

Leadership in times of uncertainty

This paper is sparked by a dinner discussion, facilitated by Stanton Marris and hosted by Addleshaw Goddard in November 2010 with participants from a number of financial service businesses with the theme *Have our leaders led us down the garden path and how do we get back up again?*

A recent paper by Douglas Board[†] suggested that there had been a deafening silence about the role of leadership up to and during the crisis in financial institutions. We wanted to test if a focus on leadership and leadership development had become irrelevant and we wanted to find out if leadership and leadership development had any answers to offer.

To see if leadership had fallen off the radar we undertook a quick and simple survey of a number of financial services contacts. The summary results are appended. The headlines though were that over the last 3 years approaches to leadership development have changed, becoming more focused, formal and systematic, and investment in building leadership capability has increased as it is seen as more important than ever. Respondents said that the priorities and challenges for leadership capability were: combining global and strategic leadership with operational leadership skills; talent and succession; change skills.

Our dinner and discussion was set up to explore further the issues of leadership in the current climate. Lynne Chambers of Fidelity gave a perspective taken from research she had co-authored and published while at PwC. Her article^{††} looks at leadership responses from different organisations in the wake of the banking crisis. 'Highly paid bank executives turn out to have driven their complex juggernauts very fast into ice and fog' is the way that Douglas Board explains it. For our discussion Lynne wanted to highlight the issue of how leaders can respond helpfully (and unhelpfully) to disruptive external changes, to the looming fog bank. The vital skill is that of navigating uncertainty and the model that Lynne and colleagues found most helpful in illuminating that was developed by Deborah Ancona and others at MIT. They refer to it as a 'moral compass' that helps people find the right way through uncertain and ambiguous circumstances.

The four points of that compass are Sense making, Relating, Visioning and Inventing. The argument, borne out by case studies, goes that to be able to lead effectively through uncertainty leaders need to:

- Seek out multiple perspectives and sources of data and involve others in making sense of the picture
- Put even more effort into developing relationships across your business
- Keep articulating the purpose of the work and help people to have clear answers to 'what am I doing this for?'
- Challenge conventional ways of doing things and encourage others to find new ways of working

This creates a dilemma in the real world however. In the real world of organisations people want their leaders to give them more certainty in times of ambiguity. What people think they want is the heroic commander figure. Leaders often respond by believing they should be the heroic commander and that the authority vested in them calls them to that role. But we all know that the commander is right in some circumstances but not when the future is unclear, the rules of the game keep changing and most importantly the steps to move forward are not clearly known. This is what Ron Heifetz^{†††} would call an 'adaptive challenge'. So in uncertainty we hanker for authoritative leadership when it may be the last thing we need – shades of Dick Fuld.

What was certainly needed as the financial toxins accumulated was more and better challenge. Much discussion centred on the importance and difficulty of creating a climate where challenge and the learning from it are positively encouraged. The real leaders, some said, were those who had struck their necks out to point out the folly of driving at 90mph into a fog bank.

Implications then for the kind of leader needed for the future:

1. Guided through uncertainty by a 'moral compass' and not by 'over reaching ambition' (as Board puts it)
2. Able to create a climate of trust which is a foundation for challenge and valuing multiple perspectives. The opposite of brigaded uniformity and groupthink
3. Connected to colleagues, senior and junior, stakeholders, customers; testing plans and visions against experience

All this also underlines the value of two current leadership approaches: 'authentic leadership' and 'adaptive leadership'. The 'authentic leadership' concept developed by Rob Goffee^{††††} would argue that if you are going to be the kind of leader that can satisfy the 3 implications above there is no alternative but to lead as a whole person. Why? Because followers quickly make a judgment on what a leader stands for, what their values are in relation to other people, to work, to the organisation they work for. That can be both scary - 'I can't hide behind my desk and name plate, they want the real me' and liberating - 'no point faking it, I have to use what is real about me, what I care about, what I'm good at, not someone else's list of leadership attributes'.

The 'adaptive leadership' approach articulated by Ron Heifetz and others has a great deal to say on the skills and processes of leading when destination, means and pathway are not clear and when resorting to the use of authority and command and control can't or won't work. Again one of the key themes is about self-awareness and use of self.

So, can this kind of leadership be developed? The good news is that our discussion group believed that it can be. But three things are required:

1. Start early on – develop an understanding of effective leadership and develop the self awareness that that requires in early or mid career. If the development effort is

restricted to those who have made it to the top echelons of leadership it's probably too late.

2. Grow people through experiences – if people go on programmes make sure that the programmes give them experiences to mull over, otherwise develop talent by actively managing the work experiences that people need in order to grow. Its surprising how large corporations vary in their practice (as opposed to their intentions) of talent and career development
3. Keep people connected. Don't let leadership investment become a nice to have because the way you did it means that it is no more than that. Addleshaw Goddard invested huge effort in engaging their partnership in the design of their partner development programme , not surprisingly it is very successful and remains connected to the needs of the business

This sounds common sense but it is challenging to those who conceive, design, procure and deliver leadership development. It's so much easier to pick a brand off the shelf but our own experience as consultants is that the effort you put into getting it right up front is repaid many times in the impact and effectiveness of leaders.

If you would like to pursue any of the ideas discussed in this paper just drop an email to John Bruce-Jones jbj@stantonmarris.com or Virginia Merritt virginiamerritt@stantonmarris.com

[†] In *European Management Journal* (2010) 28

^{††}The future of leadership: a practitioner view, in *EMJ* 28

^{†††} Ron Heifetz et al., *Practice of Adaptive Leadership*, HBS, 2009

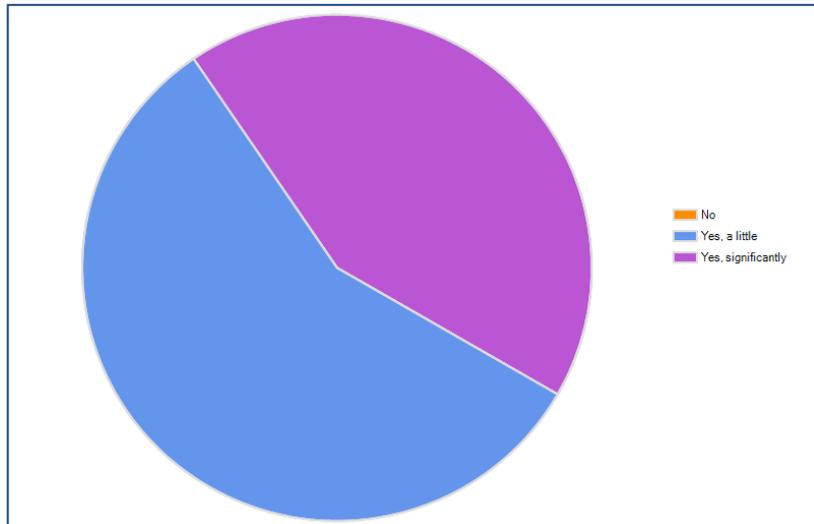
^{††††} Rob Goffee and Gareth Jones, *Why should anyone be led by you?* HBS, 2006

Stanton Marris Financial Services leadership survey: response summary

November 2010

The information provided below is a summary of the information provided in the pre-dinner survey. The information was provided by 9 professionals from Financial Services organisations.

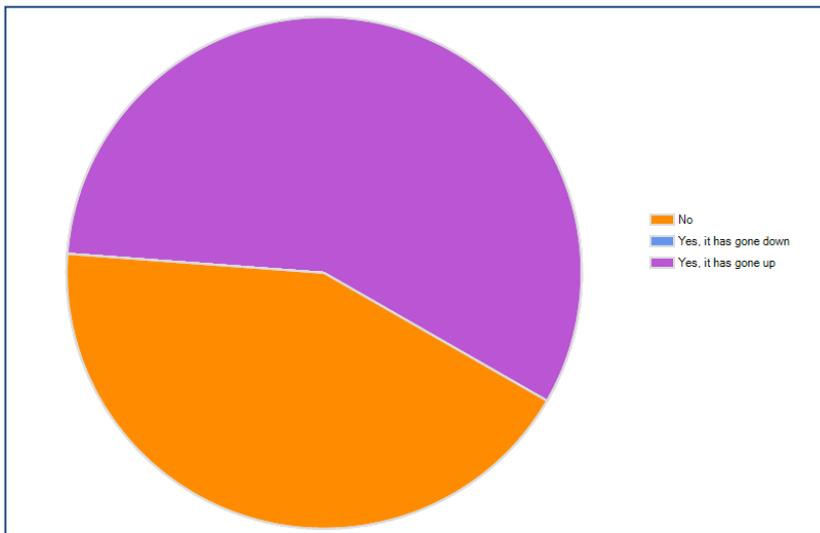
Has your / your organisation's approach to developing leaders changed over the past 3 years?



Themes:

- Approach has typically become more focused, formal and systematic
- More systematic approach to selecting future leaders
- Shift in focus to developing broader skills and global requirements (i.e. off shoring and outsourcing)
- Stronger focus on impact and ROI

Has your / your organisation's investment in building leadership capability changed over the past 3 years?



Themes:

- Economic crisis has led to changes in investment
- Building leadership capability is now more important than ever
- Stronger focus on developing the business not just individuals
- Stronger focus on talent and talent management

What aspects of talent and leadership are the highest priorities now for you / your organisation?

- Preparing leaders for change
- Managing strategically as well as operationally
- Retaining and developing talent
- Succession planning
- Collaboration
- Thinking globally
- Impact and alignment with ROI
- Being entrepreneurial.

Looking ahead, what concerns you most about leadership capability in your organisation?

- Adaptability to change
- Loss of skills through regulation
- Developing the next generation
- Getting the right balance between technical skills and emotional intelligence.