

# Navigating a new world of uncertainty

## Transforming leadership (1/4)



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*Volatility, uncertainty, complexity, ambiguity.* These four characteristics, or VUCA for short, increasingly define our world. Large organizations must grapple with disruptive change in technology, competitor dynamics, and consumer expectations – along with high levels of market volatility and increasing uncertainty and complexity in politics and regulation. Individual leaders, too, must understand this new world and work out how to navigate it.

To picture just how radical the change is that we are living through, imagine someone falling asleep in the early 1990s and waking up today. He or she would have difficulty reading people's behaviors and dealing with some of the simplest tasks in everyday life. Among other major shifts, the digital revolution has transformed our world, modified our everyday behaviors, and introduced new patterns of communication.

These changes were not predictable, and neither are the changes ahead. In the economic sphere, the most respected authorities including Alan Greenspan admitted that they had not been able to predict the 2008 financial crisis. Despite all their knowledge, despite the power of the most powerful computers, no calculation was made to predict what would happen – not unlike in the early 2000s, when the first internet bubble burst.

How do we embrace this complex new reality? To resolve an equation with too many variables, one has to go beyond pure rationalism and mathematics. I am convinced that the answer to VUCA lies in relying more on intuition, admitting to not knowing, and embracing open-minded learning. For most individual leaders, that will mean a profound shift in mindset – and the courage to unlearn lifelong habits.

Just as important, these leaders will need to think through how VUCA affects their teams and organizations. The new generation of talent cares about sustainability and contributing to society, and many are involved in the new sharing economy. At work, they seek opportunities to innovate, create, have fun, and continue to learn. If an employer fails to satisfy their expectations, they will be less afraid than their parents to leave the traditional career path and venture into start-ups or part-time jobs.

We are facing deep transformations, the sense and direction of which are difficult to predict. Just when everything seemed to have been explained, calculated and measured, our world is turned upside down. Even savvy, successful executives can feel helpless. But still we must lead – and turn VUCA into an opportunity to learn, grow, and become more conscious human beings.

# Taking a step into the unknown: embracing continuous learning

## Transforming leadership (2/4)



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In a world of VUCA, how will we lead our organizations, our teams, and ourselves? If we are to succeed in an environment of profound change, we will have to let go of old routines and worldviews. Thinkers in many fields – economists, historians, philosophers, psychologists, and sociologists – are calling on us to reject rigid patterns and embrace a new, more experimental approach.

This a step into the unknown, and for many of us that is scary. It requires us to admit to not knowing, to take personal risks, and to be humble enough to keep learning about ourselves and our world. Yet as we journey into this uncharted land, we still have plenty of responsibilities. Even if we don't have a map, we must take leadership decisions that honor the interests of our societies, companies, and teams.

It's worth remembering a little-known Italian explorer who, 500 years ago, had the courage to say: "We do not know". Today two of the world's seven continents are named after him.

How do we understand the new paradigm? How do we navigate the day-to-day challenges of the VUCA world while keeping the longer journey in mind? One of the answers comes from constructive developmental theory elaborated by Robert Kegan and others.<sup>1</sup> Kegan holds that adults can develop toward higher levels of consciousness, giving us greater ability to deal with ambiguity and uncertainty, manage contradiction and opposites, and engage with multiple systems.

Kegan calls the highest level of consciousness the Self-Transforming Mind – a level where we can step back from and reflect on the limits of our own ideology or personal authority. To engage diverse talent in a time of VUCA, this is an important leadership characteristic: recognizing that someone else can have a different opinion and that we can learn from them, even if they are much younger and less experienced than us.

This means moving away from the accepted norms and hierarchies that managers often rely on in everyday work. Creativity does not thrive in hierarchical structures; different views need to be acknowledged and accepted.

I've observed several contemporary business executives embodying this more conscious leadership. One Polish CEO, who will soon turn 60 and has a highly successful career behind him, nonetheless approaches the world with an attitude of insatiable curiosity and openness to learning. By promoting innovation and attracting outstanding young talent, he spearheaded the success of one of the world's most admired digital banks, acclaimed as the Polish icon of mobility. This points to a key element of effective leadership in a time of VUCA: being authentic and tapping into emotion.

<sup>1</sup>\*Robert Kegan, *The Evolving Self*, Harvard University Press, 1982

# Authentic leadership: create some magic, go beyond the rational

## Transforming leadership (3/4)



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The development towards more conscious leadership can be a painful and uneasy process. For leaders who have spent a lifetime placing rationality and mathematical calculation at the forefront of their decision-making, perhaps the toughest shift required is to make more space for emotion and intuition. Those who get it right can unlock remarkable results in their organizations.

Consider the example of an international retail CEO running a chain of stores across Central and Eastern Europe. Low-key and humble, he engaged with people at all levels and created emotional commitment through a series of insightful, challenging discussions – in which he did more asking than telling and readily admitted not knowing all the answers. He inspired his teams to transform the organization – resulting in a rejuvenated brand, the launch of a modern e-commerce platform, and a new format for physical stores.

The widely known Czech author Tomas Sedlacek, in his book *Economics of Good and Evil*, points out that scientific progress is inspired by the brilliance of imagination – and that we need to access the “wild things” within us if we are to imagine and create new advances through our own work<sup>2</sup>. How do we do that? A stance of humbleness, of admitting that we do not know, can open us to learning new things, changing our perceptions, and moving beyond previously accepted axioms.

I know two co-founders of an Eastern European IT business who exemplify this emotional courage and imagination. Soon after graduating in computer science in the 1990s, they started a software company that soon became very profitable. But then they had the opportunity to build a much more complex and ambitious business, providing mission-critical IT services for hospitals, oil platforms, and other major installations.

This is what inspired and energized them – and with no fear, they abandoned their existing business and plunged themselves into the risky task of building the new one. They might have failed, but that leap of imagination of authenticity has served them and their clients very well. Today they run a highly successful business that contributes to society in a meaningful way. The experience of these leaders points to an insight that might appear paradoxical. To deal with the unknown and uncertain, we need to work hard on self-development while safeguarding the spontaneity, fresh outlook, curiosity and naivety of a child. We need to be young and old at the same time.

By connecting with our own emotion and intuition, we can invite members of our organizations to do the same. Emotional commitment is more essential today than ever. We can no longer motivate people with a carrot and a stick, or by focusing simply on execution of tasks. We need to create some magic, and go beyond the rational. To achieve that, we will have to do more than just to change our organizations – we will have to transform them.

<sup>2</sup>\*Tomas Sedlacek, *Economics of Good and Evil*, Oxford University Press, 2011

# Five dimensions of successful organizations

## Transforming leadership (4/4)



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What is the impact of VUCA on the shape of our organizations? Change is no longer sufficient – instead, there is a need for transformation. In the complex world of VUCA every layer of the organization needs to be empowered to find multiple answers to multiple questions. At the same time, innovation and creativity at every level are indispensable to deal with uncertainty and volatility. Last but not least, the organization cannot be successful in the future if it does not define its place in the society, its sense of purpose, and how it intends to change people's lives.

We at Egon Zehnder suggest that companies and their leaders focus on cultivating five dimensions of transformation:

1. **Mastering complexity** – the ability to sift and integrate the multiple factors influencing the company's success, and see through the “noise” to distill real insight and set clear direction
2. **Orchestrating creativity** – the capacity to instill a mindset and a framework for action that enables the organization to generate – and implement – truly innovative ideas
3. **Growing emotional commitment** – the ability to create a compelling “call for action” imbued with higher meaning and strong emotional content, so building organizational commitment far beyond “programs and processes”
4. **Anchoring in society** – the ability to connect the company's business purpose to a long-term mandate of creating social value, and to align the organization's programs and communication with that purpose
5. **Building next-level leadership** – the capacity to energize and develop a next generation of leaders, using innovative models for collective action

The need for transformation applies at the team level too. Authoritarian and hierarchical styles will not work in the VUCA world. Instead, what is required is engagement, initiative and openness from all team members. The leaders who succeed in engaging and involving brilliant young rebels will be the ones to thrive in the VUCA world; those who lead teams of average individuals will not.

The future belongs to those who dare to dream, who will thrive in white space, and who will learn to unlearn. The future belongs to those who will not be afraid of the unknown and of not knowing, to those who will not be afraid to hire better people than themselves, and who will be generous in grooming their successors. The most successful organizations will be those that foster innovation at every level, and that have a deep and authentic sense of purpose that serves as their compass to navigate a world of uncertainty.