

# Elevating Leadership

Raising the standards,  
raising the stakes

**M**arch, 2017: A quick Amazon search for books on “business leadership” yields 95,686 results. A Google search of “Business Leadership Theories” pulls over two million hits. There is *a lot* to say about leadership, and theories of leadership have evolved over the millennia—from Aristotle’s virtues, through the divine authority of kings, to the latest buzzwords. Perhaps there is so much to say because leadership is so essential—to every organization and every endeavor.

AESC interviewed members representing a broad range of geographical markets and a variety of practices and firms. We invited them to talk to us about leadership, how it has evolved, what it takes to be a good leader, and the emerging challenges and trends in leadership today.

## Same as it ever was?

In many ways leadership has evolved in the last 20 years, and in many ways it hasn’t. Malcolm Duncan is Managing Director of the Insight Group in Sydney. He says, “Leadership hasn’t changed much—internal integrity is still key. The best leaders are grounded, engaged, and understand they have a place in the community above and beyond their responsibilities to shareholders. What has changed is that 80s ‘command and control’ type of leadership—it’s out of vogue because people won’t tolerate that anymore.”

Fredy Hausammann, Managing Partner at Amrop, Zurich, Switzerland and Vice-Chairman EMEA, agrees. “Twenty years ago, good leadership went hand-in-hand with a psychological contract between corporations and employees: strong values, reliable partnerships, clear guidance, and ethical leadership. To effectively navigate change, we need leaders with the same qualities.”

Some of the change that leaders confront includes trends that test the limits of business models, disruptive technology that outpaces labor skills, and a geopolitical environment

that exacerbates uncertainty in global markets. John M. “J.” Hewins, Managing Director, Leadership & Succession at Russell Reynolds Associates in San Francisco argues, “Innovation, disruption, disintermediation; these are not new concepts. It’s the cycle of business, and it has been that way ever since business existed. What’s different is that cycle is *accelerating*. Certainly technology and new business models have been driving that acceleration, and it’s to the point where there’s no industry that has not been touched.”

Indeed every industry has been touched: communications, professional services, manufacturing, retail, pharma, finance, and even agriculture. In January of 2017, Fulvia Montesor, Director of the World Economic Forum, wrote “from intelligent robots and self-driving cars to gene editing and 3D printing, dramatic technological change is happening at lightning speed all around us.”

How organizations survive and thrive will depend on how leaders navigate that change. Kin Chong U, Managing Partner, Talent and Leadership Solutions at Signium, Hong Kong, observes, “Twenty years ago leaders could do a good job by setting up strong processes and systems, and clarifying roles and responsibilities. Now, leaders must learn to survive in a changing environment, unlearning old habits and picking up some of the new skills.”

## Urgency and the unknown

What will Blockchain mean to financial institutions? What will 3D printing mean for mass production? Are global marketplaces prepared for economic and social consequences of universal Internet access? How will leaders, organizations, and society at large deal with the impact of automation and demographics

on employment and the pace of change on the widening skills gap? Can we anticipate the impact of the sharing economy on traditional businesses?

Members identified what they see as the most pressing leadership challenges. First, the workforce is changing. The largest generation in our lifetimes, the baby boomers, will have retired by 2030, and with their retirements go a treasure trove of technical expertise, industry knowledge, and decades of experience. Vivian Acosta, Partner at Talengo/TGCL, Madrid explains what these senior managers have learned over their careers “is impossible to write in a book, and impossible to tell in a day.” Through “reverse mentoring programs, digital natives help to develop digital skills in senior managers, and the baby boomers share their wisdom and experience with the millennials.”

Another challenge is the impact of automation on the workforce. Robert Satterwhite, Head of the Executive Assessment & Leadership Development Practice at Odgers Berndtson, New York, says, “Manufacturing jobs aren’t there anymore, and it’s just going to get worse. The challenge is, what can companies and governments do to invest in training and development so that workers aren’t left behind?”

A related challenge is the widening skills gap. According to the World Economic Forum, “rapid technological advances and the digitization of the workplace are making it harder for workers to match their skill sets with the needs of employers.”

Yumiko Kawakami, Partner at Stanton Chase, Tokyo, sees the impact of that challenge. “Change that is too fast—we have seen it in Japan—has meant a gap between talent capability and the needs of businesses. In Japan there is a ten year talent gap to be filled, and this is a very big issue in the Japan economy.”

Sharon Toye, Partner in Leadership Consulting at Heidrick & Struggles, London, says, “There isn’t

a client that doesn't have a capability gap. Being able to be clear about what capabilities you need and being able to adapt the organization quickly helps address this change."

The relationship between business and society is not uniformly positive. Duncan says, "An unprecedented level of public scrutiny and shareholder activism around the world is probably one of the biggest forces shaping boards and CEOs. Consumer activism can gather momentum very quickly. Boards, particularly, are a little out of step with the power of digital disruption in their markets and their economies, and their ability to quickly become a bad news story."

Hausammann observes, "In many countries, the public used to have a fairly high degree of trust in corporate leaders and the corporate elite, but that has declined markedly. Our clients are dependent on a business-friendly environment for corporate growth, be it tax policy or the regulatory framework. That's the biggest concern in highly regulated industries, and if they are not in a relationship of trust with society, they will not achieve that favorable environment."

The differentiator is execution. All the leadership skills, elevated culture, and market foresight is meaningless without action. Toye says, "In our research over the last few years there has definitely been a shift in emphasis. Twenty years ago, the emphasis was on how performance came through strategic choices. Strategy is still important today, but it is balanced with the ability to execute, and *out-execute* your competitors. Execution has absolute primacy today."

So is openness to change. U says, "A lot of my

clients have backgrounds in engineering and finance, and they are extremely intelligent and analytical. But in this new environment, a lot of things cannot be analyzed. Let's say the company surveys 5,000 employees and the results show x and y." That's not enough, U explains. "You have to walk the floor, and go to your people."

### Evolving qualities of leadership.

Many leaders across industries and geographies recognize some urgency around developing leadership survival skills for the new age. Toye says, "What's really coming, we don't know. That's why we're so keen that organizations be able to mobilize very quickly. They need to execute, because if you're not executing you will not exist for long. And what you execute today will *not* be what you execute in a few years time, so you need to transform. And you need to have that as a core capability, with agility – which requires resilience, learning, and being able to pivot quickly."

Satterwhite, sums up the argument for the evolution of leadership. "In the business world, new technologies and new products come out so quickly; the U.S. president sends a tweet and a company's stock goes down. Leaders need to be more responsive and adaptive than ever –almost being able to see around the corner –and they have to make their teams resilient and adaptable in the face of constant change."

But what are the specific qualities that enable leaders to withstand the whipsaw of change, adapt in time, and lead their teams, organizations and entire communities through uncertainty? To start, Duncan believes,



Vivian Acosta  
Talengo,  
Madrid



Malcolm Duncan  
The Insight Group,  
Sydney



Fredy Hausammann  
Amrop,  
Zurich



J. Hewins  
Russell Reynolds  
Associates,  
San Francisco

“Leaders need the ability to go for a long time being uncomfortable.”

Acosta identifies the essential qualities of successful leaders. “Emotional intelligence is a must today, as is learning agility. Leaders need flexibility to adapt to different situations, people and cultures. Leaders must adapt from working locally to working globally. And, to be a leader, you have to be a role model – walk the talk if you want to inspire others.”

Hewins explains, “The real core competency to drive transformation is to span what might seem like opposite leadership characteristics. On the one hand, successful leaders have the ability to drive change, and that requires a certain innovation DNA: boldness, resilience and drive. But it is also very clear that successful leaders also have an ability to engage with people, to connect, and to understand how change is impacting them. Without that, the innovation, the change isn’t going to stick within the organization.”

Kawakami believes in “the power of design in leadership, which can be a differentiator in global markets.” As published in the *Harvard Business Review*, design thinking is a human-centered approach to innovation; “a discipline that uses the designer’s sensibility and methods to match people’s needs with what is technologically feasible and what a viable business strategy can convert into customer value and market opportunity.”

Kawakami connects design thinking and inclusiveness. “The power of design is really about understanding the complexity in the global economy and global businesses. We are easily crossing borders through business, and

it is very important that leaders are flexible and inclusive, and can optimize *all* the diverse resources within an industry.”

Toye says, “What we know today is a tiny amount of what is going to face us. Being able to deal with uncertainty, run the race is crucially important. Leaders need to look up to see what’s coming, take information in, make sense of it, and take calculated risks.”

### The right leadership model

Duncan reflects on the hierarchical nature of post-war management and the benefits of a collaborative model. “The leader was supposed to be the smartest guy in the room, and that’s not the case anymore. Leaders know they’re *not* going to know everything, they’re going to collaborate. In the late 80s I saw a lot of leaders who would play it safe because they were expected to have the answer, and they were alone – it’s a very lonely and isolated role. A lot of that isolation has dissipated because leadership is a lot more collaborative and team – based. It’s a problem shared.”

Inclusive leadership is predicated on a leader tapping a broad range of perspectives. Hewins says, “The role of diversity is enormous and multidimensional. It goes back to this idea of the vulnerable leader.” Hewins describes the “growing understanding that one’s own view, one’s own frame, is not enough. To be effective you need to know what you don’t know, and the only way you’re going to learn that is to surround yourself with the right complementary skills, and both professional and life experiences. That’s capital D diversity,



Yumiko Kawakami  
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Signium Management  
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and that leads to the right kind of inclusive environment where people can be heard and can contribute.”

In addition to cultural diversity, U makes a strong case for the value of collaborative leadership across organizational functions. “Traditionally, we have had very clear roles and responsibility for each department: sales, production, customer service, etc. Now, we should blur those roles, they should overlap.”

“For example, the head of production should go see the customer – if you don’t go see the customer how can you produce to the customer’s satisfaction? Also, the head of sales should go to the factory to understand the production processes and the challenges in manufacturing, otherwise he or she will make the common mistake of overpromising (and disappointing) the client, and then come back and blame production.”

Liquid leadership is another emerging model that Acosta describes as “a style of leadership where the role of the leader moves around the team. Each employee has their moment of leadership based on the knowledge or skills required to cope with different situations.” A related trend is a change in organizational structure. Acosta adds, “In structures that have to change very quickly, we are talking a lot about holocracy.” She explains “Holocracy was the first model NASA used, in which they distribute projects into teams, and every team self-organizes.”

### It’s complicated.

Whether reacting to disruptions or creating them, successful leaders must leverage a robust personal toolkit. Hewins says, “I think it is a leader’s vulnerable side that balances the resilience; an innovation focus steeped in pragmatism; it’s the charisma but also the authenticity that’s rooted in values and purpose; and it’s an optimism that’s also grounded. A leader is going to have to be more multidimensional than ever before, and will have to be able to move between those leadership styles and conventions in a very dynamic way. And that’s hard.”

Ever-increasing demands to be responsive and agile do not relieve leaders from the need

to plan. Hausammann says, “The current pace of change is affecting organizations with a lack of clear strategy: how do we deal with global, multicultural management issues? Outsourcing, off-shoring? There has been a lack of guidance for many, many people. Digital trends add to the uncertainty, and people are unsure what it means.”

To Kawakami, this environment has provoked a necessary expansion in how leaders think about their roles. She says, “Leaders have to move quickly *and* have a long-term vision, and they must share that vision with both internal and external stakeholders. Ten, 20 years ago people could achieve success by motivating employees and direct stakeholders. Now, the environment can be affected by very indirect stakeholders.”

### Looking forward

“Our lives are being shaken to their very core by technological change, with the Fourth Industrial Revolution transforming economies as never before.”

Jennifer Blanke, Vice-President,  
Agriculture, Human and Social  
Development at the African  
Development Bank

Leaders must navigate the transformation, often into the unknown. But how?

Acosta finds the answer in trust. “In every turn, every moment, innovation is coming so you have to be open to new ideas. Innovation could be disruptive, and it could lead you to a millionaire idea, but you don’t know if you don’t trust.” She adds, “You have to be flexible, open, you have to lose the system of hierarchy and the culture of control. You have to empower people. The new rules in the workplace are trust and responsibility. That’s all.”

And while leaders focus on their markets, their cultures, their processes and their stakeholders, Toye offers a last piece of advice: “Remember to look up.”

