

The Leadership 2.0 Challenge

Designing a new leadership system for today's increasingly Volatile, Uncertain, Complex, and Ambiguous (VUCA) world. **BY TONY O'DRISCOLL**



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As we pause to take stock of the “State of the Training Industry” report each year, we often observe repeating patterns in the data. One pattern surfacing with increasing regularity is the need to ensure that the growing investment in learning and development is building the capabilities organizations require to survive and thrive in an increasingly Volatile, Uncertain, Complex, and Ambiguous (VUCA) world.

Today, organizations around the globe are being sucked into a VUCA vortex that already has wiped out more than half of the Fortune 500 since the year 2000. Those that remain are literally fighting for their lives in an era of digital Darwinism where markets shift in the blink of an eye, disruptive technologies wipe out age-old industries at unprecedented rates, and previously successful products and services are rendered obsolete almost overnight.

As global digital connectivity grows exponentially, survival anxiety within organizations is compounding rapidly. More than 86 percent of executives anticipate the pace of change will increase significantly over the next three years, and two-thirds of them believe the next 36 months will be more critical for their industries than the previous 50 years.

Incumbent organizations in established industries are finding themselves increasingly vulnerable to the strengthening pull of the VUCA vortex. Today's industry leaders believe that roughly 4 of the top 10 incumbents in terms of market share will be displaced within the next five years.

AGILITY IS KEY

To avoid extinction in an environment where the only constant is change, the primary purpose of leadership is to ensure that their organizations become more responsive to market shifts, more resilient to unpredicted technological disruptions, and more adaptive to unforeseen deviations from expected norms. Nine out of 10 executives believe organization agility is crucial to business success. The key to creating that agility lies in developing a leadership system that:

- Maintains a perpetual state of readiness for the unexpected by sensing shifts in the marketplace sooner than others
- Anticipates how these shifts will likely cause value to migrate within the marketplace

- Orchestrates the subtle and swift tweaks in organizational structures, systems, and processes to reposition the firm to capture optimal value within the shifted marketplace

Simply put, organization survival in an era of digital Darwinism requires a leadership system that is more responsive, resilient, and adaptive than the competition. In fact, organizations that are surviving and thriving financially today are three times more likely to have VUCA-ready leaders than organizations that are underperforming in the same marketplace.

Unfortunately, only 15 percent of organizations today believe they have a strong leadership bench, and 89 percent of executives have rated the need to strengthen, re-engineer, and improve organizational leadership as an important business priority. However, most of these organizations are not confident that traditional development approaches are producing leaders with the capabilities or at the pace needed to address current and future needs.

Traditional, role-, competency-, and pipeline-focused educational interventions make the errant assumption that organization performance issues stem largely from leadership knowledge deficiencies. The reality is that organizations are a complex amalgamation of people, processes, and technologies, and the context within which leaders apply new learning is at least as important in developing leadership capability as the content delivered in the classroom.

Developing individual leadership competencies is but one element in building VUCA-ready leadership. In addition to thinking their way into a new way of acting through classroom instruction, leaders must act their way into a new way of thinking by working across boundaries to bring together disparate and diverse sets of people, processes, and technologies and reconfiguring them in real time to increase the likelihood of organization survival. This will mean rethinking and reorienting much of what we previously have believed about what it means to lead and what it means to learn.

The first step on the journey to defining the 2.0 version of leadership development requires reframing the challenge from one of efficiently developing individual leadership competencies to one of effectively designing a VUCA-ready leadership system that enables the organization to be more responsive, resilient, and agile. **T**