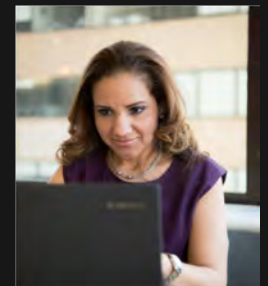


The Future Business Edge

Leading Through Complexity



A background image of a hockey player in a white jersey with a tiger logo on the sleeve, skating on ice. A hockey puck is visible on the ice near the player's feet. The image is partially obscured by a dark teal overlay on the left side where the text is located.

“Skate to where the puck is going to be, not to where it is.”

We’ve all heard this quote, attributed to Wayne Gretsky, many times. In today’s world, wise leaders need to follow it!

This white paper will take a look at where the leadership puck might be going, i.e. where a leader’s focus needs to be. It will incorporate more concepts and comprehensive analyses than my first white paper on this subject, *Leadership at the Edge of Business*. The latter explained stakeholder leadership, or as it was referred to by 181 CEOs of America’s largest corporations at the Business Roundtable in 2019, stakeholder capitalism. At that event, the CEOs adopted a new Statement of Purpose of a Corporation and described some of the leadership capacities that will be needed in the future.

Hopefully this paper will give you some insight into the future of leadership and how to encompass human-centered leadership, rethink any leadership blind spots and lead through complexity.

It will be a broader look at leadership for the future.

Defining Stakeholder Leadership

Stakeholder leadership is organizational leadership that is inclusive of employees, customers, community, the ecosystem, as well as shareholders. In sum, all persons and entities that have a relationship with the organization. One McKinsey & Company research paper divides stakeholders into three broad categories: *internal stakeholders such as employees, external stakeholders that directly interact with the organization like suppliers and customers, and external stakeholders that determine the operating environment or ecosystem of the organization, for instance governments.*

Stakeholder leadership is an important part of what is needed to succeed in the future.





Transformation

It is important for leaders to understand stakeholder leadership because it requires a transformation in their approach to leadership.

It is human-centered and inclusive. It is about caring for the wellbeing of employees and the planet, all while being profit-oriented. It requires internal awareness, but also a change in behavior.

Sound complex? Well, it is! And leading through complexity is a challenge in its own right.

This focus on making all stakeholders as important as shareholders is not without criticism. Author and economist Brett Ryder notably talks about the perceived difficulty of balancing competing interests and how, in today's politically polarized world, what one group champions might be anathema to another.

Some leaders may think that including all stakeholders is impossible. Or they might see it as an example of "woke-washing," a term coined by Vivek Ramaswamy in his book *Woke, Inc.*, or of "purpose-washing," i.e. something one does just because it's good for the brand or public relations. After all, CSR (corporate social responsibility) has been slowly ceding ground to more complex concepts, and ESG (environmental, social and governance), the current darling of boards, loses steam if there are no metrics or accountability. Such concepts often fade into obscurity when they are not integrated into the DNA of the organization.

There are deep trends at work in the physical world and global business, and they require changing business models and adopting more sophisticated thinking. Leaders cannot afford to overlook these trends.

This paper will take a closer look at what leaders need to know and what competencies are required to lead with more ease and confidence through complex times and problems. In other words, we will be talking about the how of stakeholder leadership. We will also be mentioning persistent trends that demand attention, like climate change, and cyclical trends that may affect business models, such as supply chain collapse. We will also consider those universal forces that are totally beyond our control.

Milton Friedman's view that businesses are only supposed to "make as much money as possible while conforming to the basic rules of society" is a thing of the past.

For much of the 20th century, management was about making human organizations run like well-oiled machines. In the 21st century, it has become about making those organizations more human.

- IACP/Fortune Magazine survey of business executives across 77 countries



Uncertainty

If anyone thought uncertainty was going away, it isn't. In fact, even the simpler aspects of life are getting more complex. Have you ever spent hours on the phone just trying to get something fixed?

We are at the beginning of what many call the Fourth Industrial Revolution: digitalization of the economy, spread of artificial intelligence, advances in biotechnology. Stephen Poloz, economist and former Governor of the Bank of Canada, points out that as our world economy gets more complex, economic forecasting also becomes more challenging, due to the ever-wider range of possible outcomes. Poloz lists 5 economic trends that are making our world more uncertain: aging population, technological progress, growing inequality, rising debt and climate change. The interaction of these forces creates more and more uncertainty.

As individuals, we may wonder more often if the stock market is about to crash, or if the economy will go into recession.

As leaders, we must pay attention to individuals' need for security and belonging.

5 economic trends



Aging
Population



Technological
Progress



Growing
Inequality



Rising Debt



Climate
Change





Questions we might ask ourselves

Is our job secure?

Will we have enough money to retire as planned?

Can we ever purchase a home?

How can we upgrade our skills or go back to school?

Where can we find a more rewarding job with more autonomy?

How can we keep a work/life balance?

Bearing in mind what we can control and which forces are beyond our control, stakeholder leadership takes into account underlying trends and our strengths as humans to help us weave our way through uncertainty and complexity. The human qualities of collaboration, listening deeply to others, being solution-oriented and problem solvers will be needed in this coming future.

Grow Your Capabilities

Growing capabilities is a way to strengthen the fundamental future leader from within! Managing stakeholder relationships requires leaders to have both extensive interpersonal skills and other competencies that can help them identify and implement creative solutions.

Organizations will need to partner with government to fight global warming and climate disasters, for instance. Individual leaders will be called upon to deal with and resolve paradoxes at greater and greater levels of complexity. An excellent book by Linda A. Hill *et al* called *Collective Genius: The Art and Practice of Leading Innovation* gives examples such as how can we engage in holistic thinking while being action-oriented; how can we be generous yet demanding; idealistic, yet pragmatic.

I could cite some other examples we hear often, such as the need to focus on the global and local at the same time, to be collaborative yet individual, and so on.

Resolving paradox is a skill. It may require reframing and merging two separate concepts, such as becoming a collaborative individual, or sequencing each concept, which requires flexibility and timing.

You may say these competencies are beyond the ability of most of our leaders. Egos and politics notwithstanding, future leadership simply will require superior critical thinking and more self-awareness and self-management, as well as an ability to pay attention to immutable forces.

Nearly 75% of large firms report that future-of-work models have caused them to reframe the leadership capabilities they need to drive optimal performance

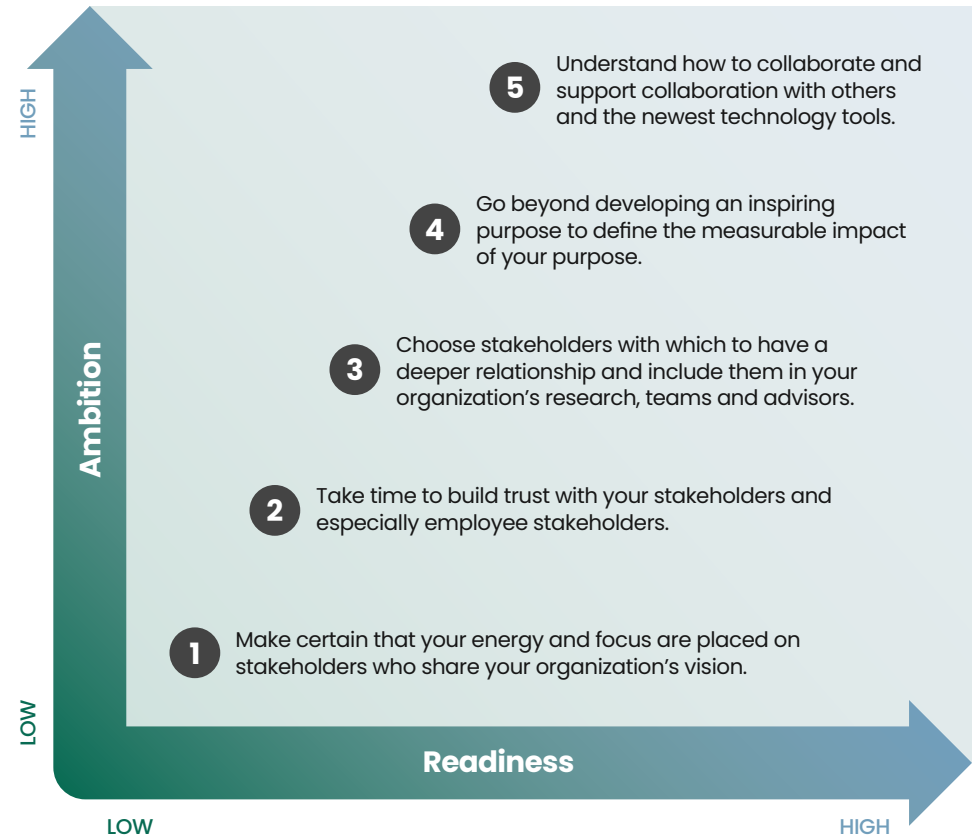




Managing The Expansion of Stakeholders

So, what are the skills and competencies needed by leaders today? How does a leader go about managing stakeholder relationships when there are so many more stakeholders?

Generally, the steps in the process are:



Authenticity and Shared Experience

Individually, we all learn new skills and competencies through practice. Higher Ambition Leadership Alliance, a collaboration of CEOs and their teams with Harvard professors focused on people, purpose and performance, lists many of those practices in its 2022 CEO study, such as:

Challenge your team to expand its definition of who is a stakeholder.

Look for shared purpose and vision in every conversation with industry partners and peers.

Celebrate failures in order to encourage more risk-taking.

The Alliance's advice for inspiring connection and commitment is to:

Be Real

Show your true self and show you care.

Share stories from your personal life and history.

Find casual, everyday opportunities to connect with people.

Share the Stage

Personally draw out different perspectives.

Make space for team members to talk about their life outside of work.

Model active listening.





Forces Within Our Current Awareness

Perhaps you wonder if this stakeholder movement is just a fad that will die out due to the limitations of human beings. You may ask yourself if we can change enough to adopt this new model of leader, and do so in time to solve our most pressing problems.

Before trying to answer these tricky questions, let's look at three fundamental and immutable universal forces responsible for the complexity we find ourselves in and which we ignore at our peril.

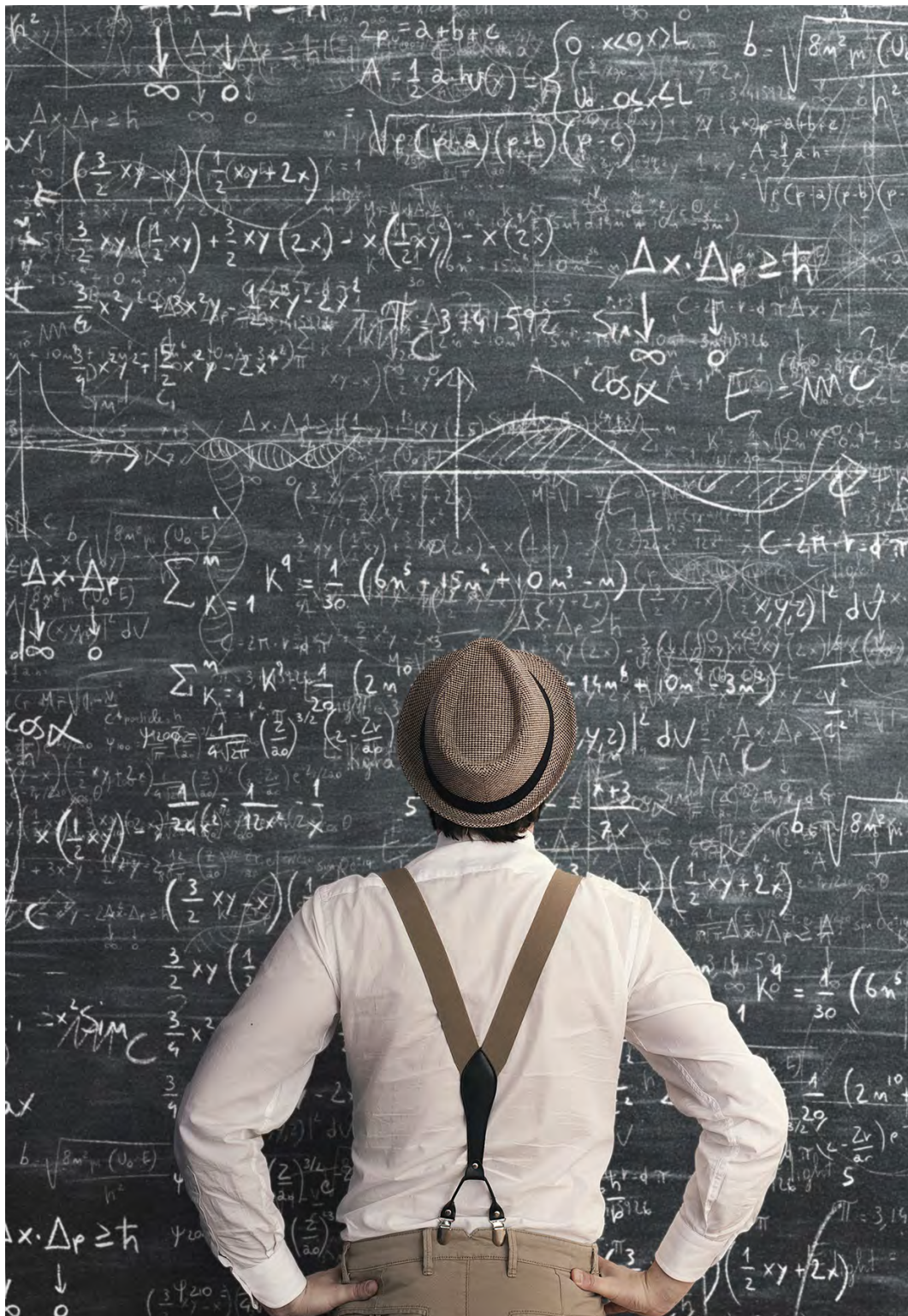
1. An expanding universe - The expansion of communication and hence consciousness. The world is dealing with the expanding consciousness of workers, including in second- and third-world economies. Humans are learning/growing beings who want more for themselves and their children.

When we become aware of what is possible, our thinking changes. We want more autonomy and choice in our work and less inequality – hence all the movements demanding empowerment around the world. Autocracies and people with power may fight back, but it is a losing battle. The evolutionary force of expansion of the universe is not just a physical phenomenon. It holds true for human beings and their consciousness. Otherwise, we would have none of the learning that creates disruptive progress.

2. Networked Universe - Networking is required to manage complexity, and yet networking causes complexity! This is a never-ending conundrum. As the world becomes more complex, society needs networks of people and technologies to collaborate on developing new ideas and managing the workload. The more that happens, the more disruption and competing interests come to the fore.

Remember also that humans are social beings and automatically network with others for both work and fun. Mathematicians and scientists tell us that at fundamental levels of energy and molecules, our world is merely one big network.





3. Complexity - It has become clear to me that to describe and understand the parallels between the current organizational movement and the expansion of the universe, another frame is needed. The one that comes to mind is complexity: as the world becomes more networked, it becomes more complex, with paradoxes and competing interests. While leaders at all strata of society are dealing with the wicked problems of current and future pandemics, climate change, geopolitical shifts, automation and cybersecurity, the larger frame is that we are in the throes of finding our way through complex adaptive systems requiring profound knowledge of how the world is interconnected through systems and networks.

Who was expecting the massive worldwide supply chain problems coming out of the Covid lockdown, for example? Or the almost complete shutdown of societies due to that virus?

Economic and Digital Solutions for Managing Complexity

There are other economic avenues forward to better manage uncertainty and complexity in an organization. One is to upgrade the function of risk management and have *risk management* assessments with every important decision.

Another is to *join the digital revolution* in a way that targets what your organization and its vision require. Choices need to be based on capacity for change and need. Do you want to totally transform business models or simply add capacity to current practices?

Scenario planning, a method of planning that envisions different future scenarios, developed by the U.S. Army in the 1950s and commercialized by Royal Dutch Shell in the 1970s, has been found to be particularly useful in building possible outcomes that give management evolving choices for decision-making.





Understanding Complexity from a Science Perspective

“Complex adaptive systems” is the formal name of what was once called chaos theory. You may remember when chaos theory was used to describe how a butterfly flapping its wings in one part of the world could cause a hurricane in another. A current example: a tiny virus called Covid-19 in a town in China, a virus that a few politicians decided to keep secret, managed to send the world into a spiral of collapsing supply chains, transportation systems, healthcare systems, school systems and political systems.

Covid made leaders more aware that they need not only the capacity to understand complex systems, but also skilled and innovative teams to address problems that they cannot solve individually.

Aside from personal growth, organizations need alliances and partnerships with government, other like-minded organizations and key stakeholders.

Talent needs to connect!

We Humans are Complex Adaptive Systems

Founded in 1984, the Santa Fe Institute is one of the world's leading research centers on complex adaptive systems and the application of that theory.

As part of its project to embody artificial intelligence, it uses a definition of human learning that explains how robots can't learn the way humans can because they can't access the intelligence of the body like humans can. Without a human body, they can't receive the feedback needed to learn and grow.

"Humans are not born pre-programmed with a set of intelligent behaviors such as carrying a conversation or moving through a crowded room. Rather, we build this kind of intelligence by adjusting to constant feedback from our own bodies and surroundings."

- Santa Fe Institute

We don't just live in a complex adaptive system; we are complex adaptive systems. We have an embodied intelligence. We are learning and evolving just as the universe is evolving. If we want to embody our leadership, it comes with awareness and practice.



Critical for Leaders

Understanding what makes us human is invaluable and absolutely essential to moving forward. Our body and its senses, functions, and emotions – these are the things that make us human. This knowledge is what we need to understand survival, leadership, success and growth. We learn and learn through the body, and carry that learning forward through our bodies. We are shaped by our experience.

The Santa Fe Institute is working on making robots more like humans. Perhaps one day robots will be able to help humans solve today's problems. But in the meantime we must rely on our own innate ability to manage through complexity and to grow our awareness.

Leaders, remember, self-awareness is key. The clearer you are with respect to your values and triggers, the easier it is to decipher your next best course of action.

In the end, leading through uncertainty and complexity requires that leaders:

- Open up their awareness in order to learn more.
- Listen deeply to all others, even people with whom they disagree.
- Honor learning and knowledge.
- Become far more deeply aware of themselves and others.

