

Leadership in a changing world

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The world is changing. Many ways of making money today won't be profitable tomorrow. Basic services and resources that the natural world now provides cheaply will become more and more expensive. Business organisations are facing change at a fast rate, with technology speeding this along. Future changes may include a need to adapt to the availability of resources, as those that are presently taken for granted start to deplete. With the change comes unpredictability and uncertainty. Understanding the systems that these changes are part of will give organisations an upper hand in influencing the change, succeeding at the change, and finding opportunities within this. A number of businesses are realising this, and working to adapt their business strategies to ride this change. According to Forum for the Futureⁱ, a profound strategic shift on sustainability is occurring, with leading businesses such as BT, Marks and Spencer and Unilever changing their approach to sustainability from one of looking at how sustainability should be included in the business, to building the business strategy based on sustainability issuesⁱⁱ. For these business leaders, sustainability and the issues surrounding it really are carving the business agenda.

It is in business's self-interest to take a leadership role in reducing poverty, improving human well-being, and protecting the environment. Doing so will help secure stable and safe societies, preserve open and free markets, ensure access to critical resources, provide new product and business opportunities, avoid abrupt social and environmental changes, and, for the most astute and agile, carve out competitive advantage.

Millenium Ecosystem Assessment, 2005, pp 5

However, even those companies that are developing the business strategy around sustainability are not aware of what is ahead. The changes are largely unknown, and the challenges and opportunities that these changes will bring are yet to be discovered.

No company in the world is currently prepared for the changes ahead... whatever happens next, business-as-usual is not an option.

Forum for the Future, 2008, pp 31

Business success in the years ahead will depend on sound business strategy that not only builds a good business operation, but benefits society and the planet at the same time.

Future leaders

Never has leadership been more challenging as it is now. Both public and private sector organisations are seeking to restructure and transform themselves to seize the opportunities of a globally, connected world where people, driven by values and equipped with knowledge, will collaborate and innovate. Leadership will play a pivotal role in making this happen. As organisations move out of the old systems and into the new, evolving systems of the unknown, leadership is breaking into new grounds. New ways of working require new ways of leadership, as leaders work to hold old systems together as new ones are created, and then transfer between the two.

To be best able to deal with the changes, future leaders will need to:

- be adaptable
- be effective at leading in uncertainty
- be prepared for the unexpected
- have technical and professional knowledge
- be able to manage theirs (and others) anxieties and emotions
- be willing to work in new ways (often outside of their “comfort zone”)
- be able to inspire and empower people
- have self-knowledge of own strengths and weaknesses
- have integrity

There is some way to go before the present leaders fit these requirements. There are large disparities from what leaders need to be, and what they are now.

Three key problem areas are:

- style of management
- a crisis in trust
- boardroom scepticism

Style of management

There are many styles of leadership. To give a view of the spectrum, the three classic styles are:

- laissez-faire (or free reign)
- autocratic (or authoritarian)
- participative (or democratic)

Laissez-faire leadership is fairly hands-off, with minimal direction and contact from the manager. This works well if the leader is working with a good team of well-trained and motivated individuals.

Autocratic leadership is at the other end of the scale, where leaders make decisions without consultation. Autocratic leaders are relied on for direction. Although this can mean that motivation

and involvement are low, this style of leadership can suit organisation where decisions need to be made quickly and decisively.

Participative leadership seeks to find a middle ground through the leaders making decisions with others in the organisation. This is not a sign of weakness in the leader, but more a recognition that the leader does not have all the knowledge, and so better decisions can be made as a team.

Whilst it is often said that good leaders would use all three styles of leadership according to the situation, in reality, one style tends to dominate. Traditional styles of management based on hierarchies of command and control and influencing based solely on the power of position, whilst still definitely alive and kicking, are fast becoming outdated. In the new era, leaders will need to work in a flatter structure, across an organisation, to inspire and motivate a shared vision. Many of the present day leaders are still in the hierarchical mindset, so new skills and behaviours will need to be developed in the leaders of the future.

Executives themselves acknowledge there is a gap in the leadership behaviours needed for the future and current leadership practices in their organisations.

A crisis in trust

Future leaders will need to overcome the crisis in trust that present leaders are facing. Trust in business and government is at a low, but this trust is essential for the transformation of organisations. Without trust, employees will not engage with leaders. Engagement is essential for any change programme to be successful.

Edelman's 2009 trust barometer shows that less than 40% of informed people aged 35-64 trust business to do what is right in North America, the UK, France and Germany.

Opportunity Now 2009, pp 5

Research indicates that globally, confidence in leaders has been steadily declining in the last eight yearsⁱⁱⁱ. This is an enormous issue, as the pace of development, and need for responsibility increases. The future needs leaders that can be trusted, and that people trust.

Boardroom scepticism

In July 2009 the Chartered Management Institute published a report *Lean and Green: leadership for the low-carbon future*^{iv} with some startling findings. The key messages to come out of the report were that managers do actually recognise the importance of cutting carbon emissions, but too few are taking action. This is a significant realisation, and reveals that there are barriers to moving towards a low-carbon economy that need to be removed. The next finding in the report is that although a large number of managers understand the importance of environmental impacts to the business, there is resistance at the senior management level. The reports states that "boardroom scepticism risks squandering widespread management enthusiasm"^v, and recognises that it is the younger, and junior managers that have the greatest levels of interest in change in this area. There

Chief executives need to show leadership by demonstrating commitment and communicating a clear sense of direction.

Wehrmeyer et al, 2009, pp 6

are business benefits to embracing sustainability as an organisation, and this needs to be not only recognised by senior management, but lead by the senior management.

The Chartered Management Institute has produced a number of reports, papers and guidance to encourage and assist managers to integrate sustainability into the business agenda. The Institute advises organisation to:

- ensure that senior management lead change by putting in structures to resource low-carbon projects; allocating board level responsibility for change; ensuring that all employees have an understanding of the environmental agenda;
- build in measurement capacity, so that the organisation has an understanding of its environmental impact, and can measures changes to this. Through doing this, management can get an understanding of where carbon emission reductions can be best achieved.
- create value from environmental projects through cost-saving, gaining competitive advantage, gaining new business, consider business opportunities in low-carbon innovation of new products and services.

Business as leaders

As well as business leaders taking responsibility within their own organisations, these leaders need to ensure that their business is leading too. A Forum for the Future's report, *Acting now for a positive 2018*, suggests a number of actions that businesses should be taking now to lead into a positive future. The report suggests:

- looking for opportunities - new business opportunities that not only have benefits now, but also have positive social and environmental benefits;
- creating alliance with others – working with all stakeholders (including competitors) to find the most sustainable outcomes, and finding ways of creating change;
- supporting the right kind of globalisation – one that benefits all parties;
- engaging with institutional shareholders on sustainability – the shareholders need to understand the issues to back the longer-term vision;
- developing creative partnerships – with other companies, the government, etc to work together to find solutions to problems.

It is becoming increasingly recognised that modern leaders need to be authentic in everything they do and be proficient at engaging with employees and others. Taking the business that they lead with them in this is paramount to thriving in the changing world that the future brings. Those businesses that are embracing new ways of working, and exploring opportunities are not only building firm foundations for themselves, but will be ahead of the competition as and when government start driving low-carbon targets.

Further reading

Bent and Draper (2007) *Leader Business Strategies: profitable today, sustainable tomorrow*. Forum for the Future. October 2007.

Wehrmeyer, W., Leitner, A., Woodman, P., Kumar, V. and Wilton, P (2009) *Lean and Green: Leadership for the low-carbon future*. Chartered Management Institute, July 2009.

ⁱ Forum for the Future: a leading sustainable development charity in the UK.

ⁱⁱ Bent and Draper (2007) *Leader Business Strategies: profitable today, sustainable tomorrow*. Forum for the Future. October 2007.

ⁱⁱⁱ Development Dimensions International (2009) *Overcoming the shortfalls in developing leaders*. Global Leadership forecast 2008 2009 Executive Summary.

^{iv} Wehrmeyer, W., Leitner, A., Woodman, P., Kumar, V. and Wilton, P (2009) *Lean and Green: Leadership for the low-carbon future*. Chartered Management Institute, July 2009.

^v Wehrmeyer, W., Leitner, A., Woodman, P., Kumar, V. and Wilton, P (2009) *Lean and Green: Leadership for the low-carbon future*. Chartered Management Institute, July 2009, pp 6

QUOTE REF ON PAGE 1:

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http://www.opportunitynow.org.uk/research/leadership_for_change/index.html accessed 31 December 2009.