

> 66 Cultures of command and control, or the leader knows all won't work in a fast changing world. Furthermore, it is not what the younger generations in the workforce now expect. They also expect to be heard and will readily challenge if they are being ignored. They want to work within inclusive and supportive organisations with clear purpose and a recognition of responsibility to all stakeholders, not just the financial stakeholders. 99

Winmark & CIPD (2024) The C-Suite: 2024 & Beyond: The Innovation Imperative.

What strategies must companies adopt to engage Generation Z?

We believe that companies aiming to attract and retain this increasingly influential generation must rethink their strategies profoundly. The old ways of attracting talent with traditional incentives are losing effectiveness. In their place, a far greater emphasis on flexibility, purpose-driven work, and a demonstrable commitment to societal and environmental issues is essential. Leaders must be prepared to match the speed of demographic evolution with equally swift and decisive changes in corporate practices and cultures.

What role will Generation Z play in shaping the future of Industry 5.0?

As Industry 5.0 advances, we forsee the influence of Generation Z being transformative, challenging the status quo and embedding new values at the heart of corporate cultures. Our guidance to leaders is clear: they are tasked not just with understanding this generational shift, but with actively engaging with it, shaping a future that aligns with the aspirations of this new workforce.

Insight:

The workforce is undergoing a significant transformation with the rise of Generation Z, who bring distinct values, expectations and a willingness to challenge traditional work structures, actively shaping the landscape of Industry 5.0.

Opportunity:

- Develop a comprehensive values alignment programme that integrates Generation Z's ethical concerns and aspirations into the core of organisational leadership. Establish a cross-generational ethics committee to drive decision-making, implement regular values assessments and ensure leadership performance is measured by ethical outcomes and meaningful societal impact.

- Implement a clear and engaging communication strategy that highlights the company's commitment to social and environmental issues. This will include regular forums on sustainability, an internal platform for employees to suggest and discuss ethical projects, and detailed impact reports showing how the company addresses Generation Z's concerns about societal and environmental challenges.

- Redesign workplace models to align with Generation Z values, emphasising flexibility, purpose and wellbeing. Implement project-based structures allowing employees to choose value-aligned assignments, adopt results-oriented work environments, and integrate social impact initiatives into regular work hours while prioritising mental health and work-life balance.

Catalyst for Change

> **66** Inclusivity and involvement are key to winning in a competitive business environment where a focus on 'I' has to be replaced with 'we'. This is also the basis of morality. **99**
>
> **Professor David Pendleton (2024)**
> Professor in Leadership, Programme Director of High Performance Leadership.

In this era of rapid change, leaders face a critical question: what legacy will you leave behind? As we transition into Industry 5.0, C-suite executives have an unparalleled opportunity to shape the future in meaningful ways and create a legacy of change.

Leaders will need to manage the key tensions which characterise this era. They must balance AI-driven automation with human-centered approaches, find ways to increase productivity without causing widespread job displacement, maintain high performance standards while prioritising employee wellness, and drive innovation without compromising sustainability. These challenges require a thoughtful approach that combines long-term strategic planning with careful ethical considerations.

There is great value in fostering a culture of continuous learning and adaptability to successfully navigate this complex environment. In our view, traditional leadership methods are quickly becoming outdated, and executives must be willing to adapt their strategies to thrive in a world where technological advancements and human values increasingly intersect.

We see this as a call for leaders to become a driving force for progress and catalysts for positive change. By developing a vision that integrates innovation, empathy and sustainability, we believe executives can guide their organisations toward a future that is both prosperous and responsible. The decisions made today will shape the business landscape for years to come, making it crucial for leaders to act with foresight and purpose.

This journey is not just about personal achievement; it's about setting up the next generation for success. Leaders must inspire and empower those who follow, taking everyone on this journey together and setting an enduring example. This means moving from an ego-system mindset to an eco-system mindset that cares about the wellbeing of all, including oneself (Otto Scharmer, 2013).

Our research supports the shift from top-down, hierarchical and authoritative models of leadership to values-based leadership as key to achieving this. In the past, control, stability, efficiency and profitability were prioritised above all else. However, these old strategies no longer align well with the landscape of Industry 5.0. Future-fit leaders must be transformative, deeply committed to ethical principles and dedicated to the needs of all stakeholders. It's evident to us that the stark contrast between old leader-centric systems and progressive, values-driven approaches is becoming increasingly clear, with the latter setting significantly higher standards.

> **"** There's a lot of confusion about what leadership should truly contribute. We have the triple bottom line, ESG, profit, people, planet, sales targets, community building, and wellbeing concerns – all while dealing with staffing shortages. Middle to senior managers are expected to solve all of this. They often ask, "What's my priority?" The reality is, for most businesses, it's not about years down the line – it's about short-term sales, because that's what they're ultimately assessed on. **"**

Professor Bernd Vogel (2024),
Professor in Leadership,
Founding Director of Henley Centre for Leadership.

In today's unpredictable world, the need for leadership agility is paramount. Our observations indicate that leaders must be flexible, collaborative and visionary. The rapid pace of change requires leaders to be prepared to experiment and adapt quickly. Understanding technology, using digital tools and being aware of the latest trends is crucial in this fast-paced environment. Leaders must be ready to pivot and adjust their approach as new challenges and opportunities arise.

Perhaps even more important is the adoption of a human-centric approach. Modern leadership focuses not just on results, but on how and why things are done. It's about developing the character and skills to inspire and empower others, and viewing business as a force for good. This approach involves fostering a workplace culture that values diversity, creativity and wellbeing. Leaders should prioritise open communication, collaboration and continuous feedback to create an environment where employees feel valued and empowered to contribute their best. A human sustainability mindset, as highlighted by Deloitte Insights in 2024, replaces extractive, transactional thinking about people with a focus on creating greater value for each person connected to the organisation. It moves away from seeing people as resources to be used, and instead focuses on their wellbeing and growth.

Leaders must advocate for ethical business practices and social responsibility, ensuring that their organisations have a positive impact on society and the environment. By embracing the principles of stakeholder capitalism, they can drive long-term value creation that benefits not only shareholders but also employees, customers, communities and the planet.

We acknowledge that this new approach to leadership is challenging in a world that often values hierarchy, individual success and intense competition. It takes courage to go against old ways of thinking and short-term pressures. Our belief is that leaders who embrace this transformative path can make a profound difference. By using business as a force for positive change, we're confident that they can build resilient organisations while setting the stage for the next generation's success. As we move into Industry 5.0, leaders must embrace the responsibility and opportunity to lead with purpose, becoming catalysts for a brighter future that benefits not just their organisations, but society as a whole.

> **Most leaders know that focusing on human performance is vital for long-term success, but they must shed outdated mindsets and practices to turn this knowledge into action.**

Professor Bernd Vogel (2024),
Professor in Leadership,
Founding Director of Henley Centre for Leadership

Insight:

The transition to Industry 5.0 requires a shift in leadership, from traditional hierarchical models to values-based, human-centric approaches that balance technological advancement with ethical considerations and stakeholder wellbeing.

Opportunity:

- Create a leadership development programme that builds agility, ethical decision-making and human-centric management skills. Focus on adaptability, technological fluency, and balancing innovation with sustainability and employee wellbeing.

- Implement a stakeholder engagement strategy that goes beyond shareholders to include employees, customers, communities and the environment. This involves forming cross-functional teams to address concerns, setting up regular feedback channels, and integrating stakeholder input into strategic decision-making processes.

- Create a "legacy planning" initiative for C-suite executives, encouraging them to set long-term goals aligned with Industry 5.0 principles. This includes mentorship programmes to develop future leaders, ambitious sustainability targets and innovation incubators focused on solving societal challenges while driving business growth.

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Catalyst for Change

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> **“** Leadership involves not only enabling others to grow but also committing to personal growth as a leader. **”**

Professor Kleio Akrivou (2024),
Professor of Business Ethics and Moral Development, Director of the Centre for Business Ethics and Sustainability.

At Henley Business School, we ask: What does it take to be a future leader? Because in the era of Industry 5.0, traditional leadership metrics have been upended. Our perspective is that success now hinges on human-centric approaches and sustainable practices, necessitating a reevaluation of leadership skills and the cultivation of new capabilities. As Fast Company (2023) notes, "There's wide agreement that at least 50% of the skills leaders need today are skills they don't yet have. And the other 50% are skills that were always needed but are now required at much higher levels."

We believe that while ethics are often cited as central to successful leadership, the bar must be set even higher. As Professor David Pendleton observes, "Being ethical is basecamp. Understanding and working with values is the peak of the mountain." But there is no end point, the journey involves constant evolution, lifelong learning and a relentless pursuit of improvement.

As technology's importance grows, so does the need for humanity in leadership. Emotional intelligence becomes a crucial guide, informing decisions and interactions whether leading an organisation, community or nation. Key principles such as integrity, honesty, transparency and fairness are essential within the framework of values-driven leadership. Trustworthiness, respect, responsibility, caring, citizenship, modesty, and sustainability are the pillars supporting successful leadership in Industry 5.0.

Our analysis suggests that in this new era, soft skills are more vital than ever as hard skills risk becoming obsolete. Leaders must shift their focus from mere productivity and output to placing greater value on human processes and creativity. We argue that the traditional notion that "the business of business is business" is outdated. Pursuing profit without ethics can lead to negative consequences.

❝ I believe the balance between output and process, or intention, needs to be given serious consideration. ❞

Professor Keiichi Nakata (2024)
Director of AI & Automation in the World of Work Institute.

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> 66 **Being ethical is basecamp. Understanding and working with values is the peak of the mountain.** 99

Professor David Pendleton (2024), Professor in Leadership, Programme Director of High Performance Leadership.

Leaders must now see the role of business in a new light, thinking beyond the bottom line to consider societal and community impact. Concepts like doughnut economics and examples set by brands such as Patagonia and Ganni demonstrate that ethical considerations can enhance business outcomes and provide a strategic competitive advantage.

As the World Economic Forum (2024) emphasises, "Our economic future is our choice and is in our hands, both as individuals and collectively as citizens. But the sustainable economy and future we hope for is only going to be built if we have a foundation of trust and ethics." Trust and ethics are becoming some of the most important currencies in our economy.

> **"** It's ironic that as we become more dependent on machines and technology, and continue to increase our use of it, we're starting to realise that what truly matters is the human process. **"**

Professor Keiichi Nakata (2024)
Director of AI & Automation in the World of Work Institute.

> **The sustainable economy and future we hope for is only going to be built if we have a foundation of trust and ethics, as a growing body of evidence suggests.**

World Economic Forum (2024),
Why trust and ethics are the most important currencies in our economy, 14 January.

> Workers in high-trust companies are 50% less likely to leave, 180% more likely to be motivated, are 140% more likely to take on extra responsibilities, and are generally more productive, more satisfied with their jobs, and healthier.

Deloitte Insights (2024)
2024 Global Human Capital Trends.

While we see that the integration of technology and human elements offers immense potential, it also presents significant risks. Leaders must navigate concerns such as data privacy, algorithmic bias, and the potential for technology to exacerbate inequalities. They must ensure that technological advancements enhance rather than reduce human potential, creating an environment where innovation and ethics coexist harmoniously.

The future of leadership in Industry 5.0 requires a delicate balance between technological expertise and human-centric values. Those who successfully navigate this complex landscape will drive their organisations towards a future that harmonises economic viability with social responsibility and ecological sustainability. The key attributes of truly successful leadership will be the ability to adapt swiftly, learn continuously, and guide with both empathy and integrity. Leaders who prioritise ethical considerations, emotional intelligence, and sustainable practices will not only thrive in this new era but also redefine the very purpose of business in society.

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" I define leadership as creating the conditions for people within organisations to succeed. What we're increasingly coming to realise is that the cultural and values-based framework we establish is one of the most fundamental ways to create those conditions. It's truly at the very heart of leadership. I believe the future of leadership is values-based. "

Professor David Pendleton (2024),
Professor in Leadership, Programme Director
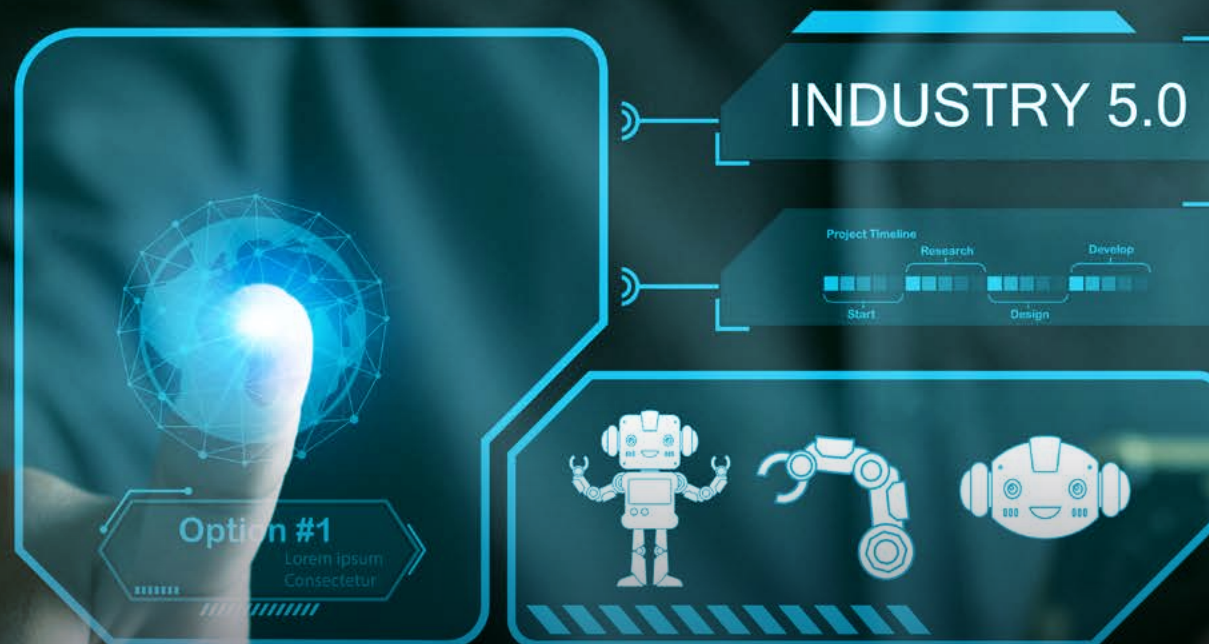of High Performance Leadership.

Insight:

The era of Industry 5.0 demands a new breed of leaders who can seamlessly blend technological expertise with human-centric values, prioritising ethical considerations, emotional intelligence, and sustainable practices while driving innovation and business growth.

Opportunity:

- Develop a comprehensive "Future Leader" training programme that builds both soft skills and technological literacy. Focus on emphasising emotional intelligence, ethical decision-making and adaptive leadership, whilst also ensuring leaders understand emerging technologies and their impact on business and society.

- Implement a values-driven performance measurement system that goes beyond traditional financial metrics. This includes KPIs for social impact, employee wellbeing, ethical practices, and environmental sustainability, encouraging leaders to prioritise these alongside traditional business objectives.

- Establish an "Ethical Innovation Lab" within the organisation, allowing leaders to test new technologies and business models in a controlled setting. The lab should focus on creating solutions that balance technology with ethics and societal impact, promoting a culture of responsible innovation.

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Summary
of Industry 5.0

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The Future of Leadership in Industry 5.0: People, Purpose and Technology

As we transition into Industry 5.0, business leaders face unprecedented challenges and opportunities. Success in this new era hinges on the strategic integration of three interconnected pillars: people, purpose and technology. These elements must be carefully aligned to navigate the rapidly evolving industrial landscape and achieve lasting success.

Upcoming Report Series: Navigating Industry 5.0

Our upcoming three reports will provide in-depth analysis and actionable insights on the critical pillars shaping the future of business:

1. **People:** A deep dive into demographic shifts and evolving workforce expectations, examining how businesses can support human flourishing, trust-building, work flexibility and wellbeing accountability.

2. **Purpose:** An exploration into the complexities of purpose and stakeholder capitalism, examining ESG challenges, balancing the triple bottom line, and building a values-driven culture that drives both profitability and positive societal impact.

3. **Technology:** An analysis of technology's role in Industry 5.0, focusing on human-machine collaboration, ethical AI, and strategies for selective automation, ensuring technology augments human capabilities rather than replacing them.

By providing a comprehensive examination of these interconnected themes, our report series aims to equip leaders with the knowledge and tools needed to drive innovation, foster sustainable growth and create meaningful impact in the era of Industry 5.0.

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> " We're in a period of transition, moving away from the past and stepping into a new phase shaped by the changes we've experienced. I believe we're shifting to a new way of working – one driven by skills like creativity, connection, empathy and ethics. "

Dr Naeema Pasha (2024),
Visiting Fellow.

> **"Industry 5.0 compels us to rethink leadership, pushing beyond conventional goals to embrace a purpose-driven approach that aligns success with deeper societal impact."**

Professor David Pendleton (2024),
Professor in Leadership, Programme Director
of High Performance Leadership.

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We would like to thank the following research centres at Henley Business School for their contributions to this report.

World of Work Institute

Henley's World of Work Institute helps businesses face the future of work by applying innovative research to real workplaces.

https://www.henley.ac.uk/world-of-work

Centre for Business Ethics and Sustainability

The Centre's mission is to promote ethical, responsible and sustainable organisations and management practices. In doing so, it supports the United Nations' Sustainable Development Goals.

https://www.henley.ac.uk/research/centres/centre-for-business-ethics-and-sustainability

Henley Centre for Leadership

The Henley Centre for Leadership is a community of scholars and leaders striving to tackle challenging leadership issues, transform leadership and create positive change in organisations, communities and society.

https://www.henley.ac.uk/research/centres/henley-centre-for-leadership

About Henley Business School

Henley is a triple-accredited business school and part of the University of Reading, recently named Sustainable University of the Year by The Times and The Sunday Times Good University Guide 2025. With campuses, offices and partnerships around the world and over 97,000 alumni from 160 countries, we are a truly international institution. As a trusted partner, we help organisations tackle complex challenges and develop in-house capability through insights, development programmes, coaching and consultancy. Our courses are aimed at students and professionals at every career stage – from undergraduate and postgraduate to PhD, MBA, DBA and executive education

Advancing into Industry 5.0

Unlocking the potential for enhanced ethics, sustainability and human-centricity

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