PREPARING LEADERS FOR TOMORROW’s BUSINESSES

The world is changing so fundamentally that business leaders who act as if the old rules still apply will find themselves and their organisations side lined or overtaken completely. However, say Thomas Malnight and Tracey Keys, those who adapt to this new world will be well placed to make the most of the opportunities it will offer.

In our interviews with 156 CEOs and other senior executives from around the world for our book Ready: The 3Rs of Preparing Your Organization for the Future (with co-author Kees van der Graaf) we identified two distinct types of leaders. The first group is made up of people who are holding on to the past. They often lead firms that are caught in a short-term trap; that is, they focus on delivering immediate results at the expense of long-term planning.

The second group consists of people who are investing in preparing for the future by working to understand how the world is changing, what it means for their organisation and what they need to do about it. They also recognise that making the fundamental changes to their business models that this requires will take time, and thus cannot be delayed.

This article highlights some of the changes reshaping the world and the five challenges facing leaders as a result. It also explores what these changes mean for business schools as they prepare the next generation of leaders.

Five areas of critical change

Leaders can only prepare their organisations for the future if they can take an informed view of what it will look like. Our research highlights five areas in which major changes are occurring.

CRITICAL CHANGE 1

Competition

Competition is no longer limited to firms that look, act and think alike. Emerging competitors are players with fundamentally different business models, value propositions and mindsets. Competition is just as likely to come from outside your industry as within it; banks are now facing pressure from telecommunications companies offering mobile banking, for example.

CRITICAL CHANGE 2

Growth

The battle for future growth is not just between companies but also between growth markets and economic systems. This fight will be centred in the BRICS and other high-growth markets where bottom of the pyramid models often prevail. The mindset here is centred around exploiting high growth.

One Asian CEO told us: “If we don’t double our size every two to three years, we will soon become irrelevant”.

Success in these markets will come through newly developed market-relevant offerings not through attempts to leverage or repurpose old products or models.

CRITICAL CHANGE 3

Consumers

Businesses talk about fighting to own the consumer but it is consumers who are gaining power, influence and choice. Many products and services are becoming
commoditised as consumers become more connected, mobile and demanding. They expect more but are often not willing to pay extra for it. They participate in communities of similar interests where their power further multiplies.

Competition is moving beyond products and services to being based on what consumers are willing to pay for and what influences their desire to engage.

**Critical Change 4**

**Talent**

Generations X and Y are moving to the forefront, bringing new expectations and demands. Old notions of loyalty based on time spent at a company are irrelevant today; it is commitment that counts.

In return, employees want jobs that are exciting and meaningful at organisations where they can make an impact on the company and the world. Jobs emphasising limited roles and gradually increasing responsibilities will be rejected as impact replaces loyalty in attracting the talent needed for future success.

**Critical Change 5**

**Society**

Society expects more of business than philanthropy or propaganda; companies increasingly need to make a positive contribution to society if they want ‘permission’ to be successful. Visionary leaders are focusing on the need for shared value or prosperity and the importance of responsible capitalism.

**Five challenges for leaders in preparing for the future**

Our discussions with leaders suggest that the challenges facing leaders in the years to come will fall into five main areas.

**Challenge 1**

**Ambiguity**

Leaders will have to be able to manage ambiguity if they are to succeed in a future that is likely to be characterised by volatility and uncertainty.

“If you are not able to manage ambiguity, and you need to understand everything before you start doing anything, you narrow everything and reduce your options and possibilities,” Clara Gaymard, the president and CEO of GE France, told us. “This will not work in the future.”

Managing ambiguity requires moving beyond consistency and predictability to look at the implications of change from the outside in – that is, what is happening in our environment and then what it means for us – rather than focusing on optimising today’s products, markets and functions. It demands an attitude of what must we do in the future to succeed as opposed to what can we do to incrementally improve results today.
CHALLENGE 2
Contradiction
Businesses today operate in two time frames: the immediate and the very long term. Pressure to deliver results today is intense and growing but so too is the need for fundamental, not incremental, change to succeed in the long term. Doing both at the same time requires confronting the short-term, long-term gap – the metaphorical distance between the goals, attitudes and definitions of success that characterise each period.

Tongaat Hulett, the South African agricultural business, offers an example of how this can be done. Some 90% of its executives focus on efforts that directly affect profits today while the remaining 10% focus on developing relationships and business models to prepare for the future, CEO Peter Staude told us.

“When you work in areas like [Africa and agriculture], you have to get your basics right first,” he said. “However, you also have to recognise that to win future marathons, to grasp future opportunities, you have to work constantly on these projects as part of your regular activities, both for risk mitigation and to develop long-term growth opportunities.”

Addressing contradiction requires two-directional thinking. That is, you need to think forward from where you are today so that you can focus, prioritise and accelerate activities to deliver immediate results at the same time as you think backwards from your goals for the future to identify the changes that you must make today in order to reach that future position.

CHALLENGE 3
Engagement
No one individual or organisation has all the insights needed to succeed in the future. To that end, leaders must engage with stakeholders inside and outside their organisation if they are to identify and shape the opportunities and challenges ahead. This requires rethinking relationships from a learning perspective and finding new ways of working together.

A major barrier to engagement is trust – a characteristic not often associated with business today but which must be central to the thinking of future leaders. Leo Yip, the chairman of Singapore’s Economic Development Board, told us: “Who you are as a leader is based on your sense of purpose, values and everything else about you. These things have to be consistently translated into your decisions, your actions, your priorities and who you are as people interact with you. Only then can you build trust. Without trust, you cannot have leadership.”

CHALLENGE 4
Co-creation
Applying old formulas to new situations will not work; instead, leaders need to manage the co-creation of new answers. The challenge is to identify both what will be needed to succeed and applying these new approaches and solutions. For this, leaders need a mindset that prizes curiosity, continuous exploration and creativity.

CHALLENGE 5
Purpose
Traditional business rigour and discipline are likely to remain important in years to come but they will not be enough on their own; leaders must also address people’s need for meaning and purpose. “The biggest malaise of the 21st century is a lack of meaning in people’s lives,” Anand Mahindra, the chairman of Mahindra & Mahindra Group, told us. “You have to tell people to work toward a transcending goal, toward something more than achieving the next quarter’s earnings.”

Paul Polman, CEO of Unilever, highlights the importance of purpose in his call for responsible capitalism as an enabler of future success. “There is a huge opportunity for businesses that embrace this new model of responsible capitalism but it does require a different approach. This goes well beyond CSR. It’s about moving to a licence to lead.”

How can business schools help to prepare tomorrow’s leaders?
The first step for business schools preparing tomorrow’s leaders is the same as that required of today’s leaders: recognising that the tools and approaches that worked in the past may not be sufficient in future. Business education, just like many other industries, is facing increasing cross-industry competition, more demanding consumers and financial pressures.

Future success – both for business schools and their clients and students – will require understanding and shaping of what it will take to compete in an environment built around ambiguity and contradiction. It will be dependent on engagement and it will emphasise the need for co-creating new answers rather than relying on traditional remedies;
it must also recognise the growing importance of purpose and meaning. Essentially, the reinvention challenge is two-fold – reinvent the business school and reinvent how it helps clients achieve future success.

Relinquishing outdated approaches and building new ones fit for the future will not be easy for executives nor for business schools. But perhaps the most important challenge is recognising that preparing leaders to lead tomorrow’s businesses is a journey, one that not only affects the leaders being trained but the educational institutions that do the training.

If business schools want to step up to this challenge, they need to move beyond the traditional classroom environment and burgeoning business of webinars to:

• focus on what it is going to take for leaders (and their businesses) to succeed in the future not what has worked in the past
• move from providing lecturers on knowledge to co-creating answers that are personally relevant for tomorrow’s leaders
• view education not as a series of episodic events that provide answers but as a continuous process of learn-understand-co-create-apply-learn
• understand that preparing tomorrow’s leaders is a human process. The world is becoming more complex, ambiguous and connected. Relationships and support networks in education are as important as in any other sphere of life.

It is time for business schools to practise what they preach and do the same thing we are asking organisations to do. Come down from the ivory tower and become partners in co-creating tomorrow’s leaders.

ABOUT THE AUTHORS
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