International Leadership Study

Future Skills for Leadership

Challenges for Leaders in Dynamic Situations

Study Summary

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Challenges for Leaders in Dynamic Situations

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The requirements for leadership are changing. This is not a novel finding in itself, as changing social, technical, organisational and economic circumstances usually lead to new requirements. But what are the requirements placed on leadership today at the end of the decade? In a metastudy, flow consulting gmbh examined the consequences for organisation, personnel and leadership based on the developments of Industry 4.0 and the digital transformation. The concrete and measurable result of the study suggests seven requirements for leadership skills.

4.0 and Digital Transformation

Everybody is talking about "4.0": Work 4.0, Education 4.0, of course Consulting 4.0 and Leadership 4.0 all the way to Water 4.0 and even Revolution 4.0. The origin of all these 4.0 terms is "Industry 4.0" – it refers to the new industrial revolution following the first (mechanical production systems thanks to water/steam power), the second (mass production thanks to electricity) and the third (automation thanks to IT) industrial revolutions. It differs from its predecessors by the fact that it is not retrospectively referred to as such, but is now being referred to in advance in a programmatic way – on the basis of an initiative by the Federal Government. Outside the German-speaking world, people tend to refer to the "digital transformation", but they essentially refer to the same thing: Production-related innovations are intended to offer customer-specific products and services at mass-production prices.

This development is achieved through digital technologies that allow for communication in the combination of software-based data and electronic and mechanical devices (CPS: Cyber-physical systems).

Consequences for Organisations

The effects of Industry 4.0 and especially the digital transformation go far beyond mere technical aspects: Areas of activity and related qualifications, business processes, organisational forms, information management, leadership requirements, strategy, customer relationships, product and service orientation, time pressure, and unforeseeable changes are some of the aspects that are being approached in a new way. In short: The culture of an organisation, understood as the way an organisation deals with the demands of its environment, will change. And when the environment changes (constantly), an organisation has to react in some way to it: It can react in a way somewhere between ignorant dismissal and frightened activism.

This is where the concept of "agility" comes into play – it is the ability of an organisation to handle new, unknown situations in a structured and prepared way. It is also important to keep in mind: Classic methods and operating systems for planning still retain their relevance – for plannable, known tasks.

	Classic management methods	New (agile) management methods	Agile Mindsets
Methods	▪ Process Management ▪ Lean Management ▪ Quality Management ▪ Supply Chain Management	▪ Scrum ▪ Kanban ▪ Design Thinking ▪ Discovery Driven ▪ Retrospectives ▪ Consent	▪ Dynamic Facilitation ▪ Appreciative Inquiry ▪ Effectuation ▪ Barcamp
Operating system	▪ Hierarchy organisation ▪ Fixed goals / Strategic planning ▪ Detailed reporting / Controlling	▪ Scrum based organisation ▪ Sociocracy ▪ Holacracy	

According to: Aulinger

Consequences for Employees

Constantly being agile, being able to adapt to new circumstances, being able to accept things that are halfway secure ... hardly anybody can sustain that kind of attitude in the long run. "If change becomes too persistent, it will be difficult for people to understand what is happening and to predict what will happen unless they are able to freeze, break out of, and rearrange aspects of that flow" (Weick). The Jena sociologist Hartmut Rosa offers three basic ways to break out of a situation of constant overburdening, whether it is of a physical or psychological nature:

- Alternative lifestyles as various "departures" from common lifestyles;
- The search for stability through consumption – which, however, is not really exploited and is therefore just superficial;
- Recognition and common appropriation of the world as a common and experienced assurance about situations, complications and appropriate actions.

Only the latter solution, which is called "resonance", proves to be sustainable. The necessary reliability anchor here is no longer escapist or superficial, but continuously productive. In organisations, reliability anchors are generated in the three organisational aspects of strategy, structure and culture (Rüegg-Stürm) – which serve as resonance spaces.

Consequences for Strategy, Structure and Culture

Strategy does not claim to be a guaranteed long-term plan in dynamic situations. It is actually just "a point of view on the future" (McGrath): Everyone knows that this particular strategy cannot be implemented (yet) in the exact way one intends – but it serves as a common orientation point and framework for action, as a preliminary approach, which makes it that much more relevant. The present situation with a foreseeable near future is more crucial than a master plan. The "common appropriation of the world" referred to above takes

place in such a situation. Think about a child here: The person who is currently helping them cross the street (or navigate a foreign city) is more important than their godmother, grandfather or pediatrician together – both subjectively and objectively!

This "priority of the temporary" (Luhmann) also applies to organisational structures. Agile approaches such as Scrum or Holacracy are neither arbitrary nor anarchic; they are characterised by very clear and strict attributions of roles/functions and processes. The "common appropriation of the world" takes place within such clarity and reliability

The third organisational aspect, culture, is central, because the beliefs of each individual come together with those of the entire organisation here. Leadership is required here – strategy and structure, on the other hand,

can do without it: "The management roles of planning, organisation and deployment of personnel that occur upstream from leadership are almost autistic; they can be successfully implemented without direct contact with the (not dispositively active) members of the organisation." (Lührmann)

First, regarding the beliefs of each individual: In a study of value-worlds commissioned by the Federal Ministry of Labour and Social Affairs, two fundamentally different belief clusters are postulated:

- The value-world of "delimited working hours": Predictability, regular working hours and a carefree life play the main role here;
- The value-world of "individualisation of working hours": Personal initiative, freer time allocation and high flexibility are valued here.

In most cases, leadership will encounter representatives of both value-worlds in their area of responsibility – with the task of leading these people in terms of and on behalf of the organisation.

Consequences for Leadership

Leadership does not really gain its legitimacy on the basis of a hierarchy. The number of stripes on your sleeve or on your epaulette, the number of windows in your office or other symbols of institutionalised power are

becoming less and less important, especially in dynamic situations. After all, the supposed "subordinate" generally not only has an advantage terms of information and experience, but at the same time also has (at least implicit) knowledge of how the "wrong" arrangements can be

tactically and tactfully circumvented in practice.

Leadership instead arises in interactions with the people who are led, and the dynamics between the leader and the led are potentially redefined and changed in every situation. Leadership is therefore "an open project that has to prove its worth over and over again in changing social environments"

(Lührmann) especially the coordination of the different – sometimes contradictory – identities that arise and are required in different interactions (employees, tasks, goals, etc.); this represents one of the main challenges a leader gives themselves. Opportunities are created here to facilitate the "common appropriation of the world". On one hand, there is no "one-size-fits-all" approach because interactions in leadership situations are too different. And on the other hand, nobody can provide reliable advice on how to deal with a pressing leadership situation, because this is exactly the situation that will change during the interaction – or at least such changes cannot be ruled out.

Requirements for Leadership Skills

Fifteen empirical studies on the requirements on leadership in a dynamic environment form the basis for the work on "new" leadership skills (see appendix for list). The studies come from four different countries (Germany, Switzerland, France, USA) from the years 2014 to 2016. They focus on what leaders should do in the situations outlined above:

- Mobility with simultaneous reliability
- Flexibility with simultaneous planning
- Situational reference with simultaneous continuity

Leadership especially consists in enduring and handling such supposed dilemmas: "The quality associated with leadership is the ability to make wise decisions and act responsibly when you have no more than just an idea of the direction and the respective values" (Hock). And to accomplish this, leaders need the "good old" skills summed up in the Future Skills for Dynamic Leadership.

There are also seven additional leadership skills. These are the result of both a clustering of 92 requirements from the fifteen studies mentioned above and a comparison with two other metastudies (see appendix): From "agility" to "letting go" to "promoting collaboration".
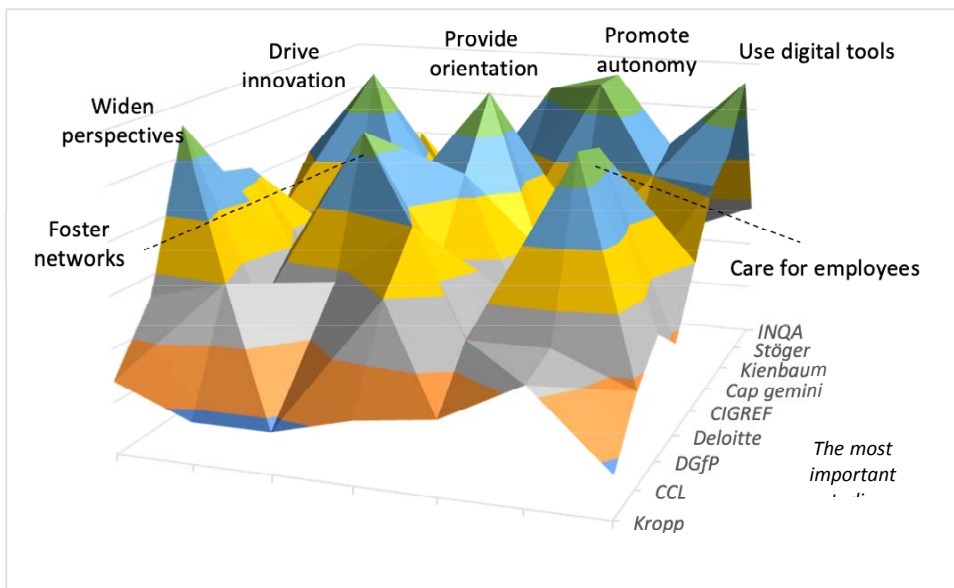
The Seven Future Skills for Dynamic Leadership

The background and characteristics of these seven leadership skills for dynamic situations – *Future Skills for Dynamic Leadership* – are described under the following headings.
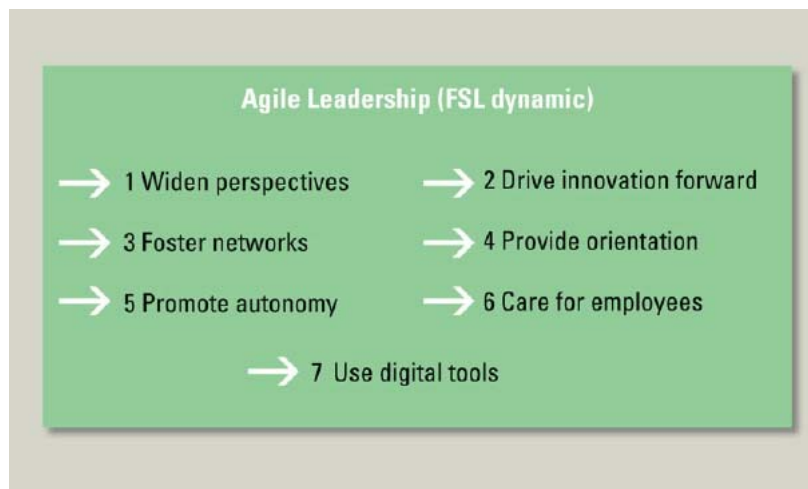
→ Widen perspectives

This means the ability to ...

Enable and value the new and different in unclear situations.

There is no clear, not even an obvious "solution" in dynamic situations. A "one-size-fits-all" approach is inappropriate. People cannot build on their own experiences because even an apparently well-known situation may turn out quite differently in a matter of moments. For leaders this means they need to repeatedly turn on their own radar and be open to new information, impulses and perceptions. It is especially important for leadership to see opportunities in this "factual chaos" and to accept contradictions and alternatives as a positive thing when new impressions contradict previous conceptions. The constructive handling of cognitive uncertainty is the entry-point into constant learning for people with high skills in "expanding perspectives".
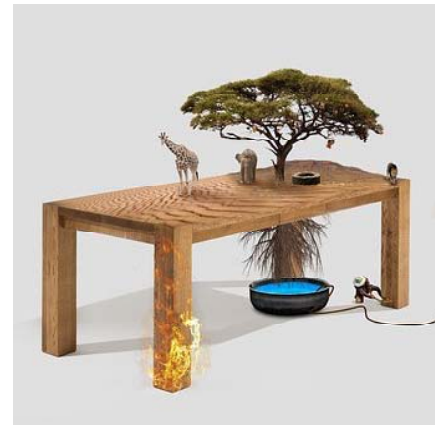
Progress is only possible if you intelligently break the rules.

Boleslaw Barlog (Theatre Director, 1906-1999)

→ Drive Innovation forward

This means the ability to ...

Be open to innovations, to experiment and to welcome the constantly unknown outcome of novelty.

Product cycles are getting shorter and innovation rates are rising – today's news is already old tomorrow. But innovations do not fall from the sky: Waiting for a flash of inspiration is not enough. That is why leadership is increasingly given the task, in addition to promoting a creative climate that values mistakes, of ensuring that ideas are really implemented. The formula here is: Exploration + Exploitation = Innovation. To do this, leadership must show a willingness to take risks, initiate experiments and restart existing ones with openness about the outcomes. This also includes dealing with setbacks and taking these into account beforehand both mentally and with regard to relevant resources such as time and budgets. Leaders with a high degree of skills in "driving innovation" do not necessarily have the best ideas – but they have the courage and the desire to try new things.

Innovation distinguishes between a leader and a follower.

Steve Jobs (Entrepreneur, 1955 – 2011)

→ Foster networks

This means the ability to ...

Actively expand social contacts within and outside one's own organisation, even without directly utilisable benefits.

Information, experiences and ideas are not just widely scattered. It is also often unclear which of these inputs could become relevant and when. It is therefore important for leaders to cultivate relationships and networks so they can access them when needed. This enables them to take their decisions on the basis of a broader foundation. Such precautionary collaboration with distributed knowledge resources ideally takes place both inside and outside the organisation, through both traditional forms of exchange (meetings, conferences, etc.) and through social networks (Facebook, LinkedIn, etc.). Leaders equipped with high skills in "cultivating networks" share their knowledge and promote cooperation with others comprehensively and without any immediate benefits.

Luck is granted only to those who are prepared.

Louis Pasteur (microbiologist, 1822-1895)

→ Provide orientation

This means the ability to ...

Convey positive ideas about common goals and activities - especially in ambiguous situations.

Despite all the dynamics and the resulting uncertainties, leadership has the task of stating the rough direction over and over again so people always have it in mind. This rough direction is the "goal of the journey" of the organisation and does not simply mean a small-scale, three-year plan. Linking the clear idea of the future of the organisation with positive images and concepts, while emphasising the meaning and benefits of the products and services, provides a different orientation and inspiration for future tasks and challenges. Uncertain conditions in particular require leadership that is understandably confident and creates an environment with positivity. Leaders with a high level of skill in "providing orientation" are therefore able to plausibly arrange and classify events and decisions for everyone.

Reality is an ongoing accomplishment that emerges from efforts to create order and make retrospective sense of what occurs.

Karl E. Weick (Organisational Researcher, *1936)

→ **Promote autonomy**

This means the ability to ...

Involve others in decisions and ensure that they can complete their tasks independently and competently.

Unclear dynamic situations are characterised by the fact that centralised leadership is no longer really possible. The information and options for action are too distributed for a single person to take all decisions. Self-organising individuals or groups not only need to be able to be work on their own – they first have to be encouraged and empowered to do so. The flexibility demanded of hierarchies requires the will and the ability to let go on the part of leadership. And the employees require the will and the ability to take responsibility. The open exchange of experiences and suggestions, participation in decision-making and a largely free hand in implementation are things encouraged by a leader with high skills in "promoting independence".
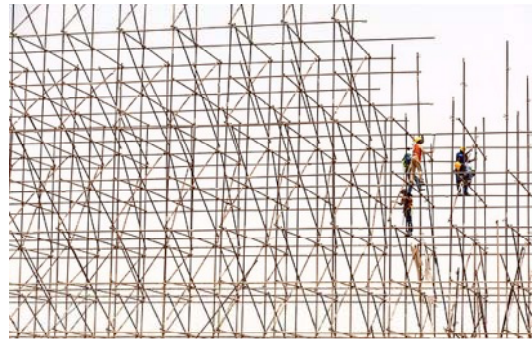
Trust is realised in action.

Martin Hartmann (Philosopher, *1968)

→ **Care for employees**

This means the ability to ...

Empower employees in uncertain situations and encourage them to deal with contradictions and surprises.

Employees deal with unclear and uncertain situations differently – from having a high level uncertainty to committed revision. Leadership's job is to ensure that employees master contradictory demands without falling into one of the two extremes mentioned. An open ear for their concerns and the recognition of achievements and successes are an important part of this. In addition to immediate feedback mechanisms, leadership structures are needed that foster personal development of employees, provide feedback without sanctions (regarding errors, personal boundaries, etc.), and productively exploit personality differences (team composition, task redistribution, etc.). A high level of skill in "supporting employees" characterises leadership that focuses on work based on individual relationships as well as structural organisation.

Someone who makes the people around them small is never great.

Johann Gottfried Seume (Author, 1763-1810)

**→ Use
digital tools**

This means the ability to ...

Use new digital collaboration tools for your own work and for working with others while assessing the risks.

Digital communication instruments such as video conferencing or chats, and tools such as cloud computing or sharepoints ... Using digital tools in the age of digital transformation is not just about efficiency. It is also a matter of credibility; after all, a leader ultimately leads through their behaviour. In addition to using these tools on their own, leadership must also provide support and encouragement for others to "digitise" the way they work – and at the same time point out the risks of the digital world. Experimentation together with new digital tools, active support for employees who want to break new ground, as well as a top-down and bottom-up "digital policy" characterise the approach of a leader with a high level of digital skills.

Everyone gets smarter because of this technology ... and the empowerment of people is the secret to technological progress.

Eric Schmidt (Manager, *1955)

The Interaction of the Seven Skills

Three of the seven skills make up the "inner life" of an organisation and are the skills over which leadership has the greatest influence: Providing orientation, supporting employees and promoting independence. Without these three skills, the other four skills would be directionless, conflicting or inefficient.
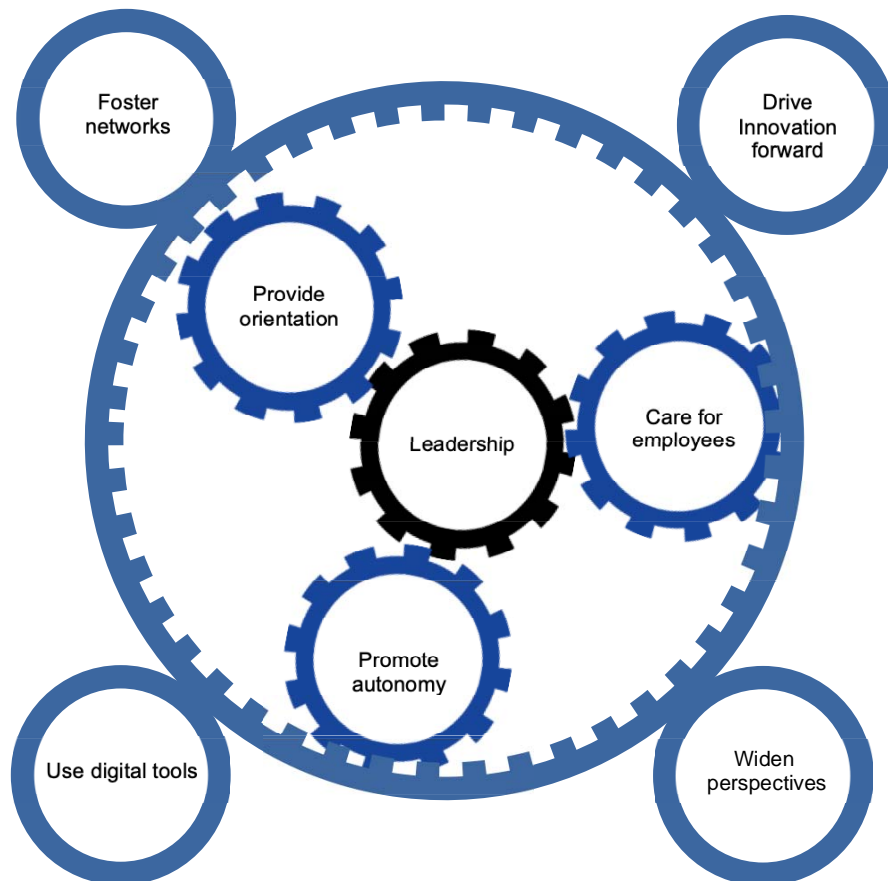
While the three internal skills are directed toward the organisation, the four skills on the outer circle form the interfaces to an organisation's environment:

- Technically through using digital tools,
- Informatively through broadening perspectives,
- Socially through cultivating networks, and
- Evolutionarily through driving innovation.

The dilemmas mentioned above for leaders in dynamic situations – reliability, predictability and continuity ... as opposed to mobility, flexibility and situational reference – are represented by the internal and external skills:

- Orientation, support and independence – they serve to ensure the self-assurance and stability of employees;

- Digital tools, perspectives, networks and innovation are drivers – they serve to open up employees and make them more flexible

If a leader's stability skills dominate, the employees increasingly hold back and settle into the productive calm created and secured by leadership. If a leader's flexibility skills dominate, the employees become confused and possibly outdo the leader in creating unproductive restlessness. *Both* worlds of inward and outward skills enable leadership in dynamic situations: "To integrate, build, and reconfigure internal and external competences to address rapidly changing environments" (Teece).

The guiding ideal in the age of digital transformation is not a static 50:50 balance of stability and flexibility skills, it is the occasional juggling and balancing of these skills – beyond any attempt at finding equilibrium, because:

Can you move forward,

if you do not enter areas

that are far from equilibrium?

(Gilles Deleuze)

The "Future Skills for Dynamic Leadership" test has been available since March 2017. It can be used for self-assessment or even for 360° feedback and is available in German, English and French.

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Appendix

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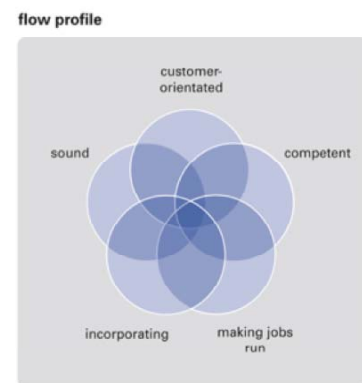
flow consulting

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customer-orientated

sound

competent

incorporating

making jobs run

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