Leading Change

New challenges for leaders?

Introduction

What term best characterizes that which we have been experiencing at most enterprises for a decade now? What is the first word that comes to mind when we think of the future of our enterprises? In both cases the answer given by most company executives is: **change**.

In his analysis Ulrich Geuther explores the role of leaders in managing and implementing change. In so doing, he purposefully investigates the influence that increasing networking and complexity have on leadership and seeks to answer the question as to whether the existing requirements placed on leadership are sufficient to bring about the impending changes.

Enterprises of the future

Every two years IBM carries out a worldwide study to survey how executives assess the current situation at their enterprises and how they intend to shape the future in light of this assessment.
The findings of the 2008 study revolve first and foremost around the ability of enterprises to keep pace with the expected changes.
80% of the CEOs questioned believe that their enterprises are facing far-reaching changes. In this regard, scepticism has grown sharply as to whether it is possible to cope with these changes.
Enterprises have recognized that they must seize the initiative again. Instead of merely reacting, enterprises increasingly want to shape change and hence grasp it as an opportunity for their own advancement.
With this in mind, it can come as no surprise that enterprises in all sectors the world over are seeking to put the necessary skills for shaping change right at the heart of their leadership.

Inspired by the motto "If changes are already unavoidable, then we at least want to keep our hand on the tiller", the survey of altogether 1,300 executives comes to the remarkable conclusion that the enterprises of the future are **hungry for change**!

And there are some other causes that the enterprises of the future also want to take up:
- increasingly involving customers in the development of innovations,
- ensuring greater networking at enterprises,
- entering into far-reaching partnerships and
- with the aid of new business models assuring greater sustainability and more social responsibility vis-à-vis the societies in which they operate.

Future challenges facing the insurance industry

The findings of the 2008 study have brought to light the following core issues for the insurance industry worldwide:

1. Considerable need for skills when it comes to the implementation of substantial change
2. Greater use of global partnerships
3. Radical business model innovations
4. Sustainability and social responsibility

Source: IBM Study: The enterprise of the future in the insurance industry. IBM Corporation 2008

It is striking to observe that in a traditionally conservative industry geared more towards security and stability there is not only a clear recognition of the need for far-reaching changes; clear reference is also made to the need for skills in implementing these changes.

Growing complexity

If that is the way the enterprises of the future are supposed to look, what should we expect from their leaders and managers? What do they have to deliver? And what should they devote particularly close attention to?

What we see is a dramatic increase in complexity – which can be attributed primarily to greater networking within, outside and between enterprises. What this means for enterprises is, above all: even greater unpredictability of future developments on the markets and a further acceleration in the pace of change, with even more rapid and further-reaching effects stemming from the actions of outsiders as well as one's own.

Under these circumstances will we still be able to make do with what we considered in the past to be central to successful management and leadership? Or do new conditions call for fresh solutions?

In our search for answers, we shall examine below the three core areas of responsible leadership originally defined by J.P. Kotter[1] with a view to determining whether they can also offer the managers and leaders of enterprises of the future pointers for action in the present and anticipated future environment.

Core management tasks

In 1990 Kotter intervened in an already ongoing discussion surrounding various management tasks, made a distinction between managers and leaders in the direction of enterprises and assigned them different fields of action.

While managers
- plan and budget,
- organize systems and
- control people and solve problems,

leaders have other tasks.
They
- set direction,
- align people and
- motivate people.

This distinction enables us to see that the realization of the enterprises of the future, as mapped out in the 2008 IBM study by the executives in the context of the anticipated far-reaching changes, should

be defined as a **leadership task**.

The question that we intend to explore in greater detail below is whether this action model can still lay claim to validity in light of the developments and experiences of the last ten years with the already established pace of change on the markets and at enterprises.

Set direction

At exclusively hierarchically organized enterprises the understanding had evolved in the past that "setting direction" essentially took the following course:
The leaders have a vision and then motivate others to pursue this vision. Communication skills and powers of persuasion are needed for this purpose.

So how do things look now as we stand on the threshold of the second decade of the twenty-first century? What does it take today if companies are to chart a course to success?

From our perspective the answer is crystal clear: they still need **vision and communication!**
The processes, however, have become considerably more complex.

The problems arising in a highly networked world require, as Ashby [2] forcefully demonstrated as far back as the 1950s, solutions of at least equal complexity. Only rarely are individuals still able to find appropriate solutions. Networks play an ever more important role in the search for smart and sustainable solutions.

Instead, therefore, executives set direction more by asking the right questions than through their own answers. They define search spaces within which networks can unfold their superior intelligence.
The probability of the answers corresponding to reality is thereby improved considerably. At the same time,

---

1 J.P. Kotter: What leaders really do. HBR May/June 1990

2 Ashby's law, the law of requisite variety: The larger the variety of actions available to a control system, the larger the variety of perturbations it is able to compensate.

the involvement of many reduces the problem of implementation because the answers are the outcome of a communal search process moderated by the executive.

Of crucial importance in this search process are the abilities of the entire enterprise to appropriately record reality (markets, society, competitors).
It is now incumbent upon leaders to boost the receptiveness of the entire system, of the entire enterprise, in order to thereby improve the prospects for timely recognition of opportunities going forward.

Leadership – and more than that entrepreneurship – have always been characterized by a "good nose", an intuitive grasp of emerging value patterns in the market and in society.
In the complex, networked world the intuition of the individual no longer appears sufficient. What is needed here is professional entrepreneurship that structures and systematizes the intuitive processes of perception. Networked think tanks may be mentioned as good examples in this regard.

The role played by executives in this process is first and foremost analytical and evaluational. While networks function far better than individuals when it comes to producing ideas, the immense volume and diversity of the information obtained must be analysed and evaluated. And this is done on the basis of – **values**. The order of the day is to recognize the value patterns of the markets at an early stage and to ensure that they resonate with the value patterns of one's own enterprise[3].
In this context "leading change" means

---

3   A current example of a failure to bring about resonance between enterprise values and customer values is the strategic neglect of fuel-efficient, environmentally friendly motor vehicles. As a consequence of this dissonance, it became increasingly difficult for automobile manufacturers to find buyers for what were until recently popular models such as gas-guzzling SUVs. The rethink has now begun. It can be anticipated that the abrupt slumps which have ensued will facilitate numerous innovations in the automobile sector.

finding a viable path for the future in a world that is constantly changing. In order to be able to establish the right direction, the leader needs to confront the enterprise with the changing reality and pose the further-reaching questions in such a way that they can be answered by the organization. What changes are occurring right at this moment? What do they mean for our enterprise? What actions are required? What values are in danger? What is most important to us? What can we and do we want to preserve? What can we let go of?

From our standpoint, the considerable extent to which the setting of the vision and direction is a communal, **value-driven process** requiring a high level of communication skills from leaders is quite evident here.

What is the situation as regards responsibility for the vision and direction of an enterprise?
Responsibility for vision and direction remains with the leaders. Especially on account of capital responsibility, it cannot be delegated to the overall organism. The search and perception processes are, however, communal. Networking these processes is a genuine leadership task.

Yet how is it possible to ensure that the findings of networked "search teams" also deliver meaningful results?

This is assured not least by alignment.

Align people

It is evident that alignment is indispensable for the coordination of search processes.
How can I induce people to stay within the search space? By creating resonance with their values. This is why values play a central role not only with respect to the vision, but also in the alignment.

What has to be adjusted and aligned? Ultimately actions.
But also the thoughts and feelings of the parties involved. You have to take account of their desires, their wishes and dreams,

---

their tangible interests. These must form an integral part of the findings, so that they are reflected in the process and outcome.

Alignment presents first and foremost a challenge to leaders.
They must take care to assure their own alignment if they are to deliver peak performances. To this end, the order of the day is to bring about concordance and harmony between being and doing, between that which I am and that which I want to be, and between that which I think, feel, plan and realize.

This is of course equally true of everyone else within the enterprise. Only when we are aligned can we deliver top performances.

The next task is to bring about alignment **between** the individuals who work together in teams and departments to contribute to the joint outcome. The various units must therefore be aligned with one another, always in harmony with the enterprise as a whole, and this in turn must be aligned with the greater whole into which it is embedded.

As we can see, the leadership task of aligning people entails a very high level of complexity.
In the past, we liked to think of an aligned team as a rowing boat. Today, this conception is no longer adequate to capture the complex processes of alignment within an enterprise. Rather, we now think of an expedition by networked and hence mutually dependent teams, which strive on water, by land and in the air with constantly shifting personnel compositions to accomplish a goal which has only been roughly defined and which comes into progressively sharper focus as the expedition continues.

Accomplishing the goal can then be described as a process in which the individual groups are constantly required to find fresh solutions and paths in processes that are increasingly self-directed in order to identify and keep close tabs on the goal. This, in turn, necessitates the consistent discovery of new, alternative paths and the removal of obstacles along the way.

What are the tasks of the leaders on this expedition? Once the direction has been set, how are the operating units – which to a large extent are required to find their own course – coordinated? How can leadership ensure that everyone arrives at the same goal?

Here, too, values play the pivotal role. If I no longer control the information shared within and between units in largely autonomous networks, I can only exercise a steering influence by defining the scope for action with adequate certainty through common values.
The coordination processes required for this purpose take place in a dialogue and are based on the building of a consensus. Leaders set the relevant parameters by enabling and encouraging discursive and culture-building processes.

We can find in the development of radical innovations – such as those pioneered by Google and Apple – numerous trailblazing examples of successful alignment through the systematic use of different, complementary skills of individuals and teams.

What is particularly striking in these instances is the incredible motivation of the actors.
This is by definition the third element of leadership, as described by Kotter.

Motivate people

Why is motivating others a leadership task?
Is it not the case that fellow staff themselves bear responsibility for working in a motivated manner?[4]

Yes, they certainly do as we see it. What we assume and indeed also expect is the existence of a basic, initial level of motivation. A broad range of situations

---

4 On the question of who is responsible for the motivation of staff see also R. Sprenger, e.g. in "Mythos Motivation" ["The Motivation Myth"], 1996.

arise on the way to the goal, however, that can provoke a whole gamut of wild emotional states from irritation to despondency. It is here that the leader intervenes, bolsters the actors' self-confidence and renews trust in the meaningfulness of the actions.

The correlation between alignment and motivation is especially striking when we define motivation as the state of alignment.
In this understanding, a person is motivated to the utmost when that which they do corresponds to their being, desires and abilities. A team is motivated when this alignment of individuals comes together. And an enterprise is motivated when the individual divisions, departments and teams are synchronized at the crucial points.

The motivating power of aligned action accrues not least from the certitude of being in harmony with one's own and others' **core values**. People evaluate their own actions and those of others intuitively and always with an eye to these core values. Sensing a concordance with these values helps us to surmount seemingly impossible obstacles, as demonstrated by impressive examples of outstanding personalities[5].

Here, too, the leaders set the parameters that make tangible for all fellow staff working in concerted action the values that make sense and create meaning for the specific individuals and teams.

Yet the task of leadership to foster motivation also entails helping people to confront reality and leave their comfort zone so as to learn and rise to challenging situations. With this in mind, motivational leadership builds on the personal development of all those who are to be led as an indispensable factor in joint success. We are very familiar from theory and practice with the phenomenon that people grow with their responsibilities.

Summary

The analysis of the future requirements placed on successful leadership has shown that the definition of the most important leadership tasks – which was arrived at as far back as 1990 – has lost nothing of its relevance under current conditions. Indeed, the opposite would appear to be the case.
We sometimes have the impression that what many enterprises today are lacking more than anything is a clear direction, dynamic coordination processes and the ability to emerge from difficult situations stronger – i.e. with motivation and energy.
It is precisely here that Kotter's three core leadership tasks come into play.

What we might add is the central importance of values to leadership. They form the foundation for feedback and evaluation processes and facilitate the coordination and steering of self-reliant units and networks.
Value-conscious and value-driven action will be of great assistance to leaders in the insurance industry if they are to push through the desired sustainable changes on the path to becoming an enterprise of the future.

Ulrich Geuther

The author is a leadership trainer and coach based in Lisbon, Portugal.

---

5 We may mention by way of illustration Ghandi, Nelson Mandela or Stephen Hawking.

5