



The Next Decade Will Be a Leadership Game Changer

Success begins with a clear-eyed understanding of the trends that will define the years to come.

Leadership is contextual. Successful leaders set agendas and choose strategies in accordance with opportunities and risks posed by the external environment. The ability of leaders to understand and interpret the vagaries of the moment for their organisations is crucial in today's rapidly changing world. 2020 brought that point home all too emphatically. The Covid-19 pandemic has accelerated some trends which, in many ways, will define the development of business in the next decade. Here's a rundown.

Turbulence of a new quality: 2020 brought turbulence of the sort the world has rarely seen and exposed the helplessness of even the most powerful companies. We hardly knew what hit us, and in the beginning at least, could not grasp the scale of the problem nor the solution.

What we did realise was our own vulnerability and the very real prospect of similar cataclysms in future. As the CEO of a Russian media company said: "It is clear that it will hit us again. It is not clear what 'it' will be."

Recent surveys of **board chairs and directors** as well as **CEOs** in Europe by human capital consulting firm Ward Howell, of which I am a senior partner, show that while most companies in this part of the world are still trying to make sense of the global crisis, some have started studying ways to deal with

a new level of turbulence. One of the trends is creating organisational capabilities and resources to counteract unpredictable large-scale disruptions, in addition to developing traditional risk maps and mitigation strategies.

The crisis of national and international governance: National governments and international organisations have proven less than capable in terms of coping with the complex challenges of our time – from pandemics and climate change to ethnic and religious conflict. Consequently, government agencies and officials are rapidly losing legitimacy, undermining the state's traditional status as a guarantor of stability, an independent arbiter, as well as a predictable partner and service provider. Unfortunately, our surveys show that few CEOs in Europe have a clear strategy on how to deal with ineffective governments.

Omnipresent digital technology and its limitations: The pandemic accelerated the rise of digital technology as the backbone of business and private life. Digital technology has become the main medium of storing, collecting, sharing and analysing data; a tool for communication (Zoom, Teams, Skype); and an indispensable platform for learning.

Digital technologies are rapidly rewriting the rules of corporate governance and management, making information and knowledge available to everyone. It

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allows for decision making based on real data, not intuition. Businesses can now be **managed scientifically**, running iterative experiments to solve customer problems.

Lodging rental platform Booking.com, for instance, runs **more than 1,000 concurrent experiments** at any time across different products and target groups. Employees who have never met face to face are now able to collaborate productively, like at the all-remote software company **GitLab**.

Yet even as Covid-19 accelerated the development and spread of digital technologies, the virus also laid bare their limitations. The most powerful computers and the most sophisticated artificial intelligence programs failed to predict the pandemic or its scale. Technology has not offered effective ways to manage the crisis. Evidently, humanity cannot yet rely on technology to make complex decisions and manage complex projects. The near future belongs to latter-day centaurs – organisations that combine the power of digital technologies and the strength of human vision and emotional intelligence.

The fall of consumerism: In recent years, many analysts have predicted the end of consumerism. The pandemic may well have signed its death warrant. Increasingly, consumers are craving for experiences rather than products. The pleasure of owning "stuff" is giving way to the joys of travelling and communion with nature.

Consumers are also taking the long view, preferring long-term durability over immediate gratification, quality over quantity. No wonder recycling is booming both at consumer and producer levels. Buyers are taking a greater interest in the 'who' and the 'how' of production, such as the provenance of raw materials, the manufacturing methods and the manufacturer's reputation. As INSEAD Professor of Strategy and Management **Subi Rangan** says, we are rapidly moving from a product economy to an experience economy.

Changing employee values and expectations : Increasingly, many people strive to be autonomous at work, contribute to a cause or solutions for global problems and work for a responsible company along like-minded colleagues. Employees expect their employers to listen to their views, be transparent, explain their decisions and uphold the same rules for all. The pandemic strengthened these expectations and underscored the importance of employee health and well-being. These expectations are not limited to millennials; our surveys show that an increasing number of older employees share similar sentiments.

As the CEO of a large industrial company said: "Two

years ago (my subordinates) considered me a democratic and engaging leader. Now they are not happy with the status quo – they want more delegation, more information, more personal attention and more fairness. I have to change."

ESG: Environmental, social and governance issues are another macro trend that no CEO can ignore. The pandemic has dispelled much doubt about the reality of dramatic changes in the environment that threaten the very existence of mankind. This means putting more focus on environmental issues, the well-being of employees, customers, suppliers and society in general, as well as on the quality of corporate governance has become mainstream in business. Those who ignore ESG requirements may soon face difficulty in raising capital and higher costs of borrowing, lose customers and suppliers, and become mired in negative press and employee dissatisfaction.

Leading in a new context

Understanding and accepting the context in which an organisation operates is the basis for effective leadership. Leaders should update their agenda, pick their battles and experiment with new tools. Here are the keys to success in 2021 and beyond.

Inspiring employees: In a highly turbulent environment, an attractive vision of the future and a detailed business strategy are losing their intended effect. Successful visionaries today do not paint a detailed picture of the future, but offer employees a way forward that reflects their values, creates opportunities for meaningful work and contributes to solving key global problems. Instead of showing the way, effective leaders invite their followers on a shared journey.

Finding opportunities: Strategic contemporary CEOs do not look for a niche. They carefully study the changing world, find new opportunities and quickly deploy their organisations to seize them. This is how Netflix became a leader in streamed content and Amazon in cloud computing. Russia's state-run Sberbank recently **dropped "bank" from its logo** as part of a push into technology.

Enabling performance: Traditionally, CEOs achieved performance through a centralised system of decision making, resource allocation, control, and reward and punishment. Today this model is ineffective or simply not feasible. The speed of change requires decisions to be made by those who will execute them.

Effective CEOs should be **chief enablement officers** who create a productive environment for individual and group performance, reduce barriers to collaboration and establish a learning culture.

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They also define successful performance beyond financial results. Steel producer NLMK, for example, uses 17 indicators across five stakeholders – shareholders, customers, employees, industry and community. The pandemic has added a new criterion: employees’ mental and physical health.

Preparing for the future: We have seen significant changes in how business leaders lay the foundation for further growth. By ensuring a pipeline of tangible assets – raw materials, equipment, licences and patents – CEOs strengthen the ability of their firms to learn, change and reinvigorate. They also focus on human capital, working to create an environment and culture that will attract, retain and develop talent.

While each organisation is unique, several characteristics distinguish champions. These include a high density of talent, latitude for decision making and experimentation at all levels, tolerance for failure, aversion to irresponsibility, internal transparency and widespread use of digital technology for individual performance and teamwork. The leaders of these companies are role models and guardians of these values and norms.

Linking the company with the world at large: CEOs have always been a bridge between their organisations and the world, but never has this role been more important than in the era of digital technologies and social media scrutiny. Today’s effective CEOs advocate for their company and explain its position on the key issues of our time, from climate change to poverty reduction. They form real alliances and create partnerships, without which even the largest company cannot be successful.

As the CEO of a Dutch global company said: “The time of soloists is over, it’s time for collaboration. One who learns to collaborate with the outside world, including competitors, will become the master of this world.”

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