

A revised version of this paper will be published in Management Decision Vol 48 Issue 4 due to be published in May 2010. This will be open access at <http://info.emeraldinsight.com/drucker/index.htm>

## **The Art of Managing for the Future: Leadership of Turbulence**

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### **Are these unprecedented times – and if so how do we lead?**

We are told that we are living in unprecedented times, so what does evidence have to offer when there is no evidential precedent? What might the leader of an organisation or team do, that adds value, when facing unprecedented dilemmas? How do we rethink the professional services we offer as academics, advisors, consultants or coaches? The issue of evidential precedent is particularly troubling for academics working within the empirical tradition since models of research based on hypothesis testing (probability and truth) are challenged. However, recent debates on philosophy of science (Lane and Corrie, 2006) have pointed out that the crisis of rationality extends across all sciences. Fortunately, there are other choices in fields such as social constructionism, critical realism and complexity theory (the latter being the frame we use here). The lack of evidential precedent is also worrying for practitioners for whom cherished models such as strategic planning seem less relevant – how can you plan in a turbulent environment?

Drucker (1958) long ago talked about living in a new and unprecedented world in which we know both a new unity of vision as well as a most dangerous cleavage. A new unity of vision was emerging in a world that was becoming more interconnected but at the same time this was creating new conflicts.

He saw in the emerging management disciplines an evidence base for a more systemic or holistic approach, but warned that we should not become so absorbed with many different management tools and techniques that we forget the purpose that they are intended to serve i.e. the wider needs of an increasingly interconnected and inter-dependent global society. Perhaps our current dilemmas arise from ignoring Drucker's warning. Have we become so engaged with our specialisms, disciplines, functions and management models that we have forgotten how they connect with their overall purpose of serving the needs of society. In the fifty years since these comments, that warning remains potent.

### **Where can we look for ideas for dealing with turbulence?**

So in the absence of evidential precedence what ideas can we draw from different disciplines which help

leaders manage in complex and turbulent times and ensure that they serve the higher purpose of meeting the wider needs of society?

How leaders contend with turbulence and uncertainty in the external world is partly a function of how they deal with uncertainty within themselves. Anxiety and fear can lead to retrenchment, conversely confidence and courage can lead to new opportunities.

In this article we explore some of Drucker's insights and ideas from different disciplines that address some of the challenges involved in the leadership of turbulence. We also provide practical examples of their application and the principles involved in recognising management and business as a social enterprise i.e. heeding Drucker's warning not to become so enamoured with the tools that we forget the purpose to serve society and social need.

### **The story Drucker told**

We have developed themes influenced by Drucker's work that offer insights to our current dilemmas. We later look at how we can develop approaches to work with turbulence through looking at the narratives that emerge in these contexts and the concept of story structures.

#### ***Theme 1: We should be concerned less about inflation and more about financial stringencies and credit crunch.***

When Drucker (1992) looked at the issues facing managers, his primary focus was to generate an understanding of the changes ahead and implications for the economy, people, markets, management and organisation in order to create the knowledge the executive needed to manage for tomorrow rather than for yesterday. A quote from nearly twenty years ago provides a powerful insight into the current financial crisis:

'Only a few short years ago we worried about inflation and about the ascendancy of all kinds of new financial superpowers..... Inflation is, of course, still a danger - and will remain one as long as governments pile up huge deficits. But executives in the 90's are more likely to be worried by financial stringencies and credit crunches... The monetary giants of yesterday are everywhere in full retreat and mired in scandal.' (Drucker, 1992. pV111)

Some argue that lessons have been learned and government has taken swift corrective action through improving 'Regulation' and 'Transparency'. Other free market economists disagree e.g. The Institute of Economic Affairs has reviewed comments from leading think tanks on the credit crunch. (Rosenbleeth, 2009) They quote Barack Obama's remarks on January 8, 2009, that:

"Economists from across the political spectrum agree that if we don't act swiftly and boldly, we could see a

much deeper economic downturn that could lead to double digit unemployment and the American Dream slipping further and further out of reach.” (in Rosenbleeth, 2009, pp 2)

Their challenge is to look beyond ‘swift and bold actions’ at the underlying contributory causes resulting from decades of government intervention in housing and financial markets, combined with loose monetary policy which fuelled an unsustainable asset-price bubble, which finally burst in 2008. However, the risk has long been identified. (Held, McGrew, Goldblarr & Perraton, 1999) So wherever we are it is not the case that we have agreement on our goals or the reasons for the dilemmas which face us. The way multiple goals emerge and the levels of agreement between them are central to understanding management within turbulence.

***Theme 2: We need to recognise we are in an age of turbulence and pay attention to peoples’ experience of turbulence.***

We are now living in a period of unprecedented turbulence with the worst financial crisis since the 1929 crash. Turbulence defines a state of unpredictable change that was not foreseen. Yet as Drucker states: ‘The Executive world has been turbulent for as long as I can remember - I started work two years before the 1929 crash’ (Drucker 1992 pV111)

Turbulence is not new but with continued globalisation, increased complexity, accelerating speed of information exchange and market volatility we are now facing a reality almost unrecognisable to previous generations.

What is clear is that our approach to understanding has failed to keep pace. There are divides between our philosophical stances which have lead to what Drucker terms “a great divide”. He argues that “at some point between 1965 and 1973, we passed a ‘great divide’ into the next century, leaving behind the creeds, commitments and alignments that had shaped politics for a century or two. At the most profound level, the Enlightenment faith in progress through collective action ‘salvation by society’ which had been the dominant force of politics since the eighteenth century – was thoroughly dashed. This is not the first such divide.” His view was “the last such divide was crossed a century earlier in 1873. That liberal century, in which the dominant political creed was laissez-faire, began in 1776 with Adam Smith’s *The Wealth of Nations* and ended with the Vienna stock market crash and short lived panics in Paris, London, Frankfurt and New York in 1873.” (Drucker 1992 pp1-2)

As we approach the end of the current decade we are approaching an even greater ‘divide’ as we face the combined impact of the unravelling of the worst crisis in the world’s financial system for at least a century, together with the gathering storm of climate change and ‘peak oil’ amongst other macro trends that threaten to converge and impact on our way of life. Outcomes are becoming less predictable. Yet many of the tools we use to understand the world we face are inadequate for the purpose because they assume that there is such a thing as an ordered and objective reality that we can uncover with increasingly sophisticated techniques based on linear cause and effect scenarios.

“As we advance deeper in the knowledge economy, the basic assumptions underlying much of what is taught and practiced in the name of management are hopelessly out of date....Most of the assumptions about business, technology and organisation are at least 50 years old. They have outlived their time”  
(Drucker 1998 p 162)

Yet if, as Drucker argued, management and business is a social enterprise i.e. to serve the wider needs of society, then the critical determiner is relationships.

However, if our purpose is to understand turbulence then we are dealing with the non-linear relationships that characterise complex human systems. (Lane and Corrie, 2006)

Within this changing context we cannot assume that the future will continue to be a projection of the past or that the structured step by step management procedures and processes of the past will address the needs of a world of constant change, risk taking and ambiguity where confidence in the conventional wisdom results in an inadequate response to competitive pressures. We are dealing with unpredictable outcomes, in what Stacey (2007) calls Complex Responsive Processes.

***Theme 3: The presentation of the story is bigger than reality.***

As with previous ‘divides’ past assumptions dominate thinking and obscure people’s vision of what is about to unfold, often with disastrous consequences. In the 24/7 culture that we have become the needs of the moment are often so pressing that it leaves little time to think about how events are unfolding. The British Prime Minister Gordon Brown referred to this recently in acknowledging that he found it hard to focus on strategy, “as you have to deal with immediate events, like if a bank’s going to go under”. (Viner based on an interview for the Guardian, 20.06.09) This would come as no surprise to Drucker who described people’s reactions to turbulence:

‘Most of what we assume axiomatically no longer fits our reality, lending a surreal air to our work and lives. The world seems to have dissolved into a series of media events that appear either bigger than reality or totally formless. This is especially true in political life, where we have entered “terra incognita”. (Drucker 1992 p1)

If people’s experience of life was described as a ‘series of media events’ in 1991 it has now become a virtual reality show as people seek to interact with a world , which no longer fits with established norms that bind together communities and cultures. Is it surprising that this has paved the road to a ‘Whatever’ culture, where identity and meaning are increasingly defined by people’s immediate space, place and peers, driving out a sense of higher purpose and connectors with the wider ‘We’?

As with previous ‘divides’ past assumptions dominate people’s thinking and obscure their vision about what is about to unfold, often with disastrous consequences.

Many illustrations can be drawn from the last 18 months. For example, at the end of 2007 with the collapse of Northern Rock in the UK and Lehman Brothers in the US, commentators talked about events as ‘the making of

a perfect storm' but at the end of 2008 people spoke about how the 'speed and intensity of the downturn' took them by surprise. The prevailing thinking, dominant stories and implicit assumption behind the surprise is that the good times of economic growth would roll on.

This is a recurring delusion. As Kay (2003) argued, when the Berlin Wall fell we become so enamoured by market fundamentalism that we engaged in frenzied speculation at the beginning of the 1990's and ended the decade of recrimination and self-doubt. Yet shortly thereafter frenzied speculation began again and ended in more recrimination and self-doubt

In the current financial crisis some claimed that they foresaw the risks but were not able to get their voice heard when the dominant thinking was so absorbed with the needs of the present moment, focusing on performance and growth. Paul Moore, the former Head of Group Regulatory Risk at HBOS claimed in his submission to the UK Treasury sub-committee on the Banking Crisis that the Bank had 'a cultural indisposition to challenge'. An article in the Financial Time on 6<sup>th</sup>

November 2007 reported that 'Stan O'Neal Head of Merrill Lynch and Chuck Prince, Head of Citigroup were both renowned for removing those executives that disagreed with them'. Likewise similar comments have been made about Sir Fred Goodwin, the former CEO of RBS. Of course there are two sides to any story but there appears to be a broader issue, which is unlikely to be confined to the Banking sector. Management as a social enterprise requires Senior Executives to create a safe space for others to have their voice to harvest the wisdom of different and contrary perspectives to better anticipate what is unforeseen. 'The presence of diverse viewpoints has been shown to significantly increase a team's creativity' (Hackman et al 2008 p83) which has implications for both team selection and hiring decisions. Although many agree with the potential benefits of building diverse teams 'Too many leaders make the mistake of using a highly diverse mix of players as their core decision making team, without preparing either the team or the members to use their differences effectively' (Hackman et al 2008 p83). 'The reality for leaders is that although many agree constructive conflict can improve the quality of decision making, achieving this can be a task for which they feel ill-prepared' (Down 2007)

People in an organisation, have by position and experience different levels of access to and understanding of the evolving and changing external context, of which they are part but not all have equal access to sharing their perspective with senior decision makers. Uhl-Bien et al in their paper on Complexity Leadership Theory make the distinction between 'Administrative Leadership', which is grounded in traditional notions of hierarchy, alignment and control; 'Enabling Leadership, which creates the right conditions to optimise learning, exploration of different perspectives and problem solving and 'Adaptive (or Generative) Leadership,' which is an emergent and interactive dynamic that actively seeks different perspectives to deliver adaptive outcomes.

In the cases quoted above the reported evidence of 'CEO's that removed executives that disagreed with them' and 'cultures indisposed to challenge' suggests a dominance of Administrative Leadership at the expense of

balancing this with an 'Enabling' and 'Adaptive' Leadership style, which only increased risk exposure in a context of volatility and change.

Complexity theory provides a means to explore such volatility. It is concerned with appreciating how sudden and unpredictable changes occur after a period of stability identifying that there are no pre-fixed destinations rather instead there are potentials. (Wheatley, 1999). Problems are tough because they are complex in three ways:

"They are **dynamically complex**, which means that cause and effect are far apart in space and time.....they are **generatively complex** which means they are unfolding in unfamiliar and unpredictable ways.... they are **socially complex** which means that the people involved see things very differently and so problems become polarised and stuck." (Kahane, 2007, pp1-2)

Kahane argues that as a result we cannot work from fixed positions of "telling" but rather have to embrace values of transparency, creativity and collaborative dialogue. Effective knowledge management requires a commitment to transparency, which needs to be embedded in a set of values. In a study of 100+ companies in 22 countries, Marchand, Kettinger and Rollins (2001) demonstrate that transparent knowledge management generates better staff engagement and results for the business. The importance of effective knowledge management was evidenced in case studies of organisations growing rapidly. (Lane, 1994) For example, the importance of information flows from and to customers was cited by the software firm Sage as critical to their success. The rapid development of the UK operation of Bell Cable Media required the organisation to balance significant and constant change with consistency of standards. They achieved this through building their management systems around 360 feedback using a core set of values to anchor them. Without the type of flow to which Marchand and colleagues refer it becomes easier for dominant stories to take hold.

One such story is the way in which the numbers, "the bottom line" or other such fallacies come to dominate thinking. There were those who saw the impending crisis but found that CEO's rejected warnings that all might not be well with the cry the "the numbers speak for themselves". It is the case that numbers can give us very useful information but they can also provide an illusory sense of control resulting in a failure to examine our perspectives on numerical data with sufficient clarity (Lane and Corrie, 2006). Our comfort in the numbers and the tendency to equate them with "truth" leads us to ignore Drucker's warning.

The way in which certain stories come to dominate is, however, an important one if we are going to manage complexity. Foucault (1983) framed the way priority is given to certain forms of knowledge over others as regimes of truth. Using this concept Lane and Corrie (2006) suggested too much of our thinking and actions are reactions to what has been defined by others because we have internalised these regimes of truth. More recently they have extended this debate to look at the "totalising" effect that dominant stories have in excluding

alternatives. (Corrie and Lane, 2010)

The 'totalising' effect of dominant stories is not confined to the 'private' (for-profit) sector but also applies in the public ('not-for profit') sector. In the UK the dominant story in Government circles was the 'end of boom and bust', promoted by the former Chancellor of the Exchequer and evidenced from years of economic growth. However the different focus of the private and public sector on 'shareholder value' and 'the public interest' plays out in different ways. In the case of the private sector the dominant stories are shaped by the focus on delivery of 'shareholder value' often at the expense of meeting the wider and inclusive needs of society often with disastrous consequences e.g. These range from destruction of Rain Forests to the proposed dumping of the Brent Spa Oil Platform in the North Sea by Shell, who misjudged the strength of public feeling and risked losing their licence to operate. In the case of the public sector the focus on 'the public interest' can lead to policies that are too narrowly defined on a country basis (e.g. the introduction of 'light touch Financial Regulation) and fail to take account the need for global collaboration in an increasingly interconnected global economy.

The critical challenge for leadership, arising out of the current financial crisis is how we can become better prepared to anticipate the unpredictable and vulnerability of unforeseen risks i.e. the Black Swan factor (Taleb, 2007) and overcome the blindness that comes when our dominant focus is so absorbed by the immediacy of the moment. There is increasing evidence that new challenges can no longer be readily solved within the conventional leadership paradigm. In the past many traditional narratives about leadership were based on the 'Heroic Visionary Leader', whose role is to drive the organisation forward towards a predefined vision or goal in the relentless quest to drive shareholder value. This paradigm fits well with a future that is predictable, where the past can be used to project the future but less helpful in managing on the edge of chaos.

In the future leadership will be much more about balancing the art of leading uncertainty with certainty and adapting the style of approach to address both. We need to both understand the impact of the stories we tell in unpredictable contexts as well as tell better stories.

#### ***Theme 4: If this is the turbulent world we are in where do we turn?***

If there are key questions over the levels of agreement about what we can do, varying levels of predictability on achievement of outcomes and a central role played by the types of story we tell each other with some attracting more attention/energy than others where might we turn for ideas? One possibility is complexity theory.

Given that we are members of complex networks and in our interactions with others we co-evolve a jointly constructed reality we are dealing with radically self-organising processes. This unpredictability also creates the possibilities for highly creative potentials to emerge in any system which though encouraging the participation of as many voices as possible allows stories to emerge. Some stories will gain adherents and lead to yet newer ways to organise complex systems as well as how to generate useful outcomes from that creative potential.

Complexity theorists such as Stacey (1996) have shown how areas of relative stability emerge within unstable systems through powerful conversations in which possibilities emerge, which gain credence and stimulate further stories .

He argues (2007) that many attempts to understand organisations are based on a rational sounding language which promotes the illusion that someone is in control. While the management discourse is coached in terms of 'markets', 'resources', 'visionary leaders', what is missing is the voice of ordinary people.

From the perspective of complex responsive processes, those people are present and organisations are seen as patterns of interaction between people that are simultaneously cooperative-consensual and conflictual-competitive. Through these patterns of relating, people construct their future together in the present. We agree the stories we are going to author and enact. In complexity terms management can only be seen as a social enterprise.

We argue that there are three critical insights which link the themes above to emerging theories regarding the leadership of turbulence .

1) **The level of agreement on purpose** – ensuring 'purpose' focuses on the higher end purpose of meeting the wider needs of society – we cannot assume agreement, we have to create conditions for it to emerge.

2) **The predictability of outcomes** in pursuing goals to achieve that purpose i.e. Thinking with the 'end in mind' and ensuring the management tools do not obscure the aims. Organisations in their markets consist of people who are interdependent. This is inherently turbulent and therefore unpredictable in anything other than limited circumstances and short timescales.

3) **The narratives or stories that people tell that direct people's focus on the end purpose** rather than the means to achieve it. Where narratives emerge that gain adherents they can form stories in which people understand the characters involved and the plot that will guide action.

They then act within that plot with strategic intent but because of the interdependency do not know what will happen at any one point, but trust each other sufficiently to work to get the job done.

The interest in purpose, predictability of outcomes and narrative then enables us to focus on how stories emerge from complex and turbulent contexts which lead to agreements around a new purpose.

We provide two examples of such emergence.

### **South Africa – The Transition from Apartheid**

Adam Kahane (2007) describes how leaders from different national constituencies participated in workshops at the Mont Fleur Conference Centre near Capetown to explore the birth of the

new South Africa. The Mont Fleur process engaged participants in a process of dialogue, which involved mapping scenarios based on what might happen. He describes how “simple problems, with low complexity, can be solved perfectly well- efficiently and effectively- using processes that are piecemeal, backward looking and authoritarian. By contrast highly complex problems... (which in the Stacey model (see Figure 1) are defined as having a low level of agreement and certainty)...can only be solved using processes that are ‘systemic, emergent and participatory’.(Kahane 2007 p 32)

The Mont Fleur process was “unusual because it was well suited to solving highly complex problems-to enacting profound social innovations....it was systemic building scenarios for South Africa as whole, taking account of social, political, economic and international dynamics. It was emergent, because it recognised that precedents and grand plans would be of limited use but instead used creative teamwork to identify and influence the country’s critical choices. And it was participatory involving leaders from most of the key national constituencies.” (Kahane 2007 p32) Complex problems require a different way of listening and engaging with others to shift entrenched positions, which lead to problems getting stuck. This means listening openly and reflectively to different perspectives in order to be open to new possibilities and the emergence of an agreed purpose. Kahane describes how Mont Fleur “helped to shift the economic thinking and acting of the ANC and other left-wing parties and to avert an economic disaster”(Kahane 2007 p25)

### **The Global Convention on Coaching as a complex system**

In a study for the Chartered Institute of Personnel and Development, Jarvis, Lane and Fillery-Travis (2006) explored the rapidly burgeoning field of coaching. As an organizational development offer to organisations it was increasingly used and CEO’s of many leading companies were making use of coaches for their own development or to help them address organisational performance and development issues. Yet many HR professionals found it difficult to make sense of this area. They were confronted with much hype and self-promotion by those entering this market, a degree of in-fighting between professional bodies seeking to regulate the field and very few objective voices of authority or sources of information, guidance or advice upon which they could rely. Thus we had no agreement on purpose, an unpredictable context and competing stories about what was the best form of practice.

Out of this fairly chaotic situation conversations started to emerge. The idea that a convention be held to bring together different parties across the globe gradually took hold. The traditional linear thinking for such a convention would be to find a group of experts to present papers, and attendees would be able to listen and engage in conversations. However, in recognising both the turbulent state of this market and the possibilities of working with the framework of complexity, the idea was proposed that rather than adopt that approach we would meet together for five days of dialogue, with no presenters, hierarchy of experts or predefined outcomes. Rather we would see what emerged from a self-organising space. The process of dialogue was adapted from Brown

and Isaacs 'World Café' process (Brown & Isaacs 2005) and Adam Kahane's work on 'Solving Tough Problems'. This is a tried and tested process for addressing complex and conflictual challenges (Kahane 2007)

Conversations emerged across the globe and the main professional bodies, coaches, coach training bodies and consumers of coaching agreed to participate in a dialogue. The starting point was to create the conversation about the future in the present, focusing around ten broad themes, such as the "knowledge base for coaching", "the selection of coaches" and the "role of coaching in society". Groups came together in virtual space to create and explore possible scenarios for the future – what might it look like (not what you want, rather what might happen based on evidence of what is currently happening). Some of these were positive and attracted a lot of energy some were negative and repelled energy – but they were all seen as possible futures.

Across the globe 250 people took part in these conversations and more than forty possible scenarios emerged. Some saw coaching disappearing, another scenario envisaged internal conflicts leading to coaching being taken over by other competing disciplines, others envisaged various degrees of cooperation. Once these scenarios were available 61 people agreed to commit five days to meet in Dublin (July 2008) to engage in dialogue about these scenarios. No agenda was set, no outcome was agreed for the dialogue rather all present agreed to take part and see what emerged. For two days participants spent time discussing the scenarios choosing to focus on one or several, modifying their choices over time as some conversations generated energy or did not. All the conversations happened simultaneously in one room so participants in one group (pod) could see what was being written on electronic whiteboards in the other pods and could choose to move as they wanted too. On day three the discussions from each pod were shared in the whole group. What did emerge in the conversations was a shared sense of issues that matter to all. Lots of ideas were proposed and one suggestion came forward to create a Dublin Declaration which encompassed the shared sense. This attracted considerable energy. Day four therefore became devoted to creating such a declaration. The energy created by that activity led to the groups reforming around revised themes to look at what would be needed to create the envisaged future in the declaration and a series of work tasks were created out of them. The declaration was read out and participants signed to it and agreed to take it back to their respective organizations to take the tasks forward. Within 3 months over 15,000 signed up to the declaration which has since become a catalyst for collaborative dialogue between a diversity of different and sometimes competing professional disciplines and cultures across the world. (The output of the meeting is available to download at <http://gccweb.ning.com/forum/topics/2328492:Topic:47>)

Subsequent meetings have taken place and further work undertaken but the key is not that this group do the work but rather that the conversations generate multiple activities in other groups that form self-generating constellations who take forward their own stories.

## Creating a different approach to purpose and outcomes

Could this be done in a organisation? Yes – if, there is a willingness to recognize the social nature of the enterprise and allow the self-organising potential to emerge. It is somewhat sad in organisations currently undergoing major restructuring to see CEO's calling for their people to contribute ideas for the future yet limiting people's contribution by structuring the process in very traditional ways which limit self organising capacity and then try to address anxieties arising from uncertainty by trying to control the outcomes or close it down .

Yes the absence of predefined outcomes creates anxiety, but it is important to trust the process and use it as a point of creativity. For an organization to reposition their service to offer something that adds new value, as well as preserving what is the best of the current offer, requires recognising the different spaces in which we operate. Some are random/chaotic, some exist on the edge of chaos in the creative zone and some operate in the rational linear zone where organisations feel most comfortable which feels real and solid but is in fact just another temporary emergence out of complexity.

These spaces have been represented by Stacey (1996 p47) as an Agreement/Certainty Matrix. The following diagram has been adapted from his original model

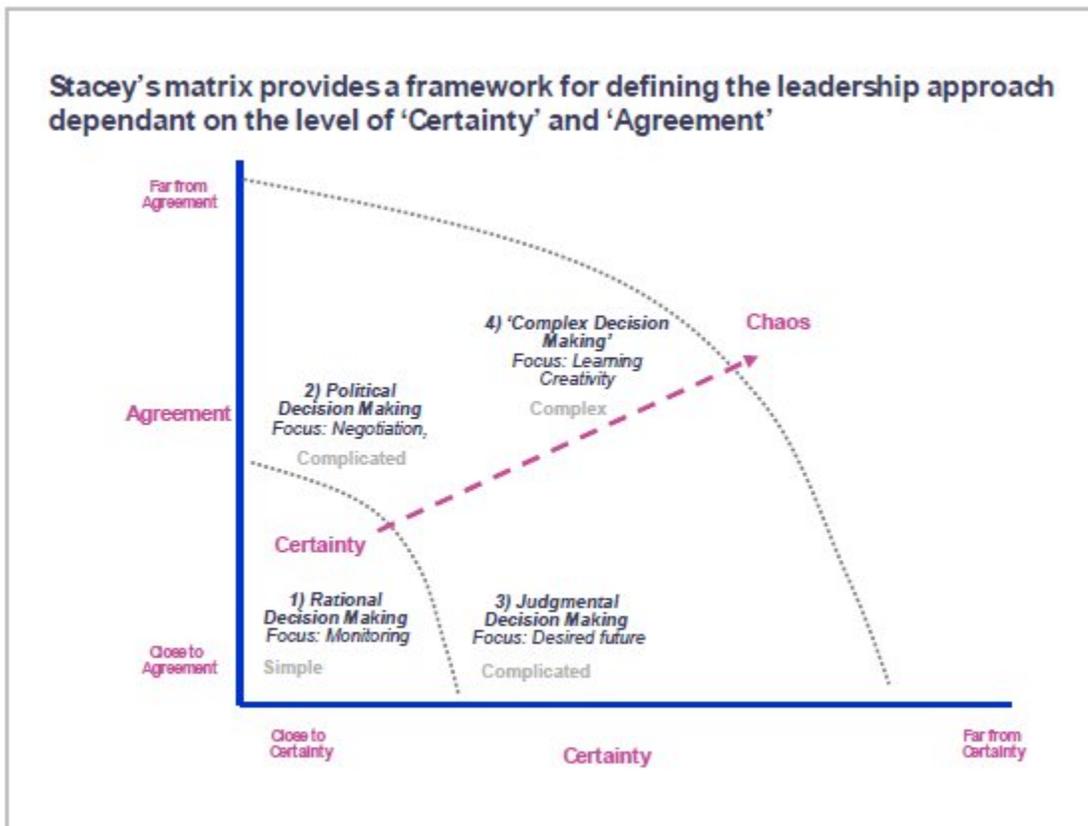


Figure 1

If we see the future as essentially predictable then we may infer that leadership is more about a “dictate and control” mode as we drive the organisation and its people to a predefined goal. If we see the future as being essentially unpredictable then we may infer that leadership is more about dialogue and learning. If we see the future as a combination of both, with the short term being more predictable and the medium to longer term more unpredictable then it raises a further question about the leadership that that is required to achieve a balance. The Agreement/Certainty Matrix helps us to recognise the space we are in and consider how we might best operate in those spaces. We are now in the world of turbulence that Drucker spoke about. In the events leading up to the current financial crisis leadership was strong and effective in delivering ‘individual’ and locally defined growth objectives for the major banks but was heading in the wrong direction in delivering its higher purpose of meeting the wider needs of an increasingly interconnected global economy, through delivering a robust and stable global financial system.

The focus of leadership was primarily engaged with increasing shareholder value, delivery of growth targets, alignment and control, which Drucker described as the tools of management, which Uhl-Bien et al describe as ‘Administrative Leadership’ and less concerned with identifying emergent changes and systemic risks, which Uhl-Bien et al have described as ‘Adaptive’ or ‘Generative Leadership’. Those that tried to challenge dominant prevailing thinking found it difficult to get their voice heard in cultures, which have subsequently been described as having a ‘cultural indisposition to challenge’

Despite the best intent of so many highly experienced people, potential risks were not identified and acted upon in time to prevent what nearly led to a complete meltdown of global financial systems. Blame may be the response from the heart but it is too simplistic. The events raise questions about the leadership required to address a world of increasing complexity and ambiguity, where there are many unforeseen risks. This raises a deeper question about our assumptions about the future which define our approach to leadership. In the past many leadership models have focused more on supporting the short term needs of performance, efficiency, growth, motivating and getting the best from others but they are only one part of the equation.

In the future this needs to be balanced with a greater focus on the leadership of complexity, uncertainty and ambiguity as well as certainty, which typically focuses on short term goals. We can use the idea of different spaces to consider the type of conversations that happen, the ways in which leaders respond and the type of management that best fits the space. However, it is important to recognise that these spaces are all emergent properties of a complex system. We cannot organise them or tell our people to work as if they were in a designated space – now we will do strategic planning (a response to a rational space) now we will do creativity (a response to a space on the edge of chaos). These are not organised management events.

What we need to do is to look at the types of conversations that emerge in these different spaces and therefore the strategic options they create using the idea of different story structures that enable us to work with varied

purposes, unpredictability of outcome and the emergence of new narratives. We will then consider leadership and management in those spaces

### **Stories that direct people's focus on the end purpose**

The type of conversation (or more actually the stories) that emerges depends upon where we are in the differing spaces above. Corrie and Lane (2010) have used the idea of three different story structures that operate when we seek to formulate our understanding. Cavanagh and Lane (2009) have used the idea of these three different story structures to create models for working in the spaces Stacey identifies.

**The Rational/Empirical Story** works from an existing evidence base or hypothesis testing framework and works in the simple space.

- It assumes a cause/effect and linear process
- It works best when past experience can be used to accurately project future outcomes
- It is most appropriate in the rational space - agreed purpose and predictable outcomes
- It is the space within which traditional strategic planning happens.

As Boisot (2003), in a broader analysis of strategy, points out strategic planning is based on two assumptions;

1. That the rate at which the environment is changing is slower than the rate at which data can be captured and acted upon.
2. That short term fluctuations mask a set of essentially stable features accessible to rational analysis. Turbulence is treated as noise and as such strategies can be expressed in the corporate plan and with minor subsequent modifications

**The Emergent Story** works from the ground up and operates in the complex space.

- Looks for what themes emerge in the conversation and what we notice.
- Uses tension and anxiety creatively
- Most appropriate in the space of ambiguity on the edge of chaos
- It is the space within which emergent strategy happens.

Minzberg (1985) in coining the term emergent strategy was concerned with adjustment to environmental states that cannot be anticipated through a prior analysis of data. He envisaged that lower levels within an organisation would need to deal with emerging data outside of the strategy and make adjustments without necessarily seeking authority to do so. Strategy therefore was seen not only as a rational elaboration but rather as an emergent property built on partial understandings. However, this was seen as a way to deal with moderate

turbulence at the edge but not in the chaotic state.

**The Structured Story** works from the top down and operates in the chaotic space.

- Provides boundaries using predetermined lenses to organise the story
- Helps hold anxiety so that we can work with the context
- Most appropriate in chaotic contexts.
- It is the space within which strategic intent operates.

Hammel and Prahalad (1989) refer to strategic intent as a coherent vision to create an orientation so that the intent can be fulfilled even in times of turbulence but understanding emerges more intuitively and in response to the events.

As Boisot (2003) points out organisations are primarily conceived as devices for reducing uncertainty. They try to do this by creating zones of stability which maintain their identity over time. However, where the rate of external change increases excessively such attempts to create stability become ill-adaptive. Consequently, he argues that rather than an organisation seeking its own unique strategy it should rather develop its managers to handle a variety of strategies. This is in contrast to some organisations particularly in the finance sector which started the decade telling their managers that they had to move from being risk adverse and develop an entrepreneurial mindset and are now telling them to go back to a risk adverse mindset. This is a classic error of trying to force a chaotic space to operate as if it were a rational space. We attempt to deal with the anxiety by trying to control or eliminate it rather than, as is more appropriate, using it creatively. Stacey (2007) points out that tension is a key part of generating creativity.

Thus it is possible to think in terms of existing theories of strategy within complex spaces. However, complexity theory goes well beyond this in terms of seeking to understand that organisations are social enterprises and therefore are inherently unpredictable and events are always emergent. So if there is a high level of agreement and predictability then we can use existing models/theories of service delivery to add incremental value.

However, if there is moderate level of agreement and predictability rather than drive everyone towards agreement, the creative space needs to open up to allow multiple conversations and wait to see what themes emerge that gain credence that could be the basis for a new story about our service. In the chaotic space the pressure is to rush back to the rational, (that does not work) but rather we need to hold our anxiety for long enough and try to move towards the creative space.

The challenge for leaders in these times is that they cannot always stand outside the system and pull the

levers of change with predictable results (Cavanagh and Lane, 2009). So what can we do?

1. Help create the conditions that allow successful outcomes to emerge.
2. Recognise that the nature and quality of the conversations in the person/team/organisation are critical.
3. Understand that motivating people is more about listening than telling.
4. Generate healthy ongoing iterative conversations that create positive attractors and stimulate positive behaviours.
5. Acknowledge that leadership in complex systems is about facilitating and guiding, more than controlling and determining. This means leaders that provide:
  - Direction – some of the key goals
  - Boundaries - limits and things to avoid
  - Resources – to get the job done
  - Space for innovation - permission to do things differently
  - Focus on setting and maintaining the real values

## **Conclusion**

We have argued that existing models of management can be used where there is a high level of agreement and predictability of outcome. However they are inadequate in addressing a world that is becoming less predictable and more turbulent. The management of relationships and process of dialogue is becoming more critical in managing uncertainty. The complexity zone at the edge of chaos in Stacey's model is not an easy place to be. It can be a place of anxiety and frustration, which in itself creates a crucible for new thinking. The leader's role is less about driving performance against a pre-determined vision and more about creating a process for sharing the wisdom of many different and contrary perspectives. It requires the leader to be skillful in handling issues associated with power, conflict and blame, which can get a grip as people struggle with their own ability to deal with ambiguity. How leaders contend with uncertainty in the external world is partly a function of how they deal with uncertainty within themselves.

This has fundamental implications for the leadership coach. Traditional skill based and performance coaching focusing on specific skills or performance gaps are more appropriate to the area of certainty. The leadership of uncertainty requires the coach to take a systemic and transformative approach to support the linked needs of the person, their key relationships, the organisation, the customer and the external environment, recognising they are all interconnected.

*'Most developmental psychologists agree what differentiates leaders is not so much their philosophy of leadership, their personality, or their style of management. Rather it's their internal "action logic"- how they interpret their surroundings and react when power or safety is challenged'. (Torbert 2005)*

Power and safety are often challenged the closer to chaos, where conventional wisdom no longer applies. Torbert's Action Inquiry Model (Torbert 2004) provides a developmental framework to learn different action logics. The framework defines seven developmental action logics-Opportunist, Diplomat, Expert, Achiever, Individualist, Strategist, and Alchemist. Traditionally most management development has focused on the first four action logics, which fit well with conventional approaches to leadership. In the future it will be increasingly important to develop leaders in the last three action logics, which are a better fit with the management of uncertainty.

There are a number of emerging management tools and techniques that support systemic thinking and transformative dialogue, which support the leadership of uncertainty, for example 'Appreciative Enquiry' 'World Café', Open Space Technology, Scenario Planning, Deep Democracy etc. (Bojer, Roel, Knuth, Magner 2008)

However if we are to heed Drucker's warning we need to ensure that tools serve the end purpose in meeting society's needs, which are becoming more pressing as we face climate change, peak oil and other challenges associated with the degradation of the earth's assets. There is a key role for leadership in acting as custodians as well as consumers of the world's assets in order to leave a better legacy for future generations.

**Are we ready to take on this form of leadership?**

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