



“As businesses consider their strategic options for the new economy and develop their strategies for the digital age, it comes as no surprise that CEOs show an increasing concern with their company’s leadership capabilities and organisational culture.”

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LEADING FROM THE FUTURE PART 1

THE EVOLUTION OF
NEXT GENERATION LEADERSHIP



“I remember when I first spoke to a large audience of business leaders about values-based and purpose-driven network-organisations as the vision for business in the 21st century. It was September 2000.”

I had been invited to share my views on the future of leadership at the world exhibition (EX-PO) in Hannover. The excitement at the event was palpable.

E-commerce had just taken off with the promise of replacing the old-economy. Today's champions of the digital economy like Amazon (1994), Apple (1997), Google (1998) were still in their infancy, while others like Facebook (2004), Youtube (2005) and Twitter (2006) were yet to be born.

At the turn of the millennium, everyone at the world exhibition was curious to hear what futurists, technologists and trend researchers had to say about what the future would bring. On that afternoon, I addressed a large audience of executives, predicting a radical change in the role, concept, and practice of leadership as a result of a seismic shift in business context, with far reaching consequences for business strategy, the source of strategic competitive advantage, organisational set-up and approach to leadership.

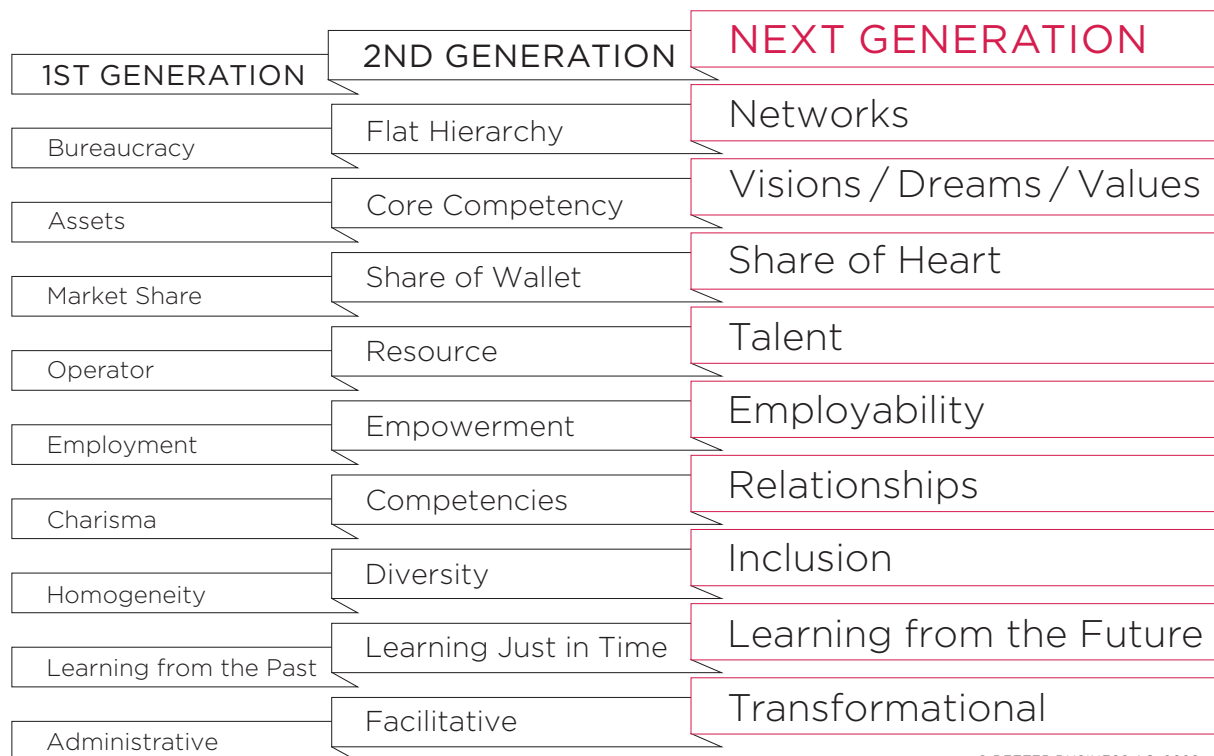
After the session a CEO came up to me and said with a smile: “This all sounds a bit like a cult to me”. He was making reference to my point that in 3rd generation organisations, leadership would have to focus on creating trust-based relationships at all levels and with all stakeholders. This in turn would require a deeper understanding of their own purpose as

business leaders and as human beings. I had also suggested that business might need to re-define its contract with society, customers and employees and re-balance its role towards a more responsible and sustainable model. The CEO struggled with both propositions. The fact that businesses would have to provide more than a job; that competition would largely be based on winning share of heart, rather than share of wallet, from both customers and employees, seemed alien to him. He found it difficult to accept that future organisations needed to let go of control, structure and power to allow for higher levels of responsiveness, agility and innovation, while embracing a wider definition of value creation across multiple forms of value (not just financial), and to be more inclusive to multiple stakeholders (not just shareholders).

I sensed, he was not the only one struggling with this message that afternoon. He just expressed what many others felt - a discomfort and disbelief that this would happen - at least on their “watch”. It did not match their experience and belief of what good organisations should look like, how they operate and how they should be led to deliver results and achieve competitive advantage. After all, they were all successful leaders of successful businesses.

Clearly, here were executives who had grown up in 1st generation organisations, likely operat-

THE CHANGING SOURCE OF COMPETITIVE ADVANTAGE



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ing successfully in a 2nd generation environment, looking at a next generation leadership proposition. The stretch was too far.

Today, the world has changed. With globalisation, the 4th Industrial Revolution and the arrival of the digital economy, next generation organisations are becoming a reality - think Amazon, Netflix, Uber, AirBnB, Zappos, Google and the like.

Back in 2000, executives raised their eyebrows when listening to how some of these organisations had started to operate in an open campus-like work environment, allowed power-naps and encouraged teams to work on their own business ideas.

How would this be relevant to them? After all, those places were small IT start-ups, still growing up into the real world of the real economy. And they did - fast!

THE TABLES HAVE TURNED

Today, these start-ups lead Fortune's league table of the world's most admired companies.

Tesla just overtook VW, the world's largest car manufacturer, by market cap. Alphabet recently joined Amazon, Apple and Microsoft as the fourth company in history with a market value of more than 1 trillion USD. In less than 2 decades the tables have turned. Digital technology and new ways of working keep accelerating this trend. No organisation, industry or job will be spared. Everything that can be digitalised and disrupted will be. Business models and hierarchies are being dismantled. Everything is under threat, whilst at the same time entrepreneurial opportunities seem endless.

When I ask executives today where they are on their journey of redefining their value proposition, business models and their culture and leadership to keep up with the forces of digitalisation, disruption and disintermediation, of course, I get a different reaction to the one at the EXPO in 2000. Eyebrows are still being raised, but this time it is out of concern. Some business leaders sense they are too slow in adapting their business model, organisational set up and operating culture to the new normal. Others have tried, but with mixed results. Many are sceptical about their ability to bring a culture of agility into their established core business. Would this plunge their well-oiled operation into chaos? Where should they start the transformation? Many have travelled to

Silicon Valley to see with their own eyes how the new players work, but find it difficult to see how they could become more like them – digital, agile, values-based and driven by a strong sense of purpose, not control. Many wonder if this next generation formula will work for them, in a different industry, business and culture.

As businesses consider their strategic options for the new economy and develop their strategies for the digital age, it comes as no surprise that CEOs show an increasing concern with their company's leadership capabilities and organisational culture. This has been reflected in various CEO surveys, for example the 2017 annual CEO Survey prepared by PWC for the

innovation and change are ultimately human qualities and a pre-condition to building next generation organisations. In the new economy transformation is permanent and omni-present, the 4th Industrial Revolution has arrived – and so has the push for more sustainable and responsible business practices in a stakeholder economy. The global movement towards climate change action and the UN sustainable development goals are an indication of where the economic model of the future will go. The next generation of business is emerging. So, what does this mean for Leaders?

As suggested back at the EXPO, future organisational change will continue to unfold along

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World Economic Forum (WEF) and the Corporate Board 2020 C-suite survey.

The CEO survey in 2017 found that “changing corporate culture and re-shaping employee behaviour” has become one of the top 3 priorities for CEOs around the globe. Shaping culture and behaviour is also the fastest growing priority for corporate leaders. CEOs now see it as being even more important than monitoring monthly financial performance and doubly as important as monitoring client relations. The 2020 results of the Corporate Board C-suite survey confirm this trend. Creating an Innovation Culture was only topped by creating new business models (because of disruptive technologies) and retaining and acquiring top talent. Covid has accelerated these underlying trends.

CULTURE AND LEADERSHIP HAVE MOVED TO THE CENTRE OF THE CHANGE

As predicted back in 2000, culture and behaviour have moved to centre stage, because

two core dimensions: higher levels of responsiveness and increased responsibility. Together, they outline the territory within which leaders will need to choose their path and lead from the future to build a next generation business.

While 1st generation companies were leading from experience (the past), 2nd generation organisations operate by learning and leading just in time (the present). Next generation organisations will have to lead from the unknown and volatile future as it emerges from prototyping and innovation. Whilst 1st generation organisations created strategic competitive advantage from what they produce (product focus), 2nd generation organisations create competitive edge by how they produce it (process focus). Next generation organisations will gain their competitive advantage through a focus on purpose (why) and people – the reason why they exist and create value for stakeholders. Of course, good product and process capabilities will still be important, but they will be seen as the table stakes to stay in the game. What will make the difference is the capability to outperform others by winning the hearts and minds of the right talent and the right clients to build a differentiated and lasting brand, based on purpose and a healthy culture.

In the quest for the future, most companies are currently focused on the risks and opportunities of digital disruption. Their primary pursuit is to leverage digital technologies as a gateway to innovation. They often establish new roles at Board or Executive Committee level or appoint Chief Digital Officers to drive the change. Their teams are busy writing digital strategies, defining how to digitalise products, process and business models. However, ultimately success will rest on the ability to embed these strategies in a new way of thinking, acting and being.

Other companies focus on the second dimension of evolution towards next generation business, and work on building more inclusive, purpose-led and sustainable operating models (e.g. Unilever, DSM). Some pursue a strategy that embraces both dimensions of evolution (adaptability and responsibility) at the same time (e.g. SAP, Deutsche Telekom, UBS, RBC). Whatever the chosen path of transformation, next generation leadership will be at the centre of its success.

“Often in the drive for digital transformation, what seems to start as a ‘high tech’ (digital) challenge quickly morphs into the search for a ‘high touch’ solution in implementation. When businesses launch a transformation project to become more agile and responsive, leadership and culture become a core pillar of the new strategy.”

This is reflected in my conversations with CEOs and CHROs who are looking for the right leadership model to support their transformation towards a next generation business. Of course there are many models to choose from, but which one will help navigate this new environment, where business needs to combine speed and agility (responsiveness), on the one hand, and responsibility on the other? There is no standard or conclusive answer. Finding the right pathway through this strategic challenge



might well be the next leadership frontier. Whatever the chosen path of evolution, next generation leaders need to learn how to build organisations that are led by purpose and powered by an innate capability to respond, resolve and adapt. Next generation business leaders will need far more than up-to-date digital skills. Leading in this context requires a different mindset, a new mental operating platform. Early research on implementation of agile practices indicates that leadership/management is the biggest blocker to successful implementation of agile principles. In the new normal, change is not just about change within the system, it requires a change and up-grade of the system itself, a paradigm shift at individual leader and organisational level.

Where hierarchies continue to dissolve - and where they are being replaced or superseded by self-organising, distributed networks or teams - the role, source and qualities of effective leadership shift. To succeed, most companies will need to update their operating system to a new culture and leadership model. What will likely emerge is a fluid model that demands flexibility on how leadership is deployed in different settings (even within the same business), while relying on a number of core attributes linked to human purpose, values and performance.

I call this new operating system ‘next generation leadership’.

We will explore this model in the following parts of our series on next generation leadership. In part 2 we will examine the core dimensions and building blocks of next generation leadership. Part 3 will look at the role of next generation leaders. Part 4 will dive deeper into the inner condition of next generation leaders.

ABOUT THE AUTHOR:

Ralf Schneider is the Founder and Managing Partner of Better Business. With an academic background in business, he has spent more than two decades in leadership roles as Partner and Senior Executive in the global professional and financial services industries. As an executive, he has led large scale culture and leadership initiatives transforming global industry brands. As a thought leader he has been contributing to the development and practice of Responsible Leadership as a new model of leadership for Next Generation business. He has spearheaded award-winning talent and leadership initiatives linked to building leading global industry brands. He works with C-suite executives and their teams to shape and implement strategy and culture transformation. As the Chairman of the International Consortium for Executive Development and Research (ICEDR) and a Founding Board Member of the European Corporate Learning Forum Ralf takes an active interest in the development next generation talent and leadership practices. He is a frequent contributor at international conferences, publications and corporate leadership events in Europe, Asia and the US with a focus on culture and leadership transformation.

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