# Growing Complexity

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| Published on: | 12/03/2015 | Name: | Trends |
| Page: | 18,22 | Country: | United Arab Emirates |
| Size: | 100, 100, 100, 100 | Circulation: | 50,100 |
| Ad Value: | $26,052.40 | Distribution: | EG, FR, JO, LB, CH, SY, GCC |
| Frequency: | Monthly | | |

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# Growing Complexity

Business leaders are constantly on toes keeping up with the technlogical disruptions. The job of a CEO is becoming increasingly challenging as the global economic environment changes its colors on a weekly basis owing to political equations.

The world is changing at an increasingly staggering rate: people used to speak of one major technological disruption per lifetime. Nowadays, it seems we're in for a major technological breakthrough every few years. Despite all of the advancements made on the digital front, it is very possible we've witnessed but the tip of the iceberg.

Technology alone, however, cannot take the full blame for preoccupying the modern population as the world grows increasingly connected and interdependent. China is now slowing down (a logical implication of the country's dependence on the rest of the world to secure its growth). Europe is only now coming to terms with the longer-term impact of globalization and the export of its industrial jobs over multiple decades to Asia and, more recently, to Central and Eastern Europe. The old continent's slow growth can be attributed to the over-exporting of domestic jobs, which makes it unable to restart its economic engine (investment is damningly low). Moscow is disconnecting from the world and, as a result, the Russian capital is losing ground as a financial or industrial hub. Iran's exclusion has proved too costly for its leadership and is thus slowly re-integrating into the world economy and global war is increasingly economic (even if locally, things look very different).

Meanwhile, and as Europeans remain uncertain of where their economies are headed, the Arab Spring has shown the inherent difficulty in implementing the democratic ideals of freedom, liberty and self-determination that sparked the movement in the first place.

The Arab world was set to take off economically – as was Russia – and yet, today, the situation in the Middle East is murky at best, save for a few countries such as the United Arab Emirates, Oman

and Qatar – all blessed with ample reserves of energy resources.

What's even more unsettling is the fact that nobody appears to have predicted the size and pervasiveness of the difficulties and challenges faced by countries and their governments in today's world. This begs the question: who are the great leaders of our day? Sheikh Maktoum, German Chancellor Merkel… Beyond these – and a few others – it becomes difficult to name unquestionable role models for leadership.

More specifically, what can be said of leadership expectations in this increasingly complex world when one interacts with current and future leaders in the business school classroom?

**Leadership implication #1: less solo and more team-play at the top**

The first significant implication of the above changes voiced by business executives today is that there is no room for going solo at the top; what is sometimes referred to as the "John Wayne" style of leadership.

The complexity and interconnectedness of problems makes it nearly impossible for any single leader to find all the answers or all shades of the answer, let alone implement those answers in an outstanding manner. Going forward – and this was also the case in the past, despite the media producing "heroes" and skewing our view of true leadership – the winners of the economic game will increasingly be the best leadership teams and the companies whose cultures will foster this type of leadership and discourage "enlightened dictators," knowing that the latter will not remain enlightened for very long or be equally enlightened on all issues that need to be addressed.

There are two strong ways in which one comes to this conclusion: the current call for good governance at the top of companies is also a call for better teamwork between the non-executives on the board and the executives who are responsible for getting things done.

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Even investors increasingly rely on good boards to oversee risk-taking executives, or more simply in keeping the latter honest. It was a remarkable moment when Warren Buffet, having lost more than £500 million ($755 million) in his Tesco investment, admitted that he had trusted the management too much. Buffet, after having studied an investment, typically is a remarkably trusting and passive investor. His comment after the Tesco loss was that he would keep a closer watch … Boards are being put forward to contain the rogue players that naturally emerge in a world of competition relying too often on individual achievements.

The other aspect of this call for greater teamwork takes place at the level of the executive team, which, when under a dictatorial leader, is more of a sole commander-in-chief with a group of followers executing his/her instructions and incapable of challenging – or even marginally redirecting – him. Given that business is increasingly interconnected and competitive, crises can occur at any time and any place. Following up on the military analogy, only a well-functioning team can survive in the end. On the contrary, a poorly led team will suffer and allow outside pressures to divide it and render it even less functional.

In summary, great companies will be led by great teams – teams of great leaders. As the great Ajax soccer coach, Rinus Michels, and football genius, Johan Cruyff, once said of their game plan: the leader is the one who is given the ball, at that point, the rest of us are all followers, yet ready to take over as soon as the ▸

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ball comes back to us and always eager to help out by signaling new opportunities...

**Leadership implication #2: decision making, but with more mutual engagement in framing the right questions**

There is no doubt that great leaders (and great boards) must be effective decision makers. However, as the executives in my sessions regularly point out: a common deficiency of their leaders is that they do not engage them sufficiently in framing the right questions. This deficiency – which can be described and is the result of arrogance and hubris of the solo leader – leads to the following conclusion: the most precious thing leaders can do is frame the right questions and envision the right opportunities.

Let us elaborate on this a bit further. Business is not foremost a game of execution as is often claimed: actually, the worst combination in business is great execution on a wrong frame. If one frames the problem incorrectly (e.g. as cost reduction instead of revenue generation or margin growth), then the execution of said cost-reduction program often amounts to value destruction. Once a plan is poorly framed, the best is actually … not to execute (at least as given). This, by the way, is why most cost-reduction programs are rarely 100 percent executed, the middle management – which often knows better – makes sure of that. Business is, on that account, first and foremost a game of framing the issue correctly and asking the right questions.

To frame well, things should sound right, not just for the leader (or owner, or board), but also for those in charge of execution. Now, we are all subject to what psychologists commonly refer to as SDT or Self-Determination Theory: unless we are seriously psychologically impaired, we prefer to execute our own decisions (and take responsibility for them, even if they fail); on the other hand, we have a much harder time taking responsibility for decisions made by others – whom we then very easily blame when outcomes are bad.

One way out of this is what is called mutual engagement: we engage each other on framing and exploring options before they are made. At the level of exploration and framing, the best answers should prevail – regardless of authority, the amount of shareholding or years in the company. At the level of decision-making, another process kicks in: management responsibility or shareholder supremacy... but why would CEOs, boards and shareholders not commit to plans that are well framed and thoroughly explored?

The essential "buy-in" in this mutual engagement process is actually reversed from the traditional buy-in process: ▸

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the top leadership ought to be ready to be bought-in by the visions, plans and proposals from "middle management" who are no longer purely administrators, but truly the "actors in the middle". Those are the leaders in the modern company and not solely those at the top. And in such companies, the "buy-in" becomes mutual as well: everyone should be willing to hear and commit to great plans and visions that may come from others. It is this "collaborative" framing and exploring – which preserves the authority and responsibility of the top – that will be increasingly important for the "winning teams" in an increasingly complex world.

**Final paradox: why leadership ought to become simpler?**

First, I have always argued that when products, technologies and solutions are complex, it is better to try to keep management and organization simple: the overlay of complex organizational and leadership structures on complex products and processes risks creating a situation where too many become "lost in complexity."

Hence, an increasingly complex world may call on simpler leadership and organizational structures – and not on five-dimensional matrix systems that some of my executive participants have to deal with every single day.

The start of simplicity in leadership may be at the top: let us all gather around the table, discuss things and find mutually agreeable solutions. Let us not have too many one-on-one meetings, where the framing changes from meeting to meeting, but let us engage each other directly to converge on a framing that we then collectively carry forward.

Leaders, facing increasingly complex and interconnected issues, will have to stop relying on framing things by themselves – and thus losing a key opportunity for engagement and insight from the "actors" on the scene, namely those that will need to execute – and also exploring things in solo form (perhaps with the help of a few consultants). Instead, the advice – that also responds to the wishes of the actors we meet in our classroom – is to engage the boards and executives in team play about the major strategic opportunities and options that the company faces.

It is our conviction that the best wisdom going forward will not be provided by exceptional solo leaders, but by those that can leverage "the wisdom of small teams" (of executives, but also of board members and other stakeholders). And so, it could be that relying on the latter, spending more time listening and reflecting on what comes from these "small teams" may actually be the right posture for the leaders in an increasingly turbulent and complex world. ■

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