

Feature



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The increasingly turbulent economy puts an even greater emphasis on the importance of leadership development in organisations across all sectors.

Developing leaders for uncertain times

That we are experiencing uncertain economic times few can doubt. At best it would seem that developed economies are in for a period of weak growth while growth continues unabated in the emerging economies of China and India (IMF World Economic Outlook, October 2007). Indeed, Martin Wolf, Economics Editor of the *Financial Times*, describes the rise of China and India as 'the most important event of our era', and the current financial crisis in the West as 'a turning point in the world financial system' – striking a rather less gloomy note than other commentators on the global economy such as Alan Greenspan, who predicted that 'the current financial crisis in the US is likely to be judged in retrospect as the most wrenching since the end of the second world war'. (*Financial Times*, 16 March 2008).

So with turbulence in the global economy as a backdrop, trading and operating conditions for many organisations are likely to be challenging in the next year or two. In this article I argue that the current challenging economy requires organisations in every sector to invest in developing leaders. In practice, as we are all aware, when trading conditions become difficult, organisations naturally look to cut costs, and almost inevitably, investing in development of any kind comes to be perceived as a luxury that can be dispensed with. Indeed, the signs of major cutbacks in development activity are already evident in the market. And at a time when jobs may be cut, bringing in new leadership talent may even seem unethical.

Yet arguably it is precisely when times get tough that leadership is most required, especially leaders who can lead people through uncertainty, keep people engaged and focused

on performance. Indeed, in such situations, wise counsel would suggest that this is the very time when leadership is most needed. I believe that leadership is critical to great performance at individual, organisational, national and international levels, and continuing to develop leaders may be a vital positive signal of confidence in the future. Even in 'good times', leadership, or the lack of it, is a recurring thread running through my research over the past decade into people's experience of work in organisations of every sector. It is a key factor in explaining why people want to either stay with their employers and give their best, or leave, or worse still, stay but become cynical and find work meaningless.

I suggest that maintaining and even growing the investment in developing leaders will produce significant payback and enable organisations to build differentiation and competitive advantage. This will be all the more the case when organisations are experiencing stronger competitive pressures. And leadership is needed at all levels – not just at the top, though top 'distant' leaders have a disproportionate influence over what happens in organisations.

After all, organisations need to compete in several markets simultaneously – financial, customer/product and labour – and there are challenges in all of these markets. Knowledge work and knowledge workers are the primary sources of economic growth. The case is made in most boardrooms about the importance of talent to competitive advantage and that talent and leadership decisions have a deep logical connection to organisational effectiveness and strategic success. This is all the more evident in the talent shortages that exist in every sector, particularly at the high-skill end of the jobs spectrum.

While some firms will respond to economic challenges by shedding jobs, others will maintain their commitment to staff, remembering the lessons of the last 'war for talent' when many companies laid off key staff during the difficult years at the start of the millennium only to struggle to attract the talent they needed to fuel growth once the economy picked up again. If there is a direct link to strategic success, then cutting back on what may be the essence of competitive advantage would appear to be insane.

Why is leadership key? Jentz and Murphy suggest that the twenty-first century will bring rapid changes that cause confusion. And organisations do not exist in a vacuum. We now operate in a global economy that involves uncertainty, ambiguity and discontinuity. There is intense rivalry between firms. Recent economic events have highlighted just how crucial leadership will be to organisations' ability to survive likely downturns and maintain performance through what appear to be bumpy times ahead.

Organisations as human systems are subject to the ebb and flow of a wide range of emotions, aspirations, frustrations, anxieties and power play. In times of change employees look for direction and focus as well as encouragement. We need to develop leaders who can cope with ambiguity, manage change, deal effectively with paradox, be guided by their moral compass and help create a sense of direction and purpose – through which employees become and remain engaged with the organisation in ways that lead to sustainable high performance. Increasingly managers will be measured not only by what they know but also by how they behave when they lose their sense of direction and become confused.

The beating heart of the organisation needs something more than great processes, strategies and technologies to make it tick. People want to belong to something they willingly feel part of. The organisation becomes a community in its own right, where people look to find their place, grow their skills, develop their careers, be successful at what they do. The most effective leaders recognise and nurture that sense of an inclusive community serving a worthwhile purpose. They help create a shared mindset that engages and inspires people, provides parameters within which they can be creative and empowered in serving the needs of their customers. They provide solutions, opportunities for learning and growth, appropriate rewards and required resources.

Providing direction in an ambiguous, changing context can be challenging, but effective leaders scan the environment, consult and involve stakeholders. Leaders and managers now need to be competent in their 'technical profession, possess keen business acumen, understand how to stimulate creativity' (Loubier 2006). They focus on building capabilities rather than just on achieving cost efficiencies, building their organisation's

potential for future success, as well as leading for high performance in the here and now.

People want to believe that their leaders are ethical and to be trusted. When employees trust their leaders, they tend to give their best. Authenticity, honesty and integrity are a large part of how a leader's credibility is judged by employees, and they are judged more by actions than words. Credible leaders know what they stand for and have the courage to walk the talk on what they believe. They build strategies, policies and take decisions that are congruent with their values, and make sure they are followed through in a way that makes a difference. Less credible leaders let their narcissism or other foibles cloud their judgement, are not open to feedback and say one thing but mean another. People soon see beyond the 'spin'.

While it is clear that one size does not fit all with regard to leadership, and different circumstances call for different leaders, at its core I believe that leadership is essentially moral and that the potential for leadership can be activated. It's about building to the unique strengths and potential of individuals and enhancing their ability to inspire others.

The changing requirements of leadership

So if the world is changing constantly, leaders need to change with it. Economies based on knowledge and creativity require organisations to possess a level of management sophistication far above anything previously seen. Today's workforces are much more diverse than yesterday's – by race, gender, ethnicity, personality, thinking styles, and age. As the Baby Boomer generation nears retirement, and many will increasingly choose to stay in employment, building the next generation of leaders is a means of future-proofing the organisation. Generations X and Y can multi-task but are easily bored. They are unlikely to stick around without the chance for real development, or if their company gains a negative reputation or employer brand that is soon known through the effect of viral communications.

Managers are the key link in terms of employee performance and retention. Their ability to exercise the kind of leadership that creates a motivating climate and challenging work opportunities for a more heterogeneous workforce will be key to sustaining organisational performance. Conversely, many studies highlight what is unhelpful in leaders – the 'toxic' behaviours that lead to increased staff turnover, poor employee satisfaction and morale. According to Sujansky (2006), there are six classic leadership mistakes: lack of trust; failure to shape and share a vision; unclear expectations; setting bad examples; taking success for granted; and failure to retain top talent. The leadership paradox is that strong leaders are needed, but they can't command change in employees – unless employees want to follow them.

We may also be seeing a fundamental shift in the nature of work and therefore in the nature of leadership required. 'With the shift to team-based knowledge work comes the need to question traditional models of leadership' (Pearce 2004). Theorists suggest that outdated concepts like 'supervision' and 'training' will be transformed into concepts like 'design muse' and 'learning guide'. Similarly, 'we are seeing traditional and hierarchical models of leadership yielding to a different way of working – one based on *teamwork and community*, one that seeks to involve others in decision-making, one strongly based in ethical and caring behaviour. This emerging approach to leadership and service began with Robert Greenleaf with his concept of "servant leadership"' (Spears 2004).

Leaders or leadership?

The greatest emphasis in review of leadership literature 2003–06 is on the role of individual leaders as authentic moral leaders. Leaders need a sense of purpose in life, work for others and themselves, are unselfish/humble and are defined by their commitments. The style emphasis is a range of variations on servant-leadership. It's about releasing the potential of others, building communities, having high degrees of authenticity and self-awareness, and intensely able to build effective relationships through which leaders bring out the best in others.

Leaders' influence is a key theme. Leaders influence without control and need to be influential in all directions, versatile, strategic and operational, forceful and enabling. Leadership is a social process of interactions, brought about by dialogue. In their interactions leaders build other people's confidence, give people hope (and pain), help people grow and translate goals into actions, build on people's strengths rather than fix their problems. They need to handle uncertainty by reflective conversations.

A secondary but important theme is that of shared, democratic forms of leadership. The focus is on building leadership at all levels – systems and processes, cadres rather than stars, 'leaderful' organisations (Raelin) rather than lone ranger heroic, charismatic, executive leaders. These forms of collective leadership are described as the most appropriate for knowledge-based organisations operating in these complex post-Enron days when a firm's reputation can be its greatest asset or its Achilles' heel. Such shared leadership creates productive communities. Charles Handy writes that a corporation should be thought of as a community of citizens remaining together to pursue a common purpose. Strategic leadership needs to be distributed in the community.

Top teams

Given the current economic climate, shared leadership is all the more important at top team level. Mayo and Nohria developed their theory of 'zeitgeist' leadership based on their

studies of 1,000 great US business leaders and identified exemplars of entrepreneurs (who create businesses), managers (who run and expand them) and leaders (who turn them round). The main contextual factors were government intervention, global events, demographics, social mores, technology and labour. The ability to understand the zeitgeist and pursue the unique opportunities it presents for each company is what separates the truly great from the merely competent. Moreover, without an ability to read and adapt to changing business conditions, a leader's personality and skill are but temporal strengths. These authors also found that a lack of sensitivity can trip even the most brilliant of executives.

Ireland and Hitt argue that we need to move from the 'great leader' view of strategic leadership to the 'great groups' view, and that this is a more appropriate concept of strategic leadership in the twenty-first century. Great groups form knowledge and maintain records of individual knowledge stocks. The most important great group is the top management team – which now must be heterogeneous because of multiple stakeholders.

Leaders and culture

In particular, leaders need to pay attention to building healthy and adaptable cultures. Organisations now cannot afford to have work cultures burdened with politics and power conflicts where creativity is obstructed and where managers have no cultural awareness. Since intelligence, creativity, knowledge and expertise resides within the personage of individuals, it is incumbent upon leaders to accept that their primary role is to cultivate a socially harmonious work environment in which interaction is optimised and where diverse people flourish – whether that work environment is virtual or actual (Loubier 2006). To create what Sujansky (2006) describes as a 'vibrant entrepreneurial organization', leaders must be able to share the vision, encourage employees to take risks, set the right example, stretch employees, provide work-life balance, establish productivity standards and feedback, recruit and retain winners, celebrate victories.

However, above all, leaders in a global context must understand that the very concept of leadership, and therefore its practice, varies between cultures. Increasingly, leadership is defined not as what the leader does but rather as a *process* that engenders and is the result of relationships – relationships that focus on the *interactions* of both leaders and collaborators instead of focusing only on the competencies of the leaders. Leaders must become 'intercultural ambassadors'. This understanding is an essential factor in possessing intercultural leadership competence (Loubier 2006).

Developing communities of leaders

Increasingly, leadership and leadership development are seen as inherently collaborative, social and relational

processes. Especially in times of greater uncertainty, leadership will be understood as the collective capacity of all members of an organisation to accomplish such critical tasks as setting direction, creating alignment and gaining commitment. Taking this next step will require a deeper understanding of the role of organisational systems and culture in leadership development (Van Velsor and McCauley 2004). For Pearce and Manz (2005), the organisation reward system needs to emphasise team-based rewards as well as recognition of individual initiative that contributes to overall team performance. Training is also part of the solution.

Developing communities of leaders will require great communications, strategic conversations and the creation of cross-organisational networks united by shared purpose. Organisations are also increasingly involving large numbers of employees in 'town hall' style meetings where they have the opportunity to better understand the organisation's strategic challenges and work through them, feeding in their own ideas. Organisations in sectors experiencing rapid change find such large-scale interventions highly effective in developing a willingness to change and broader employee engagement and proactivity.

A community of leaders can be developed in other ways too. Covey and Crawley (2004) suggest the following process:

- Do some 'city planning': define borders and boundaries. Determine who you are and who you are not. Have welcome signs, reception areas, a distinctive logo, recreation and meeting rooms, and a master plan for five years.
- Focus on what you share in common: share knowledge and information, unite people by focusing them on common causes and concerns.
- Celebrate success: be positive, focus on the strengths of individuals to make their weaknesses irrelevant.
- Take pride in new products and services: build traditions by having ceremonies and annual events.
- Have fun at work: play and socialise together.
- Build meaning into work: be passionate about some shared vision or mission. Tie every new venture to the mission and seek alignment of personal interests behind the vision.
- Take care of your own: when members of the community feel cared for they will be more willing to care for others. Inspire people to give back to the community.

So whether or not the economic forecasts for the short term are to be believed, maintaining an investment in leadership talent will pay off. Learning how to lead in challenging times and building leadership into the organisation's DNA is a way of future-proofing the organisation. Building communities of leaders is the best way of stimulating the changeability organisations are going to need in the years ahead.

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