In Search of Leadership: A Critical Requirement for Governance, Social Cohesion and Competitiveness?

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Background Paper

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Overview

This background paper will portray the challenges of leadership today and in the future – for governments, businesses and non-governmental organizations. Leadership is widely understood as a management process carried out by a single person and having an organizational component. Nowadays, public and private organizations – and entire societies – face the challenges of unpredictable crises and changing environments. Based on these requirements, it could be necessary to redefine leadership. The search for good leadership is more than an academic issue – it is a belief in the value of leadership itself.

Against this background, this publication looks beyond familiar horizons and rethinks leadership's characteristics in order to make it more innovative and capable of reacting more effectively. It includes five original pieces of research on leadership that were commissioned to prepare for the 2015 Trilogue Salzburg. The authors examine this year's topic, **In Search of Leadership**: **A Critical Requirement for Governance, Social Cohesion and Competitiveness?,** from a number of perspectives.

The first article, **In Search of Leadership** builds on the assumption that there is a lack of leadership today and that we are experiencing a time engaged in a new "search for leadership." It suggests a new understanding of leadership in a changing environment and provides ideas about what types of leadership we are looking for in the public and private sector. The article also distills recommendations on how we might encourage leadership to deal with current challenges.

The research paper **Leadership: What Is Old and What Is New** highlights what the leaders of the future will have to add to what they already do: the new task of becoming helpful, especially to subordinates. The author addresses leadership as the behavior of individuals in powerful organizational positions, as the complex interplay between leadership and culture as well as leadership as human behavior in any situation. He concludes with the necessary developments in leadership attitudes and behavior.

A Culture of Successful Leaders examines the various leadership challenges and provides an overview of leadership theory and development. The author focuses on the contextual nature of effective leadership behavior in order to explore what it takes to be a successful leader. The article concludes with a number of general remarks on how to strengthen leadership.

Leadership in the 21st Century analyzes innovative types of leadership and the components of leadership in the future. The authors describe qualities that companies must cultivate and strengthen in an era of rapidly proliferating digitization and automation.

The authors of **Dilemmas of Charismatic Leadership** apply a new logic which examines the key traits of charisma in order to demonstrate that charismatic leadership is about celebrating and combining opposites, with the goal of providing solutions that secure the benefits of both extremes. Individuals who can combine such opposites are truly charismatic in all cultures.

This background paper is designed to hone in on the two issues that will be addressed during the conference sessions, namely **Leadership Today: Why Is There a Lack of Leaders** and **Leadership for the 21st Century: What Kind of Leaders Are We Looking For?** Both sessions are geared toward devising recommendations and examining what leadership means for governance, social cohesion, cultural tolerance, innovation and competitiveness.

In Search of Leadership

Jörg Habich | Verena Nowotny | Martin Spilker

I Introduction

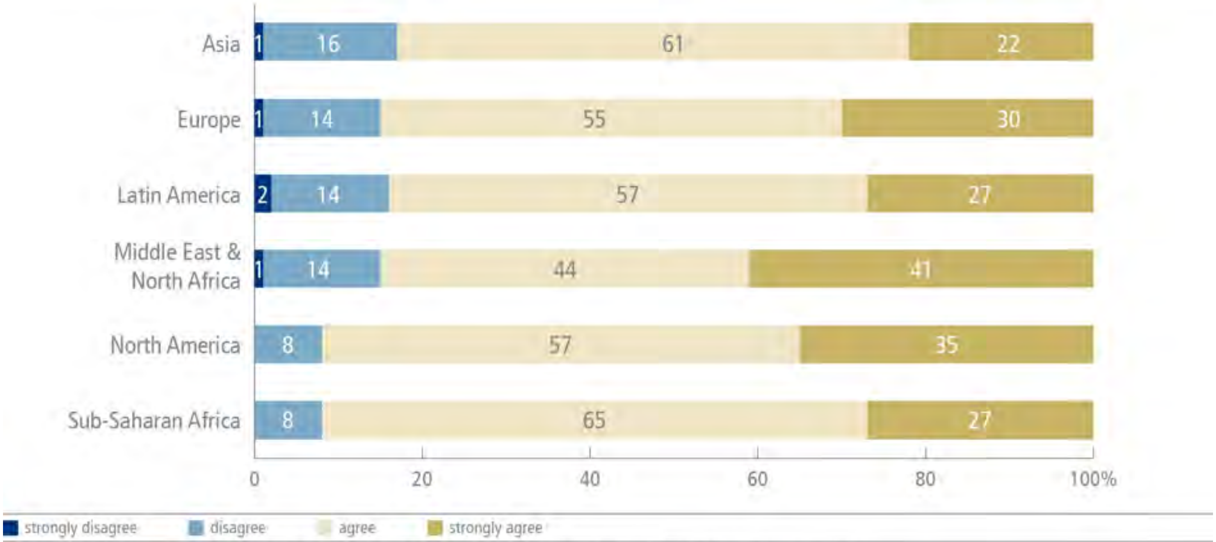
The number of crises that today's societies and their political and business leaders are confronted with seems to be constantly rising and becoming increasingly complex: the collapse of financial institutions and the bailout of banks; the long-lasting tug-of-war with Greece and a looming Brexit; terrorist attacks and killing sprees in the US and Europe; the migration of thousands of people from Syria and other war zones; natural disasters such as the India-Pakistan floods; armed conflicts such as the war in the Donbass region of Ukraine; and the dramatic stock market losses in China – just to name a few. If not the total number of crises, then at least the frequency – and the perception thereof – has increased considerably. Many of these events are occurring simultaneously. In addition, different players are interacting within a structure of co-opetition (Asaro 2014), i.e. when competitors or opponents with a partial congruence of interests work together for a short time, which implies changing power structures and shifts in hierarchies, responsibilities and relationships.

These crises and challenges do have implications for leadership. On the one hand, bad leadership affects performance, morale, motivation, competitiveness, productivity, employer attractiveness – and success. On the other hand, the extraordinary men and women who are transforming business, government, philanthropy, etc., are invigorating the world around them.[1] Especially in these times of crises, the call for strong leadership and inspiring leaders is getting louder.

Therefore, it is not surprising that more than 80 percent of the respondents worldwide to the Survey on the Global Agenda 2014 agree that there is a worldwide leadership crisis today, one that includes diminished confidence in institutions, government and political leadership (see Figure "Is there a leadership crisis in the world today?").

Is there a leadership crisis in the world today?

in percent



Source: World Economic Forum. Outlook on the Global Agenda 2015 - Survey on the Global Agenda 2014. Cologny/Geneva. 2014.

[1] See e.g. Fortune. The World's 50 Greatest Leaders. http://fortune.com/worlds-greatest-leaders/

The situation is similar in business, with less than one in five respondents in the 2013 Edelman Trust Barometer believing that neither business nor government leaders tell the truth when confronted with difficult issues. As opposed to the long-term, strategically planned periods of the past, current leaders are confronted with a new paradigm: many surprises, no solutions, be prepared!

This paper builds on the assumption that there is a lack of leadership today and that we are experiencing a time engaged in a new "search for leadership." It suggests a new understanding of leadership in a changing environment and provides ideas about what types of leadership we are looking for in the public and private sector. It concludes with recommendations on how we might encourage leadership that can cope with today's challenges.

II The Changing Environment of Leadership

Today's challenges are much more complex. One main reason is a changing environment – which is affecting societies as a whole as well as structures and organizational issues (Gebhardt, Hofmann, Roehl 2015):

- **Environments are becoming more unpredictable** (volatility, uncertainty, complexity, ambiguity)
  Environments and markets are becoming increasingly volatile. Reactivity and response times have to be adapted. Uncertainty and complexity make long-term decisions more difficult. Finally, the world has become more ambivalent and contradictory.
- **CSR activities often have only a fig-leaf function**
  Key issues of corporate social responsibility have still not been answered: Should global challenges be tackled by mandatory decisions and actions? Is sustainability, for example, a goal that leads to increased efforts in recycling product components and is it rewarded by the market? Leaders from business, politics and civil society are under pressure to react.
- **Existing business models are being overthrown**
  The relationship between consumers and producers, between leaders and followers is becoming blurred. People are increasingly expressing their desire for active participation in policymaking and sociopolitical processes. Companies and consumers are becoming more intertwined, individuals are trading goods on their own platforms. Entrepreneurs are establishing start-ups and mobilizing support, e.g. by gathering ideas from private investors and circumventing traditional means of financing.
- **Existing structures are dissolving**
  The dissolution of previously valid structures is not only affecting the network economy, but societies as well. The authority of traditional institutions is being questioned. Meanwhile, highly divided societies are finding their individual "reinsurance" in networking. Temporary connections are replacing long-term commitments. Power structures are forming ad hoc. The network society increases the need for participation as well as the demand for greater freedom by self-determined individuals.
- **The network societies are democratizing knowledge**
  Global and digital availability of knowledge is causing an increasingly cross-sector knowledge exchange and a far-reaching democratization of knowledge. Thus, knowledge acquisition is being decoupled from formal education. Easy access (sharing, streaming, gaming, etc.) and advanced communication channels (especially social media) allow information to be connected with the emotions and interests present in the community. At the same time, higher transparency is leading to increased pressure on publicly exposed

persons. Public judgment is taking place in real-time and is frequently based on emotions rather than facts.

- **A pressure of flexibility**
  Rapidly growing international interdependence and division of labor are leading to pressure across space and time in companies and, subsequently, households. Territorial, temporal and structural flexibility is closely related to dramatic changes in production and working technologies. Division of labor, autonomy and freedom of individual choice (for employees) are creating a new working environment. Additionally, there are completely new options for urban planning, through new urban production concepts, for example, and changing mobility flows.
- **Sharing and daring business models are evolving**
  The digital society is enabling completely new and completely different business models. Networking and digitization are influencing large parts of society and questioning existing industry expertise, revenue opportunities, resource combinations, biographies and performance profiles. New market actors are reinventing the rules of the game for entire industries.

In addition to the factors mentioned above, the organizational framework has changed, as have people's attitudes and values. Generation Y is exhibiting a new and different understanding of leadership, including self-responsibility, personal freedom to implement ideas, etc. Various models for living and working and different viewpoints on values and expertise are fostering competition within countries, companies, communities and groups. This modern form of "heterogeneity" is a potential source of conflict and requires new forms of cooperation and participation, as well as other types of conflict management.

Uncertainty and unpredictability are making it difficult to define (and finally to achieve) a goal that is shared by the broader public, employees and consumers. At the same time, these new challenges cannot be the only reason for a perceived lack of leadership. By definition, the future is uncertain, or as Niels Bohr said, "Prediction is very difficult, especially about the future." Therefore, it is necessary to examine the dimensions of leadership in detail.

III Dimensions of Leadership

Understanding the dimensions of leadership is important in order to leverage its components. Of course, leadership is not a secret and is more than charisma or personality traits. Some leadership theories focus on the personality, assuming that certain people are natural leaders, endowed with certain traits not possessed by others. Leadership is also a contextual phenomenon that can be learned (Jago 1982). Leadership is thus understood as a management process carried out by a single person and having an organizational component. Theories of leadership focus in particular on traits, charisma, intelligence, situational interaction, function, behavior, power and vision.

Leadership is about achieving goals. Therefore, leadership involves people guiding others on an individual, organizational, political or public level to attain a common goal. This includes assuming responsibility for the relevant actions and consequences. In Kotter's words, "Leadership is, most fundamentally, about changes. What leaders do is create the systems and organizations that managers need, and, eventually, elevate them up to a whole new level or … change in some basic ways to take advantage of new opportunities" (Kotter 1998). Most definitions take the following components into account (Northouse 2013).

Leadership

- **is a process**
  Leaders affect and are affected by their followers, either positively or negatively, and this process is interactive. This means that leadership is not restricted to just one person with a formal position or power.
- **involves influencing others**
  Leadership includes the ability to influence subordinates, peers as well as persons higher up in an organizational or work context.
- **happens within the context of a group**
  Leadership operates collectively and is about influence within a group of people, regardless of whether it is a small team or a multinational enterprise.
- **involves goal attainment**
  Leaders and followers share goals, and leadership occurs in – and affects – contexts in which people are moving toward an objective.
- **and these goals are shared by leaders and their followers**
  Leadership means that leaders and followers are willing to achieve objectives that they all share.

Leadership has a direct dimension, whereby the leader interactively influences followers, as well as an organizational dimension, whereby the leader creates and organizes the context and environment in which leadership takes place. The leader is (traditionally) seen in a leader-centric manner, which means that the leader is the main actor in leadership. Therefore, most theories focus on behavior, traits or situational factors of leadership. More broadly, the leader-follower relationship is a reciprocal transaction process, one not ordinarily characterized by the exercise or threat of force, but a social exchange between leaders and followers and also between teams.

- **Sources of power**
  The leader's power can derive from legitimate authority, i.e. being elected, appointed or having the support of followers (Hollander 2009), or from control of resources, rewards or punishment, or control of information or environment (Ciulla 2003). Especially in politics, charismatic personalities can lead by the power of language, brilliant reasoning and charisma. These leaders – Mahatma Gandhi and Martin Luther King, for example – lead without formal authority (Heifetz 1999). Personal power usually derives from expertise, friendship and loyalty, or the charisma of the leader (Ciulla 2003).

- **Leadership styles**
  A leader's style is his or her way of providing direction, achieving goals and motivating followers. It is possible to distinguish between autocratic/authoritarian, participative/democratic and delegative/laissez-faire leadership styles. The laissez-faire style is considered the least productive. The various leadership styles are not necessarily mutually exclusive.

- **Task-oriented and relationship-oriented**
  Compared to relationship-oriented leaders who focus on the satisfaction and motivation of followers, task-oriented leaders focus on the tasks that need to be performed in order to meet certain objectives (Fiedler 1967).

- **Leadership and culture**
  Leadership is also determined by the task to be fulfilled as well as the situation, including the values and attitudes, in which leadership takes place. Therefore, leadership is highly influenced by cultural dimensions or organizational culture. As a result, a leader can be successful in Nordic Europe and a "total breakdown" in Latin America.[2] This includes the fact that women are still underrepresented as leaders: Only 22 percent of all national parliamentarians worldwide are female as of 2015, a relatively minor increase from 11.3 percent in 1995.[3]

Cultural clusters classified on cultural dimensions

	High-Score Clusters	Low-Score Clusters
Assertiveness orientation	Eastern Europe Germanic Europe	Nordic Europe
Future orientation	Germanic Europe Nordic Europe	Eastern Europe Latin America Middle East
Gender egalitarianism	Eastern Europe Nordic Europe	Middle East
Humane orientation	Southern Asia Sub-Saharan Africa	Germanic Europe Latin Europe
In-group collectivism	Confucian Asia Eastern Europe Latin America Middle East Southern Asia	Anglo Germanic Europe Nordic Europe
Institutional collectivism	Nordic Europe Confucian Asia	Germanic Europe Latin America Latin Europe
Performance orientation	Anglo Confucian Asia Germanic Europe	Eastern Europe Latin America
Power distance	No clusters	Nordic Europe
Uncertainty avoidance	Germanic Europe Nordic Europe	Eastern Europe Latin America Middle East

Anglo: Canada, USA, Australia, Ireland, England, South Africa, and New Zealand
Confucian Asia: Singapore, Hong Kong, Taiwan, China, South Korea, Japan
Eastern Europe: Greece, Hungary, Albania, Slovenia, Poland, Russia, Georgia, and Kazakhstan
Germanic Europe: Austria, The Netherlands, Switzerland, and Germany
Latin America: Ecuador, El Salvador, Colombia, Bolivia, Brazil, Guatemala, Argentina, Costa Rica, Venezuela, and Mexico
Latin Europe: Israel, Italy, Francophone Switzerland, Spain, Portugal, and France
Middle East: Qatar, Morocco, Egypt, Kuwait, and Turkey
Nordic Europe: Denmark, Finland, and Sweden
Southern Asia: The Philippines, Indonesia, Malaysia, India, Thailand,
Sub-Saharan Africa: Zimbabwe, Namibia, Zambia, Nigeria, and South Africa (part of the sample)

Source: Adapted from House, R. J., Hanges, P. J., Javidan, M., Dorfman, P. W., and Gupta, V. (eds.), Culture, Leadership, and Organizations: The GLOBE Study of 62 Societies.

This implies that leaders are neither born nor made. Characteristics as well as the individual's own experiences and learning comprise successful leadership. The traditional "hero model" is outdated as is the "wise man archetype." Consequently, leadership styles are neither inherently good nor bad. Leadership can be more or less effective, and different leadership styles are necessary to interact in a given situation.

2 See also Roehl 2015.

3 See Inter-Parliamentary Union and UN Women, "Women in Politics: 2015."

IV The Crystal Leader

As mentioned above, the situation pertaining to leadership has changed significantly. A discussion of leadership is not required *because* there is a lack of leadership. Rather, the question is *who is ready and/or willing* to assume leadership.

In particular, politicians and other elected representatives have to reckon with the fact that their personal lives, their behavior, their actions, their decisions, their outcomes and their effectiveness will be screened and judged on a daily basis – even prior to their election. That implies that a leader has to expect current decisions will be permanently reviewed. Therefore, processes have to be transparent. Moreover, past behaviors, actions and decisions – which might have been made under very different circumstances – could be questioned again.

Additionally, participation has become much easier in a digital world. Yet participative processes take time, while quick action, direct implementation and speedy, valid decisions are also required – the contradiction is obvious. Who can be fast enough, if everyone needs to be consulted? Speed has become the fourth factor of production. Missed trends cannot be easily made up for. Fortunately, digitization is making it simple to include people with differing viewpoints. Yet how is it possible to reconcile the expectations of flexibility and speed, on the one hand, with forward-looking strategies that ensure sustainability, on the other? Unfortunately, the situation makes it easy for populist, over-simplified attitudes to spread. This has consequences for all levels of the public sector – for mayors of large cities and small towns, for presidents and members of parliament.

The situation is similar in business, where the impacts on employees, the environment and society have become too substantial to ignore. This comprehensive transparency could prove rather daunting for future leaders. It requires more than merely reason, data and fact-based decisions. We are therefore looking for leaders who are prepared for their decisions and outcomes, and their personalities, to be examined by an unclearly defined public. A leader has to be transparent when it comes to his or her personality, values, behavior patterns, cognitions, emotions and decisions.

This is more than leadership in an age of transparency (Meyer and Kirby 2010), for which companies as well as politicians have to take possible externalities into account. Negative and positive side effects must be an integral part of daily activities. Furthermore, issues management must support leaders in detecting and responding appropriately to changes in the environment. Crystal leadership is a process in which not only the contributions of leaders and followers are transparent; the possible impact must also be explained as it might be questioned. Goals and targets need to be clear, otherwise the confidence leaders and followers have in each other might be impaired.

This is an era of **transparency** and **efficiency**, in which traditional structures of performance are questioned. Old-style parameters like working hours, output and productivity will no longer be sufficient. From the viewpoint of the digital world, the traditional (working) environment seems inefficient, unpredictable and insufficient – in other words, not optimized. Consequently, the world has to become even more technical, even more data-driven, even more controlled and smart by virtue of the technical opportunities now available. It must become an all-embracing environment, including crystal leadership. Everything should be measurable and even more efficient. As Mozorov (2013) describes, there is a digital fix for every problem, and smart technologies and big data give us the opportunity to make large-scale interventions and solve problems in highly original ways, while creating new incentives to encourage everyone to do the right thing. As a result, the efficiency of each follower and the efficiency of the leader will be measurable and – at every moment – comparable. Yet what will happen to those companies that refuse to become transparent and efficient in the ways described above? Will they be punished by shareholders or society? What will the consequences of transparency and efficiency be on leaders' willingness to take risk? How must the roles and responsibilities of corporate governance be distributed if outcomes are to be viewed more or less in real time?

The leader has to be as productive as possible in achieving a given goal. The smart world makes it possible to foster efficiency – even in real time. If everything is focused on even greater efficiency and smart technologies and one can always find a new solution to optimize a given situation, what does one do with people who are not efficient? Are they no longer needed? A politician has to guarantee that followers agree on his or her decisions as well. The Greek referendum shows the dilemma that ensues if there is a gap between the perceptions of followers and deciders. When followers are no longer "efficient," it puts enormous pressure on leaders. What does this mean for society and the workforce? And more importantly, what are the consequences for the leader-follower relationship?

The crystal leader foresees possible reactions and adapts at an early stage. Such leaders therefore have to intervene promptly. This leads to the dilemma of new crystal leadership: The leader-follower relationship turns into a monitoring process, because the leader will not run the risk that the follower is not working. In other words, it becomes a permanent process in which the leader is afraid that the follower is not following. The mutual suspicious surveillance erodes trust. This leads to the question of whether outsourcing could be more efficient instead. What are the consequences for trust in the (economic) system and in society? Do we still trust our leaders?

This leads to the question of who will be willing to run for (re-)election if not only his or her personal integrity and decisions are continuously questioned, but his or her leadership and management style are as well? On the one hand, people deplore the lack of leadership, on the other hand, being a leader is becoming increasingly unattractive.

V Conclusions

In the decades to come, leaders will not only face crises and challenges; good leadership will be an important prerequisite for the success of countries, companies and organizations and will be indispensable for avoiding conflicts.

The search for leadership not only has to do with looking for the right leaders. Even in the future, there might be a place for the natural-born leader. The more burning question is how to develop a successful leadership style in a changing environment.

Every politician and business leader should be aware of future leadership requirements. There is no one-size-fits-all solution, neither for businesses nor for politicians. No one will be able to respond to the challenges of the future with the leadership tools of the past. Digitization, with its challenges in terms of transparency and efficiency, is especially calling traditional structures and leadership styles into question, as are other new requirements. Experimenting is becoming much more important than long-term planning. It is therefore necessary to clarify the role of the leader as well as the responsibilities of the follower. This means that leaders and followers must become clear about their role models and responsibilities. Neither political nor business leaders are responsible for everything; not every decision has to be delegated up from the follower to the leader, especially if the leader is not authorized or has no mandate. In addition, the leadership-follower relationship can change from time to time. The delegation of responsibilities through new forms of participation requires citizens and employees to organize themselves and search for solutions on their own, and not to immediately call for leadership when conflicts arise, but to develop solutions themselves.

VI Policy Recommendations

Decision makers in the political and business spheres can support a culture of leadership. The private and public sector need to understand the shifting demands on leadership in order to reach the necessary conclusions and take adequate action. The following recommendations offer a starting point for fostering a discussion on leadership:

Foster awareness of leadership
Raise awareness of the necessity of a more differentiated discussion in public (and in the media) in order to illustrate the difficulties of reconciling opposing values and short-term goals versus long-term responsibilities, thus making clear the dilemmas involved in modern leadership. This implies fostering a debate about the definition of modern leadership, including the dos and don'ts.

Support training in leadership
Government institutions can support the development journey by modernizing professional education. Universities will encounter an increasing number of tech-savvy students when the generation of digital natives begin to matriculate. Educational programs should consider the modern digital environment for this new generation and teach digital competencies in professional education courses for non-digital natives to help future leaders develop the necessary skills early on.[4] Educators are responsible for developing curricula, methodologies, structures and strategies for education as well as training systems that are geared toward the modern requirements of leadership.

Decouple leadership from elitism
Leadership is not a topic for an elite club of only a few. Leadership must be decoupled from elitism by focusing on leadership as a path for learning and personal development that has less to do with hierarchy and more with individual responsibility. Everybody can be a leader in his or her area.

Develop a collective mindset
Developing a collective mindset that leadership needs specific, concerted attention within the organization is a first step towards creating a context-sensitive leadership culture. Fostering open debate on the dos and don'ts of leadership is just as important as attention and commitment to the issue on the part of top management.[5]

Find role models of successful leadership
Encourage the sharing of best practices for fostering multi-stakeholder engagement in decision-making processes in the political as well as business spheres. This also implies raising awareness of the challenges of modern leadership by presenting positive examples of leaders, e.g. in newspapers or on TV. It might be useful to create "ambassadors for leadership."

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4 Strack/von der Linden/Torres (2015).

5 Roehl (2015).

Be aware of heterogeneity (in different ways)
Pay tribute to an increasingly multi-cultural workforce by fostering cultural sensitivity, especially in leadership programs and career management. The business world and society at large are growing more heterogeneous given the different types of organizations now present and the increase in individualism, including different values, cultures and mentalities. Better skills and innovative conflict-management tools are therefore required.

Encourage a discussion of ways to protect personal integrity
Encourage a public debate about protecting the personal integrity of political and business leaders (including their families and friends). Consider defining legal "red lines" to protect leaders' personal integrity.

Develop new incentive systems
Incentive systems play an important role in the rules and regulations of an organization. They influence leadership behavior on many levels, including explicit (pay, benefits, etc.) and implicit aspects (power, access to elite circles, etc.). KPIs that include peer and team performance measures, contributions to employee job satisfaction and other areas are a good start. Recalibrating explicit as well as implicit incentive systems is an important part of organizational development that contributes to a new leadership culture.[6]

Support leaders
Room for individual growth is another important area of action. If a collective idea exists of what good leadership really means in and for the organization, the individual leader should be supported in his or her learning path. Peer coaching and mentoring programs are good examples of potentially impactful methods. Leaders need the tools and methods to understand and influence their context (horizontal development) as well as the time, space and opportunity to grow as leaders (vertical development).[7]

Foster knowledge sharing
A culture and infrastructure of knowledge sharing is an essential prerequisite for the development of context-sensitive leadership. The ICT infrastructure has to allow for collective data, information and knowledge sharing. An important activity on the path towards a new leadership culture is enhancing the data and information transparency of the organization. Employees, and not only those of the younger generation, expect a certain "open source" culture when it comes to data, information and knowledge.[8] This includes peer-group learning and talking face to face.

Create new or different careers
Change career path logics from upwards to sideways. The new leadership approaches lend themselves to career models that differ substantially from the classic "up or out" logic. If leadership becomes a learning path, lateral career development is an equally attractive alternative. As organizations will be structured much more laterally in the future, human resources management will have to invent alternative career paths for leaders and employees that prove to be as effective in retaining staff as the classic models.[9]

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6 Roehl (2015).
7 Roehl (2015).
8 Roehl (2015).
9 Roehl (2015).

Finally, “practice what you preach” is becoming a key phrase on the way to a new leadership culture. Those who are in the driver’s seat in terms of shaping organizational culture (practically everybody, in other words) need to be truthful in their endeavors. A context- and culture-sensitive approach to leadership requires that leaders say what they think and do what they say.[10] After all, in contrast to the notion held by many that leadership is no longer important in the age of digital participation, what we actually need is more leadership – and on all levels.

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[10] Roehl (2015).

Leadership: What Is Old and What Is New

Edgar H. Schein

I Introduction

A few years ago I had the pleasure of addressing an audience of executives in Berlin on what I saw to be some of the new challenges facing the leader of the future. This paper provides an excellent opportunity to update that talk and to revisit my main point - that the leader of the future will have to add to whatever they already have to do, the unusual task of becoming helpful, especially to subordinates. Before I return to this point, I want to review the whole field of leadership to see if we can make some sense of it.

Leadership is one of those words that we think we know what we are talking about but unless we get very specific, we discover that it has many meanings and is, in fact, a very unclear concept. But it sounds good. It is a positive concept until someone in a powerful position decides to "lead" his or her followers into some kind of disaster. Then we say that he or she was a "bad leader," but what a leader does and what a leader is remains surprisingly opaque. So let me in this brief essay try to be specific and, thereby, see if we can make some sense out of this concept.

I will address several issues:

- Leadership as the behavior of individuals in a powerful organizational position
- The complex interplay between leadership and culture
- Leadership as a human behavior in any situation

II Leadership as the Behavior of People in Positions of Power

In many organizations, senior managers and executives are automatically called "leaders" because of the formal position they hold in a hierarchy. But controversy rages around how they should exercise the leadership potential that is in the office, from the extreme that once in power, they should use it as much as possible and make all the decisions to the other extreme that they should think of themselves as a steward, delegating as much as possible and trying to be what Greenleaf called "Servant Leaders."

In this debate what is often missing is that the leader's behavior should fit both the culture in which he or she operates and the task that is to be performed. Different kinds of organizations with different missions in different cultures require different kinds of leadership behavior. The evolution of leadership research reflects a gradual recognition of these contingencies.

1. Cultural Differences in "Power Distance"

What "official" leaders should be, say, and do has been argued since the dawn of history. The preoccupation, almost obsession, with this question fills the shelves of bookstores. Every day I see new ads that purport to be yet another and more up to date prescription for the "essential" qualities of leadership. Some clarity arose out of the extensive research done in the 1940s and thereafter to try to explain both how communism and Naziism could work, how whole nations could fall under the spell of leaders whose ideas proved to be ultimately suicidal for their followers.

In the meantime, cross-cultural studies had revealed that one of the most important dimensions of culture was what Hofstede labeled "power distance," the degree to which citizens perceived a greater or lesser psychological distance between themselves and their leaders. A similar dimension recently identified by Meyer is the degree to which the leader is expected to "take charge," "make decisions," and show everyone who is boss, where countries like Denmark are very egalitarian while Russia and many Asian countries are very hierarchic. So before we identify an "ideal model" consider that this ideal varies widely across national cultures. I will mostly discuss the prominent Western theories of what leaders should be and do.

2. Kurt Lewin and Douglas McGregor

When the prominent social psychologist Kurt Lewin did his seminal research with children in U.S. classrooms he found another important element in the leadership story. Autocratically run class rooms could be just as productive as more democratically run classrooms, but when the teacher was away, the autocratically run class could not continue on its own. It had become dependent on the teacher. On the other hand, the democratically run classroom had allowed the kids to learn how to learn on their own, which enabled them to continue to learn even without the teacher.

These findings remind us that the leader's job can be thought of as having two critical components: 1) Get the job done, whatever it is; and 2) Develop the people so that they can continue to get the job done if you have to leave. Organizations today vary widely in the degree to which they require and reward "succession planning," but much of the literature on leadership in business and government emphasizes the importance of developing people as part of the leader's intrinsic job.

It should be noted that all positions of authority and power face the same dilemma – how much to just get the job and how much to teach or enable learning. Just as parents face the difficult choice of just how much freedom to give to their kids to learn on their own, every leader faces the choice of how much to do it all or to delegate as much as possible to subordinates or followers. As further research revealed, the ability to make this choice, rather than being unilaterally autocratic, becomes critical.

One of Kurt Lewin's colleagues in the U.S. was Douglas McGregor, who made this next important contribution to the leadership discussion. He had observed many managers and leaders, some of whom seemed more effective than others. He concluded that the key difference was not their overt behavior, their leadership style, but, instead, was the result of *their inner assumptions about human nature*. The more effective leaders had a basically optimistic view of human nature. Effective managers believed that employees wanted meaningful work and would expend effort to get things done. What they needed from their leaders was clear goals, the resources, training, and support to accomplish the goal. He called this Theory Y and observed that leaders who believed in their people enabled the work to get done. Fundamentally they began by trusting their people, would delegate as much as possible and concentrate on developing their subordinates.

The less effective leaders operated from what McGregor labeled Theory X. They deep down mistrusted people, believed that unless employees were motivated and rewarded by the leader they would not work, and therefore had to be monitored and controlled with time clocks and other control devices.

Several important conclusions about leadership follow from this model.

- The Theory X leader will rely on hierarchy and control mechanisms for all employees and all tasks because he or she has no alternative. If you don't trust people in the first place, you can never find out whether or not they were trustworthy.
- The Theory X leader will, therefore, ultimately create a self-fulfilling prophecy in that, if employees are consistently controlled and measured and treated as untrustworthy, they will eventually fall into those roles, thereby convincing the Theory X manager that he or she was right all along.
- The Theory Y manager starts with the recognition of a crucial alternative – *how you manage should depend on the task to be performed*. If you are managing so called "knowledge workers" as in Research and Development or software programming, you hire the best and brightest and give them maximum freedom and self-control. On the other hand, if you are running a tightly controlled military operation you create whatever hierarchy you need, put in lots of measurement and control systems, issue orders and expect them to be obeyed. When the operation is over and you are debriefing what happened, you drop the hierarchy and expect equal participation from everyone.
- In other words, the Theory Y leader will flexibly adapt his or her behavior to the requirements of the task to be done and will exercise only the amount of command and control that the task requires.
- All the arguments we see about whether it is necessary in the modern, complex world to abandon "Command and Control" in favor of engaging and empowering employees are irrelevant until we have analyzed the task to be done and figured out how best to manage it.

The main conclusion is that in all tasks it is better to have Theory Y leaders who will flexibly adjust their behavior to the situation and the task at hand.

This conclusion may not make sense when we consider how autocratic military leaders are. My point is that they are autocratic to the extent that military operations require that degree of coordination. But it should be obvious that the good leaders trust and take care of their troops, and, in fact, a Theory X person in military jobs would not survive very long. Generals and Admirals, when you get to know them, are almost always Theory Y people, which leads to another key principle.

The most important thing a leader must do is to accurately figure out the requirements of the task to be done and vary his or her leadership behavior according to the needs of that task.

Perhaps the best example of this is the reports from high-level military people, that in the recent wars in the Middle East they have had to relinquish a lot of their coordinated plans and control behavior in favor of empowering the troops to make their own decisions based on what they discover in the perpetually changing situation.

3. The Push to Democratize Leadership

One of the important consequences of Lewin's research was the discovery in the Human Relations Laboratories of the early 1950s that learning in general was enhanced by involving the learner and playing down the dominant role of the teacher. If developing subordinates was a crucial leadership role, then not only Theory Y, was crucial but leader behavior had to be more delegative and empowering. Companies were suddenly trying dramatic experiments such as the "autonomous work groups" at Volvo and SAAB, the use of human relations training and team building at Esso, TRW and Union Carbide, and the evolution of the whole practice of Organization Development as a field of consultation. We developed concepts of the Ideal Organization around Likert's Model 4, Maslow's humanism and Argyris's concepts of workers' "self-actualization."

The sudden emphasis on empowering the worker was strongly aided by the discovery in the Western Electric studies of worker behavior that the worker was indeed powerful, but often used that power to control or even defeat managerial goals. If workers could control quality and output, it became even more important to involve them in setting goals and helping to design the work processes, as was advocated by the works of Deming and Juran. This worker involvement philosophy was not initially popular in the U.S., but when it led to the Toyota Production System and the enormous success of this methodology in Japan, the whole "Lean Manufacturing" movement was started in the U.S. and is alive and well today.

But national culture intervened. The West did not really think much about these production-system innovations except for the Swedish automakers and the Norwegians' more general push toward industrial democracy. When the Japanese became very successful with the Quality Circles, the U.S. took notice of how important it was to involve workers more, to consult them on how to improve processes, and to give them good feedback on the results of their work. When the U.S. brought these methods in under the label of Quality and Six Sigma, we brought in all the statistical and quantitative tools but, significantly, not the Circles. The U.S. culture could not come to believe that groups and meetings could really be intrinsically valuable, given that all our incentive, reward, control, and promotional systems were focused on the individual.

Quantification, engineering design, and planning of various sorts took over and showed that democratization was too costly and inefficient. The leader as visionary "salesman" displaced the leader as a developer of subordinates. Engineering displaced humanism. The ability to climb the corporate ladder to high-level leadership positions became the heroic model. The CEO became de facto the leader and the astronomical salaries, bonuses and stock options paid to CEOs were a reflection of the importance we attached to this role. Very little attention was paid to the fact that many European companies operated with a different model – internal boards that included employee representation and high-level governing committees that felt *collectively* accountable for the health of the business even if they had a Chair.

The cultural issue that influences our present and future perception of what leaders should do and be is our deep assumptions about whether the basic unit of society is the individual for whom the group must sacrifice itself (the U.S. model) or the group (the model of many Asian societies) for whom the individual must sacrifice him or herself. As more organizations become multi-cultural, it is the ability to reach consensus on this assumption that will ultimately determine their effectiveness.

In the meantime, there will be hundreds more books and papers on what a leader should be and do, reflecting what has come to be called the "contingency theory" of leadership or "situational leadership."

The implications are that leaders must be very good at deciphering the needs of the task and situation and must be agile enough to do what the task and situation require.

III The Leader/Culture Connection

One reason there is so much confusion about leadership is that we forget the fundamental fact that *leaders as creators of groups* is fundamentally different from *leaders that are promoted into or anointed by an existing group*. In the first case, the leader is the creator of new cultures, as when an entrepreneur founds a company and molds it in her own image through recruiting people like her and imposing her values on them. In the second case, we already have an existing culture with a set of assumptions about identity and values that have been the source of that organization's success and, therefore, limit the kind of person who would be promoted to insure they fit with those values.

In that sense, the one unique function that I associate with *leadership*, as compared with the concept of *management,* is that *leaders create new cultures* when they found and successfully build a new organization or movement, and *leaders evolve existing cultures* when they find themselves promoted or appointed into an organization that has a culture, but one which the leader wishes to evolve and change.

When we debate what a leader should be or do, it is essential to specify whether we are discussing the creation of a new culture or the evolution of an existing culture. In the first case, the founder can hire people like herself and indoctrinate all newcomers. If the organization succeeds, the founder's values gradually become non-negotiable assumptions and become very stable because they are the source of the organization's success.

The second case arises when that stable organization finds that some elements of its culture are no longer well adapted to the changing environment and it brings in a new leader to "change the culture." That new leader will have to exercise entirely different skills to evolve the culture because by then it will be so stable. This task for leadership will become especially difficult when the leader's culture of origin is different from the culture of the organization, as when a U.S. CEO might take over an Asian subsidiary. Skill in dealing with cultures other than the ones one grew up in becomes paramount.

I have found that entrepreneurs and founders of organizations have a very different personality and mindset from promoted CEOs who have worked their way up the corporate ladder. So when we make a statement of what we expect a leader to be and what kind of leadership we want to develop, we need to be very clear whether we are referring to founders or promoted CEOs.

IV Leadership as a Generic Type of Human Behavior – Wanting to Do Something Different and Better

I taught a seminar on leadership to the executive class at MIT which consisted of bringing in CEOs to talk to the class about their leadership philosophy. The head of Eastman Chemicals, an MIT alumnus, stood up and made probably the most profound remark of the whole semester: "*Leadership is wanting to do something different*."

This fits nicely with what Warren Bennis often said, that "Managing or administration is doing something *right;* Leadership is doing *the right thing."* We associate leadership with terms like vision, looking forward to something new, trying out something new and different, making changes.

This view of leadership leads directly to an important idea that was spawned in the days when Kurt Lewin, the famous social psychologist, and his colleagues invented the Human Relations Labs that were done in Bethel, Maine, in the late 1940s. The idea is that leadership behavior can occur anywhere in a human organization or community. It is not a unique property of an individual in a certain position. Anyone can be a leader some of the time, especially when someone sees how something could be done better in a group and fulfills the missing function.

Leadership as *fulfilling the mission function* also leads to the idea of leadership as a *distributed function*. This idea has profound implications. It means that everyone can think like a leader, can be a founder and launch some new and different way of doing things, can stand on a soap box with new ideas and build a following by selling that idea. It also means that anyone in an existing culture can see a better way of doing something and set about to change the existing process by innovating or being a catalyst or a facilitator.

This concept implies that instead of trying to locate, select, and then support a few individuals to "own" or "be responsible for" leadership, we should encourage everyone at all times to think forward and figure out how something could be done differently and better. This way of thinking fits well with what we know of human motivation – it is human nature to want to do things more easily, more efficiently, i.e. "better."

However, what is one person's idea of better does not necessarily agree with what others think and, worse, may not actually be better. If one studies the problems of safety in high-hazard industries such as nuclear, chemical, or airline companies, one finds what has been called "practical drift." As Snook first described this phenomenon in explaining how we shot down two helicopters in the Iraq no-fly zone in 1994, and as I subsequently observed in my consulting with a power company, no matter how carefully trained subordinates are in how to perform a job, if they see an easier or seemingly more efficient way to do the job, they will exhibit this kind of "leadership behavior." The will try something new. In principle, we want people to take the initiative, to improve things, to show us a better way.

We now want "innovation" or what we used to call "intrapreneurship." There is also much talk of "engaging and empowering employees" to draw on their creative side, but in calling for employee engagement we often ignore the differences between the fundamental technologies of different industries and the reality that innovation at Google is a very different activity than innovation in a chemical or nuclear plant.

It is when we look again at the safety domain that we discover a basic dilemma that is inherent in this concept of distributed leadership and the notion that everyone can and should be a leader. We judge leadership retrospectively and see all the examples of how someone exhibited leadership and made things better. But in the safety field, we discover that some deviations, some practical drift, some "doing something new or different" is, in fact, not only not better, but more dangerous and more likely to cause an accident. So, paradoxically, doing something new and different still has to be evaluated and judged.

When and where we want this kind of innovation depends very much on the task to be done and the different national cultures that might be involved. For example, innovative ways to motivate people with favors in one culture may be viewed as bribery in another culture. Having dinner with clients before a formal meeting is viewed as necessary in one culture and a needless waste of time in another culture.

This way of defining leadership, doing something different, thus has risks associated with it, especially when we combine it with wanting employees to take initiative, to innovate, but not to do something risky. To evaluate risk requires that we monitor innovative behavior and determine whether it will be beneficial or harmful, and then decide either to reward it or to prohibit it. The simplest level of that judgment is whether or not the new behavior or idea is adopted by others. If not, we say "she tried to lead us, but we didn't go along." If others go along and the behavior seems safe, we reward that employee for her leadership. If we are dealing with *technical* matters, it is the expert, the person who trained the employee, who should judge whether the new behavior is a wonderful innovation or a disastrously dangerous deviation.

The dilemma is that we often don't know because the technical issues are often relatively unimportant compared to the social and political issues. In judging whether something new is good or bad we have to make ethical, economic, and political choices above and beyond the purely technical issues.

Distributed leadership sounds good on the face of it, until we realize that it is an incomplete concept. For distributed leadership to work, there has to be an evaluative function as well, and that leads us directly to the other basic concept of leadership, that it is something that people who are given the responsibility and authority to make decisions do. We call them experts, managers, directors, and sometimes leaders when they want to do something different, but even then their behavior has to be evaluated and judged by yet others – boards, legislative bodies, regulators, and the public in general.

V Teaching and Telling or Asking and Helping: The Dilemma of the Future

In my Berlin talk a few years ago I emphasized four factors that will make all of this more difficult: 1) The growing technical complexity of everything; 2) The degree to which everything is systemically connected to everything else; 3) The degree to which everything we do is increasingly multi-cultural; 4) The degree to which our economic goals have to be aligned with the goals of saving the planet and social responsibility to humanity. I would now add a fifth factor: 5) Everything has to be done faster. We are running out of time.

I concluded my Berlin talk with the belief that these five conditions will inevitably lead to leaders becoming more dependent on their subordinates which will require a major shift in leadership attitude and behavior.

- Leaders will become more dependent and, therefore, will have to change from arrogance to humility.
- Leaders will not know enough to make decisions and, therefore, will have to change from telling to asking.
- To elicit all that subordinates know, leaders will have to create a special climate of being open and helpful that will make subordinates feel psychologically safe, and, therefore, tell all they know.

It is this last point that will be the most difficult. If we think of positional leaders, the executives in our various organizations, they too have a common culture which, in the U.S., is driven more by vision upward and outward to the Board and to the economic and political environment. In a way they have forgotten their subordinates as people and will have to not only add them to their radar screen but even get to know them as persons. The ability to form relationships, groups and projects will become more important than figuring things out by oneself. To do this rapidly in a multi-cultural environment will be the biggest challenge of all.

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A Culture of Successful Leaders

Heiko Roehl

I Introduction

We are living in turbulent times. Globalization and digitalization are accelerating the speed of social and economic development, our societies are increasingly networked and interdependent and there is growing uncertainty about the sustainability of the economic system we live in. Witnessing the fragility of the globes' ecology, financial structure and ethical and value systems, it becomes apparent that we will not be able to master the challenges of the future on the basis of past solutions. Issues like global warming, the economic crisis and the rapid spread of the radical Islamic State and terrorism make it clear that we are indeed entering an age of uncertainty on a global scale. This has lead to an unprecedented call for leadership in all spheres: political, economical, religious and spiritual.

This paper examines the various leadership challenges connected to the increasingly uncertain organizational environment and how present leaders are coping with them. The paper delivers a broad overview on leadership theory and development and focuses on the contextual nature of effective leadership behavior in order to explore what it takes to be a great leader in turbulent times. It concludes with recommendations.

II Organizational Development and Leadership

Not only since the economic and financial crisis has the public's attention been drawn to the issue of whether our networked and interlocking organizations are still manageable. This question applies to the multinational companies in the financial sector as well as the range of governmental, nonprofit and other types of organizations that are undergoing a range of fundamental changes in their respective external environments. Multiple factors are currently influencing leaders, their behaviors and styles, their reasoning and decision-making. Many of the external factors can be subsumed under the VUCA paradigm (Probst/Bassi 2014): volatility, uncertainty, complexity and ambiguity, which are the main characteristics of today's external organizational environments (see Figure "The four VUCA categories").

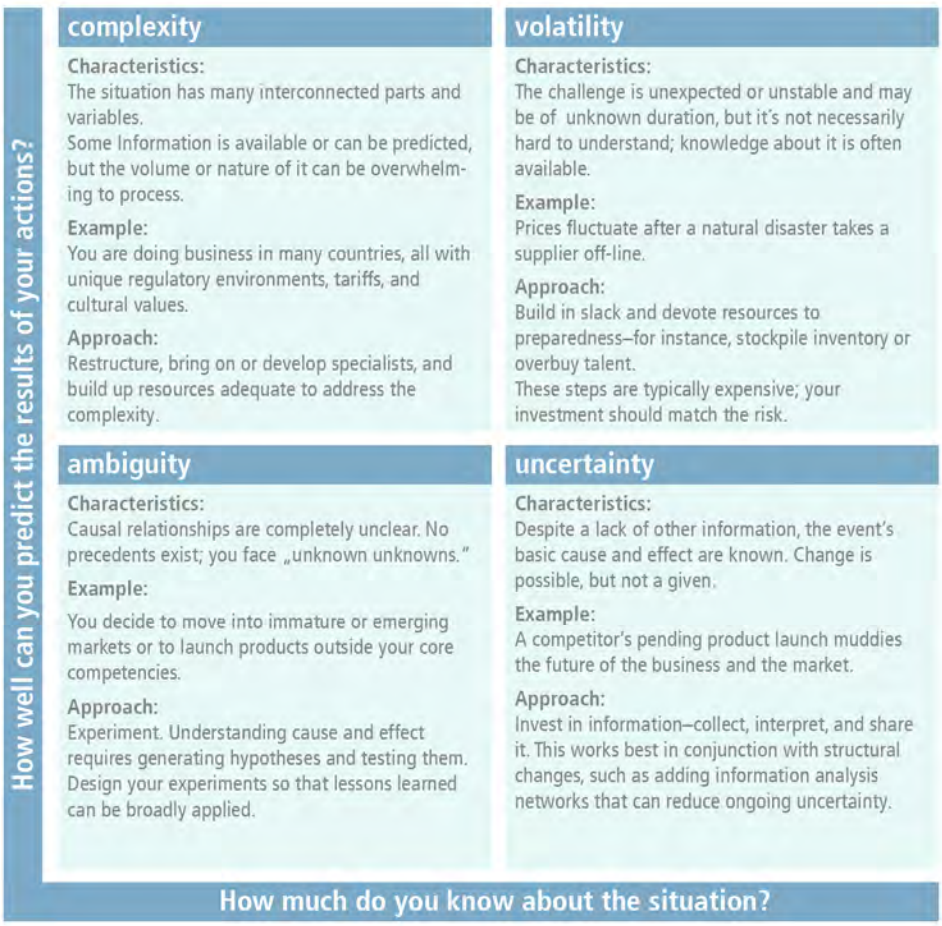
Organizations and their leaders are subject to:

- Volatile and unpredictable economic conditions
- Increasingly influential regulatory frameworks from multiple sources (national, EU and others)
- The rise of competition/co-opetition in the global marketplace
- Changes in societal structure and values
- Complex and non-transparent stakeholder expectations
- Increasing interrelatedness and complexity of business models
- Rising knowledge-intensity of work and organizations
- Sustainability as a major challenge

Ideally, the rise of external complexity is matched within the boundaries of the organization (Ashby 1968). Here are some of the key factors that challenge leadership from within the organization:

- All-encompassing informatization of processes (e.g. Industry 4.0)
- De-structuration and de-layering of organizations
- Acceleration of processes (e.g. product life cycles)
- Increasingly interrelated and networked nature of structures
- Change in value constellations of members (e.g. Generation Y)
- Increasing flexibilization of work schedules
- Rapid rise in demand for participation
- Substantial increase in knowledge-intensity of work

The four VUCA categories



Source: Bennett/Lemoine (2014).

Organizations are under pressure to cope with their complex environments. The investments in all kinds of change initiatives are continuously rising. Be it a simple restructuring, inorganic growth through mergers and acquisitions or a profound reinvention of a business model: Organizational development is key to survival in this complex environment. And a daunting tasks for leaders.

These factors are leading to an exponential rise in internal complexity which leaders are struggling to cope with. Walking through today's organizations we hear leaders at all levels complaining about the flood of emails clogging their inboxes, endless, large meetings with no results, low engagement of the new generation of workforce, unclear strategic orientation and other difficulties that can be directly linked to a rise in external and internal complexity.

How do leaders cope with these challenges? What has changed in the way these challenges are addressed by leaders? What are the prerequisites for successful leadership today? And, finally, what makes a good leader in the light of these developments?

III Leadership: A Short History

Theoretical reflections on leadership are as old as human civilization. From Aristotle and philosophers like Nietzsche to today's multi-faceted realm of leadership theories, it seems that every epoch in human development has had its own paradigm of leadership concepts, theories, research approaches and models. In hindsight, it is remarkable to see how the leadership theories of an era match their societal context. Here are some major stages in leadership theory and concept development:

1. 1930s Great Man theories

Great Man theories go back to the mid-19th century when many believed that leaders are born as leaders. The idea that the traits of leadership are intrinsic and independent of socialization effects was criticized by philosophers like Herbert Spencer, who disputed the Great Man heory by concluding that heroes are simply the product of their times and their actions are the result of their social conditions.

2. 1940s: Trait theories

The trait theories believe that a person is born or made with personality features that make him or her a good leader. Qualities like intelligence, empathy and creativity, etc. are thought to be the ingredients of successful leadership. In other words, if anyone has these qualities, he or she is very likely to be a good leader. Unfortunately for trait theory, decades of empirical psychometric research have been unsuccessful in producing valid results proving the theory. Many studies have scrutinized successful leaders in order to cover the secret ingredients of good leadership – in vain. One of the main reasons these efforts failed is that the context of the leader was never considered.

3. 1950s: Behavioral theories

To counterbalance the idea that fixed traits are the foundation of great leaders, behavioral theory focuses on what leaders do and how they act instead of speculating on what they are made of. Here, leaders are made, not born. Their mental, physical and social characteristics are downplayed in favor of the measurement and analysis of leadership behavior in the field. From this moment on, anyone with the right conditioning can be regarded as a good leader – and join to the once elite club of naturally gifted leaders.

4. 1960s: Contingency theories

Contingency theory was the first one to take the context of the leader into account on a larger scale. It argues that there is no one best way of leading and that every leadership style should be related to its situation of application. It assumes that leaders are more likely to express a certain leadership behavior when they feel that their followers are responsive.

5. 1970s: Transactional theories

Transactional theories regard leadership from the perspective of the relation of the leader to the follower and focuses on the transactions happening between the two. Effective leadership in the transactional perspective means finding the right balance between reward and punishment.

Leaders are regarded as performing most efficiently when they create a rewarding and reinforcing environment and bring organizational and individual goals in sync.

6. 1980s Transformational theories

From the 1980s on, the word “trust” frequently enters the debates in leadership theory. Transformational leadership theory states that effective leadership is an interaction between leader and follower that aims at creating a solid relation based on trust. This fosters the development of intrinsic motivation of both leader and follower. The focus of the theory is that leaders transform their follower through inspiration, with the main mechanism being the identification with the charismatic leader.

Leadership concepts depend largely on the social context and general organizational function in which leadership is taking place (see Figure “Political Zeitgeist in leadership approaches”). Looking at the functions and tasks organizations and leaders had to perform over the past century, it becomes apparent how context-dependent these concepts are. From the specialized and partialized workplace of the industrial era, during which the execution of power and control were keys to effective leadership, to the dawn of knowledge work, in which delegation and motivation played a major role in practical leadership, leadership concepts remain en vogue for a while, and when the context changes, they become obsolete. This is why leadership theory is abundant with ideology, myth and biased, wishful thinking.

Political Zeitgeist in leadership approaches

Political events		Leadership model
Terrorism, Uncertainty, Fundamentalism	2000+	Distributed Leadership, Followership, Identity, Mission-Command
Rise of Bush & Blair	1990-2000	New Public Management, BPR (Business Process Reengineering), Competencies, Benchmarking Targets, Psychometrics
Globalization & Rise of Japan, post Cold War, Thatcherism	1980-90s	Transformational Leadership, Corporate Culture, Quality Circles, Tough Love
US Domination & Cold War	1950-70s	Contingency Theory, Systems Analysis, Self-Actualization: Maslow & McGregor
Depression, Communism, Fascism	1930-40s	Hawthorne/Human Relations, Mass + Traits + Charismatics
Global Competition, WWI	1910-20s	Scientific Management, Taylorism & Fordism
Industrialization	-1900s	1900s: Rule of Thumb, Great Man
	TIME	

Source: Grint 2014.

IV Leadership Theory Today

Leadership theory and practice are on the move. Today, we observe a multitude of theories, models and concepts covering macro, sociological, philosophical, political and psychological fields. As the context, purpose and function of leadership are developing quickly, theoretical reflections are trying hard to keep pace. The perspective on leadership in organizations undergoing rapid change:

- Leadership is now defined much more broadly than was once the case. It is not restricted to formal solid-line reporting relationships. It now encompasses peer relations, relations in informal groups and other areas.
- Highly decentralized value creation is leading to organizational setups where leadership has to take place independently of time and space. Physical presence is not a given at all times. Effective leadership in virtual environments is becoming increasingly important.
- Leadership approaches are adopting a multi-role focus. Leaders are not seen as single, one-dimensional entities, but reflexive carriers of roles that manage the partly contradictive bundles of social expectations directed towards them.
- Leadership is now executed through leadership systems rather than through single individuals. The social, political and organizational context becomes more and more important in explaining leadership behavior.
- Legitimation of leadership and its related power base does not come automatically with the position; it has to be earned through conduct and action.
- Leadership in complex, knowledge-intensive-organizations no longer claims to know what employees know. Moreover, measuring performance in knowledge-intensive organizational environments is a complex task.
- Because of today's ever-shifting nature of organizational structures and processes, leadership and change management now go hand in hand.
- The now common differentiation between coercion, management and leadership has paved the way for understanding that there are different types of leadership for different types of situations and environments. Leadership for complex, wicked problems differs substantially from leadership for complicated problems.

Leadership theory development is responding with concepts like Followership and Follower-Centered Approaches, theories on Hybrid Configurations of Leadership, Complexity Leadership, Cross-Cultural Leadership, Virtual Leadership and concepts of Spirituality and Leadership, which focus on the contextual factors of the leader and his or her leadership. At the same time, scholars are moving towards the personality of the leader. Approaches revolving around identity, spirituality and mindfulness are on the rise (Bryman et al. 2014).

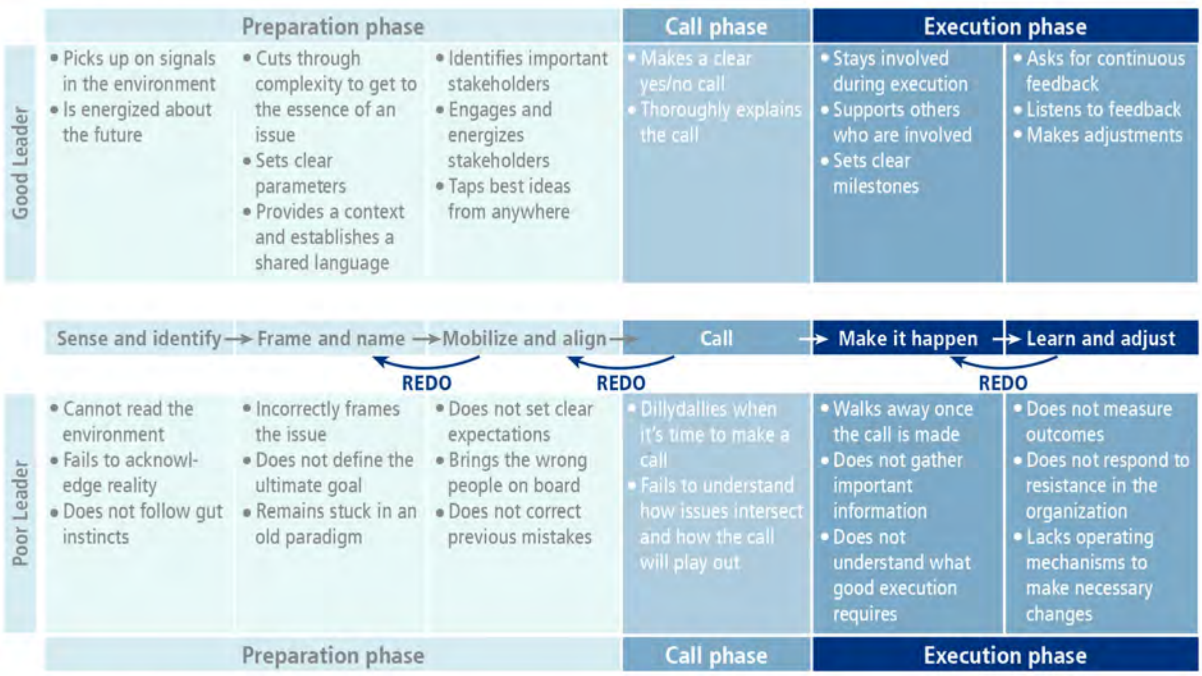
Summarizing, we observe five trends in recent leadership theory: 1) the object of investigation shifts from the person to the contextual conditions of leaders and their behavior, 2) leadership is more and more regarded as a process of communication and discourse as opposed to a static situation to be managed, 3) leadership is increasingly seen as being executed by leadership (peer) groups or systems rather than by single persons, 4) leaders are being progressively regarded as developing identities (as opposed to stagnant entities), 5) leadership is connected more directly to change and innovation management.

V Decision-Making and Judgment Calls

Over many centuries, decision-making has been regarded as the pivotal occupation of the leader. Leaders are measured by the decisions they make and execute. But as the context of leadership changes, our perspective on decision-making and judgment calls is changing, too. Due to the exponential rise in complexity in the decision-making process and the respective relevant factors preceding a decision, judgment calls and decision-making are becoming a collective, multi-stakeholder engagement effort. Collaborative leadership models suggest the erosion of the idea of a single decision maker who ponders the pros and cons of a decision by ingeniously applying his knowledge and wisdom in order to boldly select one out of many explicit options (Chrislip 2002).

In the traditional view, judgment calls were regarded as being analytic and rational, and decision-making processes took place in a single, static moment as the result of thorough reflection on knowable and quantifiable variables. In the more social, process-oriented perspective, they are characterized as a dynamic processes that unfold and encompass rational as well as emotional elements, including many factors that lie beyond the leaders' domain and relate indirectly to the issue to be decided upon (Tichy/Bennis 2007). Good leaders prepare by engaging and energizing stakeholders; they ask for feedback and they are able to make adjustments according to that feedback. In other words, they learn publicly.

Leadership judgment calls



Source: Tichy/Bennis (2007).

VI Culture as Context of Leadership

Complex leadership environments call for adequately complex leadership behavior. As leaders and leadership are becoming more dependent on and influenced by their context, successful leadership finds its essential function in influencing and shaping its complex social, political and organizational context. A leader's most important context is the culture of the organization. It represents common symbols and meanings which provide the shared rules governing cognitive and affective aspects of membership in the organization and the means by which they are shaped and expressed (Geertz 1973).

There has been intense research on how leaders influence and form organizational culture (Schein 2010). Many examples of iconic movers and shakers of organizational culture like Lee Iacocca, Jack Welch or Steve Jobs underpin the notion that if a leader has the right charisma and tools, changing an organization’s culture is feasible. Much less attention has been given to the fact that leaders are highly influenced by organizational culture – despite the many cases of leaders failing because they have apparently not taken the respective organizational culture into account. A CEO from a centralized, command-and-control culture will have serious problems executing his leadership tasks in a decentralized, delegative organizational culture. In this common case, culture becomes an inescapable frame for the leader that will eventually determine his fate. A leader can be very successful in one culture and be a total failure in another.

The international GLOBE project has provided evidence for the culture-dependence and contextual embeddedness of leadership behavior (House et al. 2004). GLOBE's major premise (and finding) is that leader effectiveness is contextual, that is, it is embedded in the societal and organizational norms, values and beliefs of the people being led.

Global cultures and leadership styles

Source: House et al. (2004).

Some of the cultural dimensions capturing similarities and/or differences in norms, values, beliefs – and practices – among societies explored by the project are (see Figure “Global cultures and leadership styles”):

- Power Distance: The degree to which members of a collective expect power to be distributed equally
- Uncertainty Avoidance: The extent to which a society, organization or group relies on social norms, rules and procedures to alleviate unpredictability of future events
- Humane Orientation: The degree to which a collective encourages and rewards individuals for being fair, altruistic, generous, caring, and kind to others
- Future Orientation: The extent to which individuals engage in future-oriented behaviors such as delaying gratification, planning and investing in the future
- Performance Orientation: The degree to which a collective encourages and rewards group members for performance improvement and excellence

There is no doubt that different cultural contexts of leadership provide different backgrounds for leadership behavior and that leaders adapting to the specific cultural conditions are more likely to be successful than those who don't. "Culture forms leadership, rather than the other way around: so is at least the case for the large majority of all people designated as or emerging as leaders" (Alvesson 2014: 158). This perspective has fundamental consequences for the conception of leadership. As Biggart and Hamilton put it: "All actors, but perhaps leaders especially, must embody the norms of their positions and persuade others in ways consistent with their normative obligations" (1987: 435).

Over decades, leadership research has portrayed the leader as a unidirectionally acting superior being "acting on – rather than interacting with" subordinates (Alvesson 2014: 160). It has neglected that all managers are also subordinates and thus have a hierarchy above themselves (Laurent 1978). This dimension has been overlooked in the literature and talks as well as by management gurus and practitioners (Alvesson 2014: 160).

VII Key Factors of Successful Leadership

In light of what has been said above, identifying success factors for leadership proves an impossible task. A discussion of leadership success factors is contradictory per se, because all of the factors that can be isolated and brought to bear would have to stand the "Monday morning test", i.e. the test of cultural adequacy. In former times, scholars presented an amalgam of factors like integrity, trustworthiness and goal-orientation, etc. as guarantees of successful leadership independent of context. Just like the leader him- or herself, the success factors of his or her behavior depend on a myriad of contextual conditions he or she cannot control or fully understand. This is why the quest for the discovery of success factors is in fact a never-ending story: "A key fallacy in thinking about leadership is to regard the manager as the primary force bringing leadership into being. This fallacy causes people to assume that if the manager is highly skilled, the leadership he or she produces will be highly effective" (Eckert/Drath 2009).

Nevertheless, leaders will have to bring to bear a range of qualities under the conditions a complex organizational context provides. Here are some of the more obvious ones resulting from what has been said before:

Culture sensitivity

The more sensitivity the leader is able to mobilize concerning the organizational culture, the more likely it is that he or she will be able to master it. If we include the implicit "rules of the game" of the organization into the definition of culture (Argyris/Schön 1996), culture sensitivity provides the leader with a strong lever on organizational change and development. Understanding, challenging and influencing the implicit and explicit rule systems of the organization is an essential task of the leader.

Stakeholder orientation

Leaders will have to expand their view on who they lead. Even if the reporting lines are solid and clearly defined, the systematic inclusion of a wider range of stakeholders in decision-making and judgment calls will play a much bigger role in the future.

Role consciousness and self-reflexiveness

As the range of stakeholders broadens, expectations towards leaders are becoming more complex. Role consciousness and role management become a prerequisite of leadership success in complex organizational contexts. This includes dealing with contradictory and ambivalent elements in roles. For the leader, this requires a profound capability to self-reflect.

Stamina and revision-friendliness in goal orientation

Leadership processes that are inclusive and engaging demand of the leader to have a certain ability to focus and prioritize in order not to lose track given the many diverging expectations in the field. Strategic competencies become more important. In an ever-changing organizational environment, plans and goals have a short life span, so the revision of the leader’s objectives becomes a daily task. Decision-making processes take longer and are more complex, so that the goal-setting process is becoming a sophisticated knowledge management task.

Communication intensity

All leadership is communication – even more so, as communication is the main means to explore, moderate and manage the expectations of the various stakeholders involved in the leadership process.

VIII Leading as Learning

A range of the more progressive approaches to leadership development focus on the leader as a learning and growing individual who uses his ability to self-reflect and to contextualize himself in the leadership situation. This perspective is diametrically opposed to former ideas of the leader as a bearer of certain gifts, traits or behavioral patterns determining his success. Understanding the leader as a learner gives rise to a range of important new perspectives. Especially the work of the Center for Creative Leadership (Colorado Springs) and the Presencing Institute (MIT Cambridge) has contributed to the idea that the inner development path of the leader plays an important role in coping with the challenges of today’s complex organizations. Kegan/Lahey (2009), Scharmer (2008) and others claim that the leader is indeed more than a carrier of competencies executing tasks; rather, he is a sensing, learning and growing individual transforming himself while also transforming his social, political and organizational context.

In former times, management development was seen as a mere addition of the various competencies that promise to be helpful for the leader in coping with his environment such as conflict resolution skills, feedback skills, tools and techniques, etc. This idea of a “horizontal” accumulation of skills does not reflect the necessity to also focus on the inner growth of the leader as an individual which Kegan, Scharmer and others highlight. As the discussion turns towards leading as learning, they have paved the way for taking a thorough look at the vertical development of the leader, i.e. his or her own inner path of growth and development. The following figure compares the vertical development stages of Kegan, the Center for Creative Leadership (CCL) and the Torbert/Rookes Action Logics (See Figure "Adult level of development").

Adult levels of development

Level	Kegan Levels	CCL Action Logics	Torbert & Rookes Action Logics
5	Self-transforming	Interdependent-Collaborator	Ironist (>1%)* Alchemist (2%) Strategist (5%)
4	Self-authoring	Independent-Achiever	Individualist (11%) Achiever (30%) Expert (37%)
3	Socialized	Dependent-Conformer	Diplomat (11%) Opportunist (4%)

* Study of 4,510 managers. The percentages denote the number of managers measured at each stage of development using the sentence completion test.

Source: Petrie (2014).

Petrie (2014) states that the coming decades will increasingly see managers take on challenges that require them to engage in strategic thinking, collaboration and systems thinking, while also leading change and evincing "comfort with ambiguity". These are all abilities, that become more pronounced at Level 5 of the Kegan scale. Yet according to studies by Fisher, Rooke and Torbert (2000), less than 8 percent have reached that level of thinking. This may in part explain why so many people are currently feeling stressed, confused, and overwhelmed in their jobs. Many in the workforce are performing jobs that cause them to they are overwhelmed on a daily basis (Kegan/Lahey 2009). There is an ongoing debate about the wording of the different levels of adult development in the various approaches. What they have in common is the idea that vertical development of the leader is key to effective leadership in complex organizations.

IX Making Leaders – The Trap of Leadership Development

During the financial crisis, the classic management development programs like Business MBAs were blamed for having paved the way to that crisis on the individual level (Kotter 2009, Hamel 2012). The curricula did not include ideas of social, environmental or financial sustainability. Instead, the programs were driven by the ideologies of profit, individual gain and a radical economic perspective. "Over the past decades, there was a hugely increasing demand for management education. That industry, if you will, was sitting on a Caribbean island in the sun. They didn't have to do anything, because the number of people banging on their doors wanting a MBA degree grew year after year. There wasn't much pressure on the whole industry to be self-reflective. There is no question that we have produced far too many very smart, very analytical finance guys that have gone out and created the derivative products that are now bringing the system down. They didn't fall out of the sky – they came straight out of MBA programs" (Kotter 2009: 14).

There are few alternatives to the classic MBA curricula. Looking at the landscape of leadership development today, a range of institutions is developing new and innovative curricula catering for both the horizontal and vertical perspective of leadership development. Their agendas reflect the qualities stated in Chapter 7 of this article and encompass a multitude of development measures for strengthening important new competencies, such as personality development, skills for leading change management, learning to learn, understanding the emotional aspects of individuals and groups, group dynamics, role consciousness and clarification, building and maintaining networks, organizing multi-stakeholder change, providing orientation in turbulent times and many others. The

25 areas of the Bertelsmann Leadership Development Investment Matrix are a good example of this pursuit (See Figure "Leadership Development Investment Matrix").

Leadership Development Investment Matrix

Level of System Targeted	Goal of Development Effort: Individual Capacity	Team Capacity	Organizational Capacity	Network Capacity	Systems Capacity
Individuals	1. Develop capacity of individuals for self-awareness, ongoing learning, and exercising initiative	2. Develop capacity of individuals to work together in groups and lead teams	3. Develop capacity of individuals to understand and lead organizations	4. Develop capacity of individuals to cultivate and leverage peer relationships	5. Develop capacity of individuals to see the big picture, understand root causes and influence systems
Teams	6. Develop capacity of teams to develop and elicit the full potential of all team members	7. Develop capacity of teams to define and attain purposes	8. Develop capacity of teams to enhance organizational performance	9. Develop capacity of teams to align their goals and activities across boundaries	10. Develop capacity of teams to prototype systems change
Organizations	11. Develop capacity of organizations to support staff, volunteer, and board member development	12. Develop capacity of organizations to support effective teamwork	13. Develop capacity of organizations to foster internal collaboration to effectively adapt to challenges	14. Develop capacity of organizations to collaborate with one another	15. Develop capacity of organizational coalitions to lead systemic change
Communities	16. Develop capacity of communities to learning and engagement of community members	17. Develop capacity of communities to foster and support inclusive group initiatives	18. Develop capacity of communities to sustain organizations that promote community well-being	19. Develop capacity of communities to learn together and align efforts toward common goals	20. Develop capacity of communities to advocate systems change
Fields of Policy and Practice	21. Develop capacity of fields to cultivate innovative thought leaders and practitioners	22. Develop capacity of fields to organize around shared interests and goals	23. Develop capacity of fields to organize and disseminate knowledge and field best practices	24. Develop capacity of fields to find synergies across institutional silos and disciplinary boundaries	25. Develop capacity of fields to generate policy solutions and transform institutional practices and culture

Source: McGonagill/Doerffer (2011).

X Conclusions

The conception of leadership has always been a volatile endeavor. Depending on the Zeitgeist, leadership concepts and models have changed so fundamentally that the observer is tempted to ask if anything solid exists beyond the ephemeral concepts that have emerged over the decades. What we do know today, however, is that leadership perception and performance are more intensely depending on the respective cultural context surrounding the leader than on anything else. In light of today's turbulent business environments, this has fundamental consequences for leadership and leadership development.

It's the end of leadership (as we know it). Kellerman (2012) has paved the way to a critical understanding of leadership that defies the very notion of leadership as it is perceived, understood and taught today. In *The End of Leadership* she includes the concise observation that 'becoming a leader' has become a mantra. The explosive growth of the 'leadership industry' is based on the belief that leading is a path to power and money, a medium for achievement, and a mechanism for creating change. But there are other, parallel truths: that leaders of every stripe are in disrepute; that the tireless and often superficial teaching of leadership has brought us no closer to nirvana;

and that followers nearly everywhere have become, on the one hand, disappointed and disillusioned, and, on the other, entitled and emboldened."

In the light of what was argued above, the consequence of this radical approach is simple: Contexts make leaders. So leaders will have to develop skills to seriously engage with their contextual environments and grow as persons while they do so. In our world of interlocking systems, they will have to understand that sustainable success of their actions very much depends on whether they are able to take the social, political organizational and cultural world around them into account.

XI Recommendations

Providing generalized best practice recommendations is certainly not an appropriate way to foster more openness and understanding for the context-dependence of leadership in today's organizations. Depending on the type and sector of the organization, there exist numerous approaches for generating a conducive organizational environment that favors of a more context-sensitive leadership. Nevertheless, a few broadly sketched ideas might provide some interesting points of departure for the practitioner.

- **Developing a collective mindset** that leadership needs specific and concerted attention in the organization is a first step towards a context-sensitive leadership culture. Fostering open debate on the do's and don'ts of leadership is just as important as attention and commitment to the issue on the part of top management.
- **The design of the organization's structural setup** is a very important framework for leadership. Conducive job and role designs and flexibility of structure and process are factors that support new leadership models and approaches. If not addressed adequately, organizational structure can prove to be very detrimental to the development of a new leadership culture.
- **Incentive systems** play an important role in the rules and regulations of an organization. They influence leadership behavior on many levels including explicit (pay and other benefits, etc.) and implicit aspects (power and access to elite circles, etc.). KPIs that include peer and team performance measures, contributions to employee job satisfaction and other areas are a good start. Recalibrating the explicit as well as the implicit incentive systems is an important part of organizational development towards a new leadership culture.
- **Room for individual growth** is another important area of action. If a collective idea exits of what good leadership really means in and for the organization, the individual leader should be supported in his or her learning path. Peer coaching and mentoring programs are good examples of potentially impactful methods. Leaders need the tools and methods to understand and influence their context (horizontal development) as well as the time, space and opportunity, to grow as leaders (vertical development).
- **A culture and infrastructure of knowledge sharing** is an essential prerequisite for the development of context-sensitive leadership. The ICT infrastructure has to allow for collective data, information and knowledge sharing. An important area for action on the path towards a new leadership culture is enhancing the data and information transparency of the organization. Employees, and not only those of the younger generation, expect a certain '*open source*' culture when it comes to data, information and knowledge.
- **Change career path logics from upwards to sideways.** The new leadership approaches lend themselves to career models that differ substantially from the classic "up or out" logic. If leadership becomes a learning path, lateral career development is an equally attractive alternative. As organizations will be structured much more laterally in the future, Human

Resources Management will have to invent alternative career paths for leaders and employees that prove to be as effective in retaining staff as the classic models.

- Finally, **practice what you preach** is becoming a key phrase on the way to a new leadership culture. Those who are in the driver's seat in terms of shaping organizational culture (so practically everybody in other words) need to be truthful in their endeavors. A context- and culture-sensitive approach to leadership requires leaders to say what they think and do what they say.

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Leadership in the 21st Century

Rainer Strack | Carsten von der Linden | Roselinde Torres

I Introduction

As more and more workers age out of the job market, skilled talent is becoming increasingly scarce. For managers who need to attract skilled workers to their own company or retain and further motivate those they already have, modern, human leadership plays a decisive role, despite the relentless advance of digitization and automation.

The challenges executives face today are considerably more diverse and demanding than those faced by previous generations of leaders. The Boston Consulting Group surveyed high-ranking executives of global corporations, university teachers, and management theorists about the greatest challenges faced by managers today. The respondents named the following key challenges:

- Intensifying global competition
- The rising importance of diverse stakeholders
- The increasing pace of innovation and the ever-expanding deluge of information
- Growing uncertainty about the future
- The rising importance of corporate social responsibility
- The increasing significance of virtual teams
- The growing digitization of work processes

Besides these influences, demographic change is emerging as a new and significant challenge for managers in the 21st century. In developed industrial countries, companies employ multiple generations to work together, each with very different demands and correspondingly disparate leadership needs. Managers have to master “multi-generation management” in every context and in every type of situation.

Employees, whatever their age or nationality, expect much more from their work than merely a paycheck. In 2014, BCG conducted a global online survey of 200,000 job seekers in 189 countries. Asked about the key sources of job satisfaction, participants ranked 26 factors in declining order of importance. The four most important factors for employees were appreciation for the work they do, a good relationship with colleagues, a good work-life balance, and a good relationship with their direct manager – a clear call to show the relevance of strong leadership. (See the sidebar for more details).

Decoding 200,000 global talent profiles

Across generations, we can observe the rising level of expectations employees have with respect to their work. Yet companies are scrambling to develop strategies, programs, and measures to recruit, develop, and retain their top talent and keep them motivated at the same time – not an easy task. Company leaders have a crucial role in fulfilling these needs.

In the report "Decoding Global Talent," BCG explored this issue in depth. We partnered with The Network – an association of more than 50 job boards worldwide, with over 200 million visitors per month on all its websites – to conduct an online survey. With more than 200,000 replies, the survey included 33 questions on talent mobility and job preferences, of which 13 looked at demographic factors such as age, work experience, gender, education, industry, salary, and occupation. The result was a unique database that offers strategic insights for developing people strategies.

One of the survey's more striking findings has to do with what people say makes them happy in their job. Increasingly, workers are starting to put more emphasis on cultural aspects and less on financial compensation. Out of 26 job elements, the single most important one for all people globally is appreciation for their work. (See the exhibit below for the top ten elements.) Good relationships in the office – whether with colleagues or superiors – are critically important and come in second and fourth, respectively. A good work-life balance is the third most important job factor. The implications for companies, economies, and individuals are significant and varied – addressing them will be key for future success.

Cultural aspects of work are more important to employees than financial aspects

Note: Respondents could choose from 26 job elements; this list includes the top ten.

Source: Boston Consulting Group.

What capabilities does the manager of the future need to meet the challenge of globalization, competition, and multi-generational workplaces? Some principles and characteristics of good leadership – integrity, good judgment, courage, and decision-making ability – are timeless, but modern managers must master and demonstrate a number of additional capabilities whose initial letters can be arranged as the points of a compass. These capabilities include:

Navigation: Managers in the 21st century must be able to navigate the company, even as changing influences and unforeseen events multiply and intersect at dizzying speed. To internalize the company's adaptive strategy and reapply it every day, managers need first to keep the turbines in the engine room running smoothly. They also need to detect the trends that may disrupt their current competitive advantage or present new opportunities to shape new strategies.

Empathy and appreciation: Today's managers must be able to "walk a mile in the shoes" of each of their employees and understand the needs that arise from each individual's circumstances. What employees have in common, whatever their age and wherever they work, is their need for their efforts to be recognized and appreciated. Managers will succeed if they can create an authentic culture of appreciation within their company. Employees also want to feel that their efforts contribute to a broader and meaningful purpose.

Self-correction: Modern managers have to be willing to question themselves critically to maintain their ability to adapt their organizations, strategies, and themselves in an environment of ever-accelerating change. They need to abandon the behaviors or business models that may have led to success in the past, but are no longer relevant. In practice, we observe that the ability to self-correct manifests itself in managers as a kind of humility. The most effective modern managers put the focus on the team's performance, not on themselves – even if they are mainly responsible for the team's success. Managers encourage experimentation and risk taking, treating failure as a basis for learning. In addition, even the most senior leaders remain open to direct, candid feedback from employees at all levels.

Win-win situations: In the 1990s, good leaders were often defined along a single dimension: their ability to optimize shareholder value. Today, in contrast, managers must be sensitive and responsive to the divergent needs of a large number of stakeholders. They can no longer choose to satisfy either customers or shareholders or employees – they must always strive to craft solutions that ensure that all sides win.

At the center of the compass are the timeless principles and characteristics of good leadership. (See Figure "21st century leadership")

21st century leadership

Source: Boston Consulting Group

Of course, a modern manager also needs extensive knowledge and competencies. Because today's managers at every level have to make decisions on digital topics, a working knowledge of digital topics is already an absolute must. However, a deeper understanding of digital business models, combined with detailed technical knowledge, will be a strong competitive advantage for managers in the future. E-leaders who combine business understanding and a modern leadership style with digital knowledge will be the leaders that every organization prizes.

Government institutions can support the development journey by modernizing professional education. Universities will face an increasing number of tech-savvy students when the generation of digital natives enters the job market. Educational programs should consider the modern digital environment for this new generation and also teach digital competencies in the professional education of non-digital natives to help future leaders develop the necessary skills early on.

Successful organizations focus on objectively measuring the effectiveness of their leadership development and talent management, assessing their performance with the same kind of rigorous, evidence-based metrics with which they measure the financial and operational aspects of their business. CEOs, of course, are a major focus of such evaluations, especially CEOs who are new to the job – and quite possibly new to the upper echelons of corporate management – and have only a year or two to demonstrate to shareholders, the board, employees, and other stakeholders that they are ready and able to move aggressively to create value.

In the pages that follow, we will discuss four of today's most prominent leadership topics in detail. Each topic reflects how corporations are adapting to an environment of increasing competition, rapidly proliferating digitization and automation, mounting uncertainty, and growing demands from a widening circle of stakeholders.

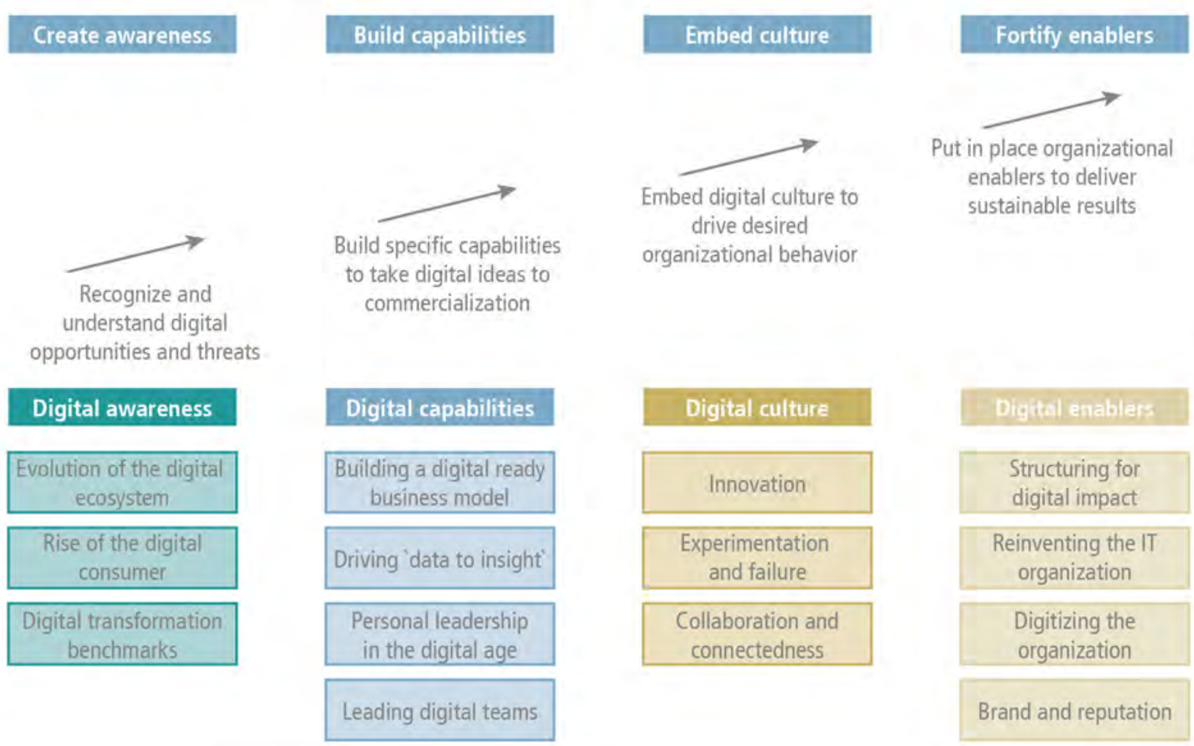
Those topics are:

- Leadership in the digital age
- How CEOs not only survive but thrive in the crucial second year of their tenure
- The recent tendency of boards to recruit new CEOs drawn from lower management ranks
- The need for rigorous, evidence-based metrics to assess corporate leadership development and talent management

II Leadership in the digital age – Developing tomorrow's e-leaders today

Cultivating leadership in the digital era entails a transformational journey for both the organization and its people. This transformation proceeds through four distinct stages: the first being fostering digital awareness, which leads to building digital capabilities, which advances to infusing the organization with a digital culture, and culminates in the establishment of enablers that sustain the results of the transformation and ensure that the digital culture takes permanent root throughout the organization. (See Figure "Four pillars of the development journey")

Four pillars of the development journey



Source: Boston Consulting Group.

Fostering digital awareness requires companies to recognize and understand both the threats and opportunities unleashed by the spread of digital technology. They must thoroughly comprehend the evolution of digital ecosystems and grasp what digital trends, tools, and platforms mean for their own business activities. They must learn how digital technology is changing the way consumers behave and the way they interact with corporations, which in turn requires companies to understand social networks and how they influence consumer attitudes and actions. Furthermore, companies must study how digital transformations have created value at recognized digital standouts and apply the lessons learned from those winners to their own organizations.

When companies have gained digital awareness, they can then begin to build the digital capabilities that enable them to commercialize digital ideas and create value. They must be ready and able to develop innovative business models by adopting digital technology to every stage of the value chain, from product design to manufacturing, from distribution to marketing. And they must build the capability to derive meaningful, actionable insights from the massive quantities of data generated by digital technology.

Such an undertaking calls for leaders able to develop and display specific personal qualities that correlate closely with success in the digital era. Such leaders are not afraid to fail – in fact, they regard failed experiments as an opportunity to learn and apply what they have learned to the next experiment, in a continuous iterative loop. They have the discipline to maintain focus amid proliferating physical and digital distractions while managing their own digital presence and mastering the fear of “visibility” that can inhibit creative thought and action. Leaders with those qualities have what it takes to build and engage agile, adaptable teams that can collaborate in a digital environment and minimize the many digital distractions that sap focus and productivity.

Such leaders and teams are the signature of a digital culture, which is characterized by a creative spirit that relies less on “thinking outside the box” than on “thinking within new boxes.” That thinking calls for a mindset that takes experimentation for granted and is constantly testing new concepts, refining them, and applying what was learned from experimentation to new contexts. That mindset flourishes in open, collaborative settings that reject command-and-control leadership in favor of a “democracy of ideas” where power is distributed rather than concentrated.

An organization with a digital culture is an organization structured for digital impact. Such a structure establishes roles, decision rights, and key performance indicators (KPIs) that are not just appropriate to a digital organization but actually enable it to come into being and sustain itself. Its governance is aligned with the new digital paradigm and helps transmit the culture throughout the organization. In such an organization, IT is not simply a utility but actually a driver and enabler of business strategy that integrates new technological tools with legacy systems. Digitization pervades the organization, which stands ready at all times to learn and acquire new digital tools to automate key processes. Such organizations are at home in a world that has never before been so transparent and open, and they are adept at managing their brands and reputations – both internal and external – in an exposed setting.

III How CEOs not only survive but thrive in the crucial second year of their tenure

Leadership churn in large companies has intensified over the past decade, with a strikingly high number of CEOs leaving office in the second year of their tenure for what is usually described as “performance reasons.” The second year of a CEO’s tenure marks the point in time that stakeholders lower their threshold of tolerance and when CEOs themselves often begin to feel discouraged by the slow pace of change in their organizations. That is when they are at greatest risk of being ousted. Paradoxically, it is also the time they have the greatest opportunity to position themselves and their company to thrive. (See the sidebar)

Consistent messaging, ongoing trust, positive image

For example, the thriving CEO of an electronics company took over during a very troubled time. After an intensive scrutiny of all the issues, he developed a clear strategy, which he crystallized into a six-word mantra: “Save it, fix it, grow it.” He delivered that message consistently to all stakeholders and always dealt with them in a straightforward manner. He stayed true to the message and explained all actions in terms of the mantra. When reporting results, he never made excuses and never exulted but would keep linking the results back to that punchy, six-word mission. Likewise with the decisions he made: closing a plant or spinning off a subsidiary was, he would say, for the sake of saving the company or fixing it. Despite the subdued results in the early phases, he stood firm and everybody involved kept faith in him as he rode out the storm. The board, the shareholders, and the analysts remained forbearing, and even employees at risk of being laid off generally accepted that he knew what he was doing.

The success or failure of new CEOs depends very much on the confidence they generate through the early moves they make. The right moves for any CEO will obviously vary according to the company’s financial condition, position in the market, and adaptability to changing needs. But our research on CEO success shows that several types of moves correlate positively with thriving CEO performance. (See Figure “The choice of early moves can be critical for CEO success”)

The choice of early moves can be critical for CEO success

	Funding the journey	Winning in the medium term	Building the right team, organization, and culture
Description	The company has to demonstrate progress in the short term and deliver results for shareholders while also freeing up funds for the future	The CEO and the leadership team must take steps right away to move the company to a fundamentally better place (within three to five years)	To support the new plan throughout the transformation and over the long term, the CEO must put the right people, processes, and beliefs in place
Questions to be answered	• What are the quick wins? • How can we free up the funding needed for future growth? • How can we keep the board, the public, and investors patient during the journey?	• How can we achieve material growth? • Which markets should we enter or exit? • What business model should we use? • Which capabilities should we develop, and by when? • What performance targets should we set?	• Is the leadership team skilled and committed, and is it inspired by the same vision? • Which new people and processes should we employ to promote change? • How can we create a culture that sustains success?
Types of moves	**Operational improvements**	New markets	Vision and plan
	Fixed-cost reductions	**New products**	Leadership
	Financing	Existing offerings	Structure and layers
		Customer relationships	**Employee engagement**
		Technology	**Company culture**
		Branding	External relationships

Note: The kinds of moves shown in bold type were made far more often by thriving CEOs than by ousted CEOs

Source: Boston Consulting Group.

Overall, thriving CEOs were quicker than ousted CEOs to make bold moves in their first year. They appeared more inclined than ousted CEOs to launch innovative, ambitious initiatives that were nonetheless realistic in their timelines. In addition, thriving CEOs tended to strike a better balance between short-term and long-term returns. They also tended to commit more decisively to financial value drivers to generate early, confidence-building wins.

More specifically, our research identifies a few types of early strategic moves that thriving CEOs make far more often than ousted CEOs. They include:

- Making operational improvements for a quick payback to fund future investments. Examples of such improvements include selling off noncore subsidiaries, reconfiguring the supply chain, and tightening up inventory management, which all, if well executed, can free up cash to fund financial investments.

- Developing new products to capture a distinctive market, paving the way for medium-term success. Thriving CEOs make innovative (but realistic) moves, focusing their energies on products that can quickly attain full value and secure maximum competitive advantage. A quick-service restaurant franchise, for example, might add healthier specialty items to its menu to lure younger, more health-conscious diners. A retail chain might create high-end sections in its stores to appeal to a more affluent demographic layer.

- Honing customer relationships to refine service for existing customers and attract profitable new ones. As we noted earlier, successful modern leaders are skilled at crafting win-win solutions – that is, they respond to customer needs in a way that creates value for both the company and its customers. Such leaders tend to establish a “customer-first” approach across the organizations they lead and design reward programs to strengthen the loyalty of specific customer segments.

- Adjusting HR practices to reinforce the new definition of success and increase accountability, thereby boosting employee performance. Examples include redefining performance-management and compensation schemes, and creating self-funding programs to develop and accelerate new capabilities.

- Modifying aspects of corporate culture to support and sustain high performance. Such moves include redefining leadership standards, filling key jobs with more adaptive leaders, changing the operating model to make it easier to take big bets, and redesigning processes for engaging different groups of employees.

For a different angle on the approach that successful CEOs take, consider the observation of a veteran operating partner of a private-equity firm. One key factor in early outperformance by CEOs, says this experienced observer, is the tone they set in their first year or two. The most successful CEOs “sprint to value” by reframing the business opportunity, adroitly balancing their ambition with the organization’s capacity for execution. They carefully place big leaders in big roles and hold them accountable for executing a handful of large initiatives with aggressive timelines. To minimize surprise hurdles during the sprint, the CEOs ensure that the teams responsible for each “must-win” initiative have the funds, the talent, and the decision-making rights they need to succeed. The CEOs modulate execution risks, using fast feedback loops with customers, shareholders, suppliers, and the public. With the help of big data and social media, they ascertain which risks are paying off and which are failing, and make course corrections to realize or reset the initiative's expected value. The CEOs who sprint to value have consistently produced impressive results in the short term that position the organization for sustained success in the future.

IV The recent tendency of boards to recruit new CEOs drawn from lower management ranks

In recent years a number of prominent corporations have hired CEOs with little to no experience of working in the top two levels of management (known as L2). Examples of such CEOs include Yahoo!'s Marissa Meyer, a 37-year-old vice president at Google when Yahoo! tapped her for the top job, Burger King's Daniel Schwarz, who was 33 and had only three years' experience in the fast-food business when he was appointed CEO, and General Motors' Mary Barra, who formerly held a variety of L3 executive posts at the auto maker.

Unlike seasoned executives promoted from the second level of management (or L2), many of these new arrivals to the C-suite saw their promotions accelerated by boards wagering that the new CEO's ability to understand and act upon signals in today's unpredictable environment will more than offset their relative inexperience. Such "leapfrog" CEOs tend to have an easy familiarity with disruptive technologies and digital media; a proven record of innovation; experience in leading high-ranking colleagues; an understanding of diverse markets and cultures, and of demographic shifts; and an adaptive approach to leadership based on such traits as curiosity, social sensitivity, and the courage to act. (For more details on the ideal traits of a modern CEO, see Figure "Profile of the modern CEO – A checklist of specifications")

Profile of the modern CEO – A checklist of specifications

The new-style outward-looking CEO typically displays many of the following characteristics, and ideally would have all of them.

	He or she …
Intelligence, integrity, and stamina	… has these and other traditional indispensable qualities in abundance
An easy familiarity with disruptive products or services	… has a passion for and understanding of emerging technologies or has a science background
Digital savvy	… is familiar and comfortable with social media and the uses of big data
A track record of innovation	… has skillfully devised and implemented new business models within or outside the company, and has introduced new products
Experience in leading a team of peer or even senior staff	… has previously had a rapid promotion to a leadership position, and has conciliated those who might have felt more entitled to the role
Confidence as a global citizen	… can operate comfortably in developed, developing, and emerging markets, and can maintain credible leadership across diverse cultures
An understanding of demographic shifts	… is alert to any potentially significant changes in the customer base - age, ethnicity, social class, or professional status - and can shape strategies accordingly, especially for new customer experience channels
Adaptive leadership traits	… has personally embraced and championed disruptions; has demonstrated exceptional curiosity; has self-awareness, social sensitivity, open-mindedness, and the courage to act

Source: Boston Consulting Group.

The phenomenon of fast-track CEO succession appears to be most prominent in the retail sector and in the technology, media, and telecommunications sector. Google's Larry Page, for example, was 38 at the time of his appointment as CEO, Microsoft's Satya Nadella was 47, and PetSmart's David Lenhardt was 43. Companies in these sectors are particularly affected by disruptive business models and unfamiliar competitors, so their boards are motivated to appoint CEOs equipped to rewire the company around consumer experience.

It is much too early to judge the success or failure of these leapfrog leaders, who are all relatively new to their jobs. Old reasons rather than new moves by their CEOs can explain both the apparent upswing in the fortunes of Yahoo! and the recent setbacks at General Motors. Still, a few interim impressions are in order.

A leapfrog leader, attuned to the spirit of the times, has a stronger chance to uncover and release a company's latent potential, defying tradition if necessary. He or she will understand cultural norms sufficiently to break some of them without disrupting business continuity. Such leaders will likely face stiff opposition in the form of vested interests, traditional practices, and investor skepticism. But with toughness, persistence, and the backing of the board, the new CEO can make headway in revitalizing the company.

There are at least two risks, however. First, the new CEO may be unprepared for the job. Second, the executives who were passed over may be disappointed and become disaffected. They could quit at an awkward moment or try to undermine the new CEO. As far as we can tell, those risks have not materialized. The performance of the leapfrog CEOs is at least comparable to that of their more senior counterparts. Their companies have not reported any marked decline in the morale of many L2 senior leaders or an increase in boardroom regret. Most of the CEOs have overcome initial skepticism about their abilities and have established their credibility.

Yet boards cannot afford to be complacent. They must remain heavily engaged during the grooming and transition of new leaders. The more planning that goes into developing CEO candidates, the more options a board has for choosing a CEO suited to its strategic agenda. Prescient boards identify front-runners early on, groom them, arrange coaches and mentors for them, rigorously track their readiness, and set them up for success. A fast-track CEO succession should be the product of a deliberate strategy, not of desperation.

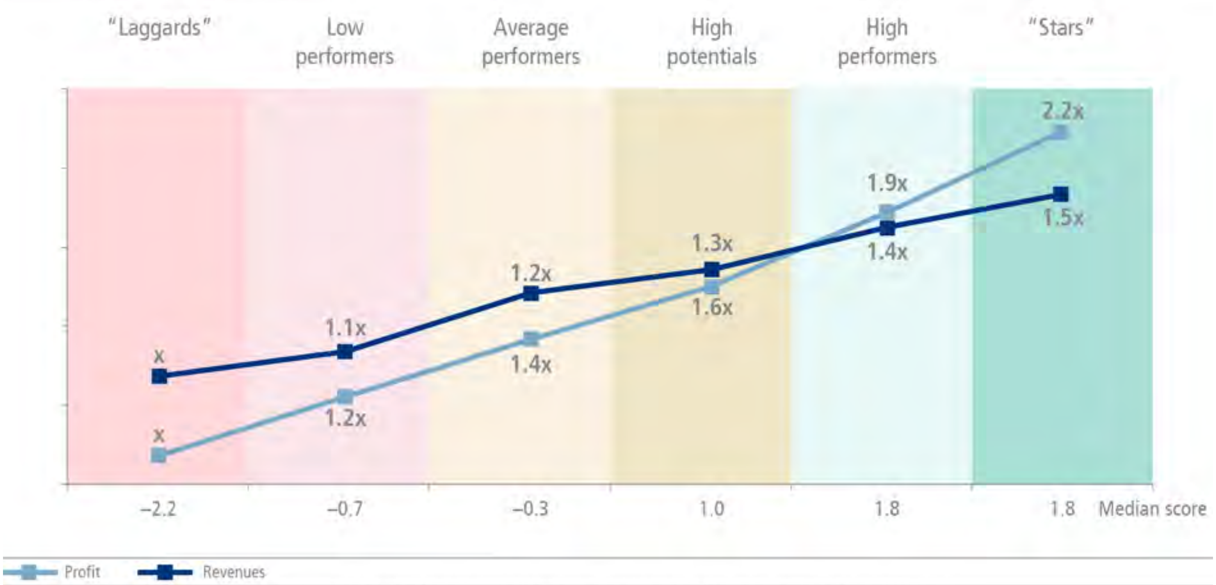
V The need for rigorous, evidence-based metrics to assess corporate leadership development and talent management

Companies struggle to gauge how well they manage their most talented performers and develop the next generation of leaders. Unlike other disciplines, such as corporate finance for example, leadership and talent management is a relatively undeveloped field in terms of applying data- and evidence-based approaches to value creation. Most companies do not address the most fundamental questions around leadership and talent development, despite expenditures of as much as an annual $40 billion by some estimates.

Still, some companies get it right. Not surprisingly, these companies tend to be market leaders in their industries. In fact, "talent magnets" – those companies that rate themselves strongest on 20 leadership and talent management capabilities – increased their revenues 2.2 times faster and their profits 1.5 times faster than "talent laggards," or those companies that rated themselves the weakest, according to survey data summarizing the assessments of more than 1,260 HR and non-HR professionals at global companies. (See Figure "Leadership & talent capabilities strong indicator of financial performance")

Leadership & talent capabilities strong indicator of financial performance

Average two-year growth (indexed)



Source: Boston Consulting Group, World Federation of People Management Assoiactions. Leadership & Talent Index Survery (1,263 respondents).

The report demonstrates that companies that systematically improve their key talent management capabilities will experience a distinct, measurable, and meaningful business performance return. For companies struggling to improve their leadership and talent management capabilities, or for those that want to reach the next level of excellence, the Global Leadership and Talent Index lays out an improvement plan, based on their starting position and existing capabilities, and anticipates gains in business performance as improvements are made.

What capabilities should companies prioritize for development? As many as ten capabilities correlate strongly with business performance, but we found that three in particular – translating leadership and talent plans into clear and measurable initiatives, devoting significant time to leadership and talent management, and making leaders accountable for talent development – generate the greatest payoff. Each of those three capabilities requires the active participation of leaders. In fact, leaders at high-performing companies can spend more than 25 days a year on leadership and talent management activities.

VI Conclusion

In these pages, we have described some of the innovative leadership qualities that companies must systematically cultivate and strengthen if they are to adapt to and thrive in an era of rapidly proliferating digitization and automation. In the face of digital technologies, demographic changes, and significant transformations in every industry, the need for a modern, innovative, and authentic leadership style and strong interpersonal skills is greater than ever. The need is increasing because an organization's people look to their leaders to sustain their engagement, focus, and morale in times of seemingly constant and often uncomfortable change. Companies with strong, modern leadership personalities will be the most successful when it comes to winning and retaining skilled workers, who in turn are the best guarantors of success in an increasingly competitive global marketplace.

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Dilemmas of Charismatic Leadership

Fons Trompenaars | Peter Woolliams[1]

I Abstract

A new logic is offered that challenges the traditional view that charisma is some magic gift given to some and not others. The new framework extends the seven key traits of charisma identified by Kozubska by identifying the conjugates that form tensions resulting from the momentum for change as the leader leads. A step-by-step approach is used to explore the dilemmas that inform the charismatic leader as a structured debate revealing approaches to the dilemmas' reconciliation.

The authors apply this new logic to demonstrate that charismatic leadership is about celebrating the extremes of opposites and combining them to provide solutions that secure the benefits of both sides. Individuals who can combine such opposites are truly charismatic in all cultures.

The concepts described owe their origin to extensive formal academic research and consulting practice and have been validated across multiple organization types in multiple countries across the globe

II Introduction

Charismatic individuals have always held a fascination for others. Today we are bombarded by the media with the day-to-day 'goings-on' of so-called charismatic sport stars (about their latest super-cars), charismatic movie stars (about their personal relationships and what they are wearing), and charismatic politicians (about their latest indiscretions). It seems these individuals have 'something' that attracts our interest – something we lesser mortals don't.

And so we are led to believe that if only we had this magic ingredient - charisma, or we could acquire it somehow, we too could be 'successful' in our lives and as a business leader.

But charisma is cited as a certain quality of an individual personality, by virtue of which he/she is set apart from ordinary men/women and treated as endowed with supernatural, superhuman, or at least specifically exceptional powers or qualities. These are such as are not accessible to the ordinary person, but are regarded as of divine origin or as exemplary, and on the basis of them the individual concerned is treated as a leader. Clearly just having more money, faster cars, more outlandishly revealing clothes, plastic surgery, or more infamous affairs doesn't make just anyone charismatic – or an effective business leader.

The English term charisma comes from the Greek χάρισμα khárisma, which means "favor freely given" or "gift of grace". The term and its plural Χαρίσματα (charismata) derive from χάρις (charis), which means "grace", or in the modern sense of personality charisma, such as "filled with attractiveness or charm", "kindness", "to bestow a favor or service", or "to be favored or blessed".

Note: In February 2015, Trompenaars Hampden-Turner Consulting was acquired by KPMG NL. THT is now part of the KPMG International People & Change practice and continues to provide training and consulting services to both public and private sectors (mainly Top 500 Fortune companies) in the areas of globalization, mergers and acquisitions, corporate identity and sustainability, as well as training and leadership development on leveraging diversity and developing cultural awareness and competence.

In this paper, our interest is not A-list personalities and whether or not they are charismatic or accorded with this label, but in taking a critical look at the connection between this 'thing' we call charisma and leadership in business. Just who and what are charismatic leader? How do they lead, and can such capability be developed by any employee or employer?

III Types of charisma

Since the 1950s, the term has become widely used, with varying meanings, in religion, the social sciences, the media, and throughout Western societies. Contemporary charisma maintains, however, the irreducible character ascribed to it by Weber: it retains a mysterious, elusive quality. Media commentators regularly describe charisma as the 'X-factor'. The enigmatic character of charisma also suggests a connection – at least to some degree – to the earliest manifestations of charisma as a spiritual gift.

Here Weber extends the concept of charisma beyond supernatural to superhuman and even to exceptional powers and qualities. He then indicates that followers endow the individual with powers, regard these powers as of divine origin or just exemplary, and treat him as a leader. In another passage, Weber emphasizes that "the recognition on the part of those subject to authority" is decisive for the validity of charisma. In other words, charisma can only be that which believers recognize as charismatic in those they treat as such.

Akin to the topic of 'leadership', there is a wealth of diverse literature which although extensive, ultimately fails to capture the essential elements and distil the bottom-line single root definition. An exhaustive review of this current knowledge of charisma in the context of charismatic business persona reveals two extreme paradigms: what can be described as either 'personalized charisma' in which the holder uses his/her magnetism to get his/her own way or 'socialized charisma' where the holder applies his/her charisma in the manner of a servant leader more in the spirit of altruism.

IV A new paradigm for charismatic leadership

So what makes a good business leader, and what makes a leader remarkable and charismatic? Joanna Kozubska in particular through inductive research with business leaders has elicited seven key components of a charismatic personality: confidence; vision; communication; style; moving and shaking; visibility; and mystery and enigma.

The above is an army of traits of a charismatic leader but there are hundreds of such books describing similar lists of traits. We gradually begin to understand why there are numerous definitions. Reading the American literature, you find it is all about vision, mission, transparency and, above all, courage. You go to the French literature and read how great charismatic leaders are functions of their educational background and their Cartesian intelligence. Compare with the Asian literature that suggest you should be a male senior practicing martial arts and from the University of Tokyo. And that can also explain why the types of charisma are different between Jack Welsh, Richard Branson and Jacques Chirac (because Francois Hollande obviously is not rated as a typically charismatic person either within or outside of France).

Our own research (both formal academic and practitioner based) reveals that the essential distinguishing characteristic of leaders in a complex environment is their propensity to reconcile seemingly opposing values (originally published as Trompenaars and Woolliams 2008). In contrast, many dominant leadership paradigms ignore those dilemmas and follow the latest fashion. So it was 'courage' some ten years ago, now the real leader is 'cautious'. And you remember when we all needed to focus as a leader, now it is better to see the whole picture and to find synergies between different activities. Wasn't it the humble leader with will power that Jim Collins found was creating great organizations? And now it is time to be authentic and charismatic. Just what (and who) do we need to believe?

One thing is quite clear: leaders frequently suffered from insomnia because they were not able to resolve a dilemma they faced. After all, it is difficult "to have a vision", but even more difficult not knowing "how to execute". Then, even worse – the successful integration of conflicting values frequently leads to the creation of one or more new dilemmas. It is a continuous process.

What are these dilemmas that charismatic leaders face? Of course you have to inspire as a leader and you also have to listen. You have to fulfill the global strategy and have to have local success by adapting to regional circumstances. You have to decide when to act yourself but also when and where to delegate. As a professional leader you need to set the tone for innovation and set deadlines. And you need to simultaneously use your brilliant thinking power and to frame them by your feelings. You need to develop an excellent organization while simultaneously having attention for the creative individuals in your team.

V The new conceptual framework

The view of charismatic leadership we posit in this paper is that leaders find themselves *between* competing demands and are subject to an endless series of paradoxes and dilemmas. There are clashes, and by leadership we mean not simply the clashes between different operational demands, but those of different disciplines, functions, genders, classes, and so on. We will illustrate with some frequently occurring dilemmas faced by charismatic leaders.

However, a good charismatic leader will foremost need to make a choice between what is a dilemma and what is not, because not every challenge is a dilemma. Sometimes choices need to be made. But making a choice between the extremes of a dilemma leads to sub-optimal results, sometimes even dramatic ones.

From this perspective, charismatic leaders have a strongly developed capacity for paradoxical problem solving. This might explain why the academic and practical communities keep on writing more and yet more books on both charisma, and even more books on leadership.

They most often ignore the meta-competence that connects the new claim to fame with its opposite. The short-term transactional leader needs to include his or her actions in a longer term strategy. The transformational leader needs to find stability of endurance as a stepping stone to change. The visionary leader needs to execute.

And it is in **the integration of the opposites that the charismatic leaders show their greatness**. And because of this competence, there are few exceptions to their respect. Billions of people in all cultures, all organizations, and all institutions agree the greatness of Mandela, Gandhi, Mohammed Ali and the religious icons. And what do these leaders have in common that their respect crosses cultures and institutions? Indeed they have integrity, the art of creating wholeness through bridging opposites. The crucial questions for this paper is if charismatic leadership a reflection or a cause of this competence. It is indeed true that most worldly respected leaders are having something that can be described as charisma.

With the internationalization of organizations and increasing diversity of the workforce at home, we find that leaders increasingly have to face a multi-cultural workforce and customers. And culture today is not only defined by your passport only. It includes gender, generation and functional discipline, for example. What style of leadership is effective in these diverse circumstances? We submit that it requires a set of competencies that goes beyond charisma that we identify as trans-cultural competence.

A further fundamental question that doesn't seem to have even been addressed is whether one manifestation of charisma transfers directly to different cultures and situations of diversity. Individuals that exude a body language and a certain ambiance might be considered charismatic in cultures where the display of emotions is more overt (affective cultures) but does this also apply in cultures that tend to conceal emotions more (neutral cultures)?

To transcend this argument and seek a meta-level framework that applies in all cultures, we have identified that the significant and common factor among successful charismatic leaders today is their competence to reconcile the competing demands that they face on a continuing basis.

So what are these dilemmas that charismatic leaders face? How come that some charismatic leaders like Bill Clinton, Richard Branson, Martin Luther King, Nelson Mandela and Steve Jobs are respected throughout the globe? While other so called charismatic leaders seem to be popular in their own environment only, like Turkey's Receü Tayyip Erdogan, Italy's Silvio Berlusconi or Venezuela's Hugo Chávez?

We observe that most competences and traits described by most authors are only one leg of two. What makes charismatic leaders is to complement the left with the right leg of each of their list of traits. Are charismatic leaders the "authors" of strategy and policy or do they orchestrate the necessary participation? Do leaders deal in high-level abstractions or in concrete details? Can a charismatic leader be also a servant? Such questions culminate in what is, perhaps, the biggest crisis of the day. Are leaders people hired by shareholders to channel the lion's share of profits in their direction, or do they lead a learning, developing community?

We all know that walking consists of using both legs in coordination. So if we take Kozubska's definitions of key traits of a charismatic personality as one side of the dilemmas, we need to extend them to their opposite by redefining them, not as 'confidence' alone but in association with 'self-questioning'; not solely as 'vision' but through 'execution'; not solely as 'communication' but through 'observing'; not simply 'style' by being true to others but though being true to your self; moving and shaking through stability; visibility through embedding it implicitly; and mystery and enigma through being obvious.

Redefining Kozubska's keys* as the golden dilemmas of charismatic leadership

On the one hand	On the other hand
Confidence*	Self-questioning
Vision*	Execution
Communication*	Observing
Style*	True to others
Moving and shaking*	Stability
Visible*	Embedding implicitly
Mystery and Enigma*	Obvious

Source: Koszubska, Joanna. The seven keys of charisma, 1997.

VI The values of a charismatic leader are not things but differences

Leaders organize fairly elaborate systems of values so we must first decide and describe what values are.

Values are neither things nor objects. This is an error made by fundamentalists, absolutists and bigots. Values are *differences or contrasts.* Indeed we do not know what value the leader has in mind unless we know the contrast. Courage contrasts with caution, self-interest with concern for others. Passion with dispassion, doubt with certainty, risk with security, and so on.

It follows from this that values *at both ends of these continua are appropriate in given circumstances.* There is a time for passion and for dispassion, for risking yourself and your company and for securing it. There are times to exhibit courage and other times to be cautious. So far from one value being right and the other wrong we need to move back and forth on values continua and do what is most appropriate. We need to think of others (e.g. our customers) and of ourselves (e.g. profitability). We need to make rules, but also look out for particular exceptions to those rules.

Values and the leaders which embody them are good when *values at the contrasting ends of continua harmonize with and strengthen one another.* For example, where we show considerable concern for the customers and delight them, then their revenue will greatly enhance our self-interest and our profitability. Altruism and egoism increase one another. Our thinking is that values are not "added" by leaders, since only simple values "add up". Leaders combine values: a fast **and** a safe car, good food **yet** easy to prepare. Nobody claims that combining values is easy, but it is possible. A computer that is able to make complex calculations can also be customer-friendly. It is the more extended systems of values that will be the context in which international leadership will prove its excellence.

Productive, charismatic and effective leaders have values that are not just equal but *synergistic* (from the Greek "to work together"). They are mutually optimizing. We gain *through* customer satisfaction and create wealth between us. Stagnating and failing cultures have values that are grossly unequal and fight against their contrasting values, so that you try to make money by exploiting customers, or use your imagined certainties to escape all doubt. You become addicted to taking risks and wreck the whole financial system. Some of these situations may be familiar.

VII How the charismatic deal with dilemmas

We will now explore our framework by considering the main dilemmas faced by charismatic leaders. We will consider the first few dilemmas in more detail because it is not simply the dilemma itself that needs to be explored, but the **process of reconciling the opposite values** and this **same logic** is appropriate to all the other dilemmas faced by the charismatic leader.

Our conceptual framework takes each meta-level dilemma, initially as a tension between two opposites or opposing values, and then examine sub-dilemmas that manifest in practice.

We will re-craft the dilemmas on an x-y grid where each axis represents each opposing value such that 10, 1 (x=10 and y = 1) position represents the x orientation taken to the extreme and 1, 10 (x=1 and y=10) represents the y orientation taken to the extreme.

In this framework, the 5, 5 position is a merely compromise with some benefits of both but also much lost to achieve compromise.

The charismatic leader achieves the 10, 10 position in which both the extremes of x and y are integrated to harness the business benefits of both. He or she may initially start from the 10, 1 or 1, 10 and by accommodating the other through a number of iterations will finally spiral towards the 10, 10 position in which the competing demands have been reconciled.

For reasons of space limitations and clarity, we only show either a clockwise or anti-clockwise direction of spiraling.

1. The Golden Dilemma between confidence versus self-questioning

Daniel Goleman, in his book Emotional Intelligence cites research by Dr. T Berry Brazelton, in which (self-) confidence is listed as one of the key ingredients of a child's crucial capacity to learn. - "Confidence - A sense of control and mastery of one's body, behavior and world; the child's sense that he is more likely than not to succeed at what he undertakes and that adults will be helpful."

Confidence comes from belief in oneself, from knowledge, experience and expertise. If we have confidence we can behave confidently! The core of confidence is self-esteem and what we believe about ourselves.

However, one’s self-confidence as espoused by Joanna Kozubska also needs continuous feedback and openness from and to the environment in which we are living. Otherwise we become over-confident and courage moves into recklessness.

This quality of today’s effective leaders is the competence to integrate the feedback from the market and the technology developed in the organization, **and** vice versa. Again, it is not a competition between technology push or market pull with a choice between the extremes. The charismatic leader knows that a push of technology will eventually lead to the *ultimate* niche market, that part of the market without customers. Conversely, a monolithic focus on the market will leave the leader at the mercy of its clients.

Self-confidence makes charismatic leaders courageous. A good definition of true courage is that it is the most cautious conduct possible given the dire circumstances. If you are brave enough, you will go home again to live a more cautious life, as can those you are protecting.

Let us explore the following:

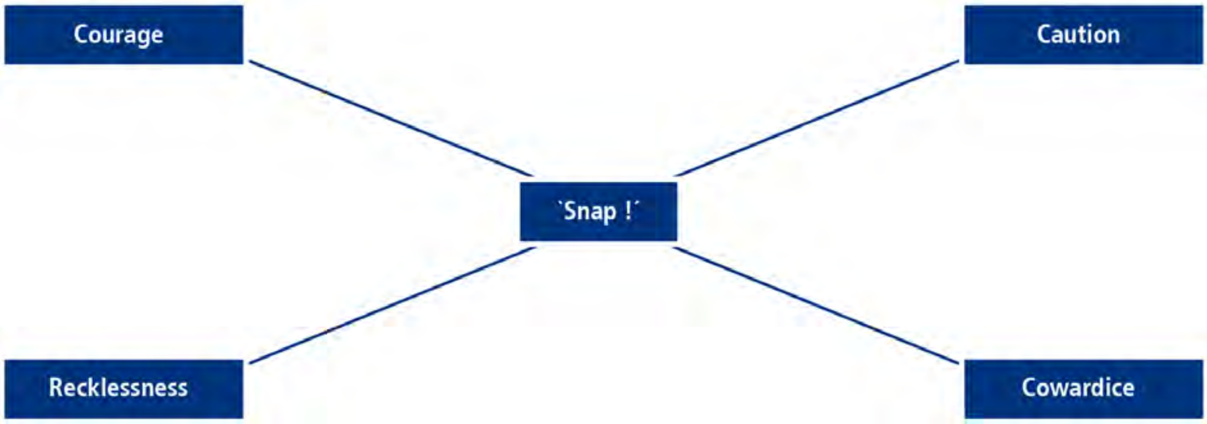
"Hence I need to be courageous enough to enter the water and save someone who would otherwise drown, while being cautious enough to avoid being drowned by his desperate grip on my person."

It is this synthesis of courage and caution that can save both of us, *not* one *or* the other. We create science by first *doubting* a proposition and trying to *falsify* it, and only if we can surmount that obstacle can we become more *certain* of its *truth*. We *risk* our investment when we start a business but quickly *secure* in a bank any money we have made. The bigger we grow the more we can put at risk and more we can secure. Each contrasting value strengthens its opposite.

At first sight, we would appear to have a (linear) continuum between these extremes, where more of one implies less of the other.

≪ Courage ———— ≪ — An unbroken continuum — ≫ ———— Caution ≫

Recall that the successful rescue requires enough **Courage** to enter the water but enough **Caution** to stop the drowning person killing the rescuer. However the same crisis may provoke a split in the values continuum, which looks like this:



Above our would-be rescuer has severed Courage from Caution. By abandoning any precautions he has proved *reckless* and will kill himself while also letting the victim drown. Alternatively by clinging to Caution and not entering the water he has descended into *cowardice* so that again the victim drowns and his failed, would-be rescuer attempt is disgraced.

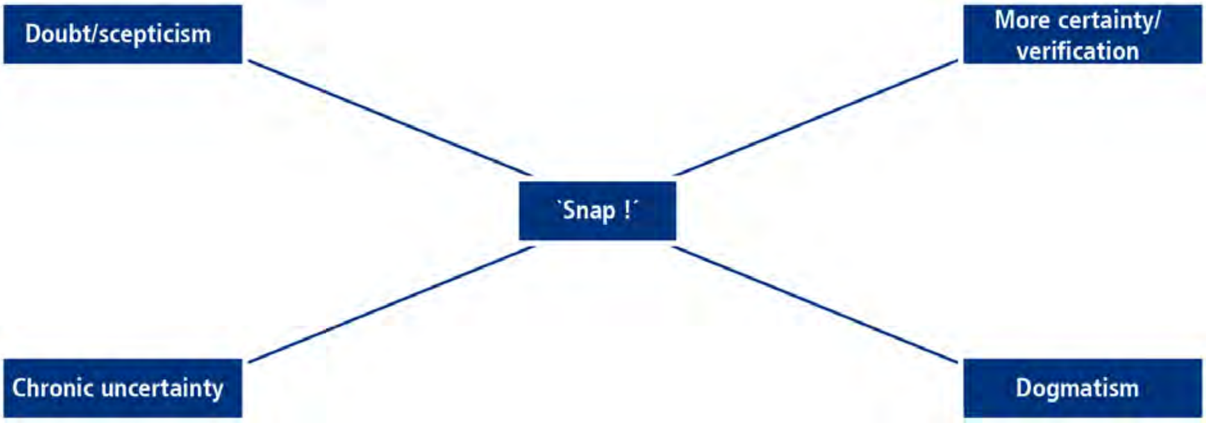
In both scenarios the individual is stuck fast at one or the other end of the continuum and cannot move laterally to combine the contrasting values. It appears the rescuer has an 'either/or' choice.

As a further example let us take Doubt/Scepticism as contrasted with growing Certainty/Verification.

Again, these appear to belong to a single continuum. Scholars and scientists alike doubt their own propositions so that these must be tested and verified so that the scientists may become more certain of their validity. The continuum looks like this:

≪ Doubt/scepticism ——— ≪ — An unbroken continuum — ≫ — Certainty/verification ≫

Virtue moves to the right and back again on the continuum. We doubt and are sceptical so that nature can verify our propositions and make us more certain. However, this does not always happen. People find it hard to doubt their own convictions and where they fail to do this, the continuum snaps and they become ***dogmatic.*** Alternatively their doubt grows and grows because they have not verified it and they become **chronically uncertain.** In both cases the continuum has snapped in this manner:



Dogmatism comes to the rescue of chronic uncertainty and represses it. Chronic uncertainty haunts the faithful. The vices at the bottom of the diagram are unredeemed by the virtues above. As WH Yeats wrote so prophetically about of the coming of fascism. “Things fall apart; the centre cannot hold. Mere anarchy is loosed upon the world. The best lack all conviction while the worst. Are full of passionate intensity.”

2. The Golden Dilemma between vision and execution

We agree with Joanna Kozubska that articulating a vision is crucial for a charismatic leader. However, as serial entrepreneur Steve Adams states, ”Vision without Execution Is Just Hallucination.”

A great vision is the table stakes for building a valuable business. A great vision:

- Is clear, concise, and understandable to a broad constituency
- Is inspiring and motivational to those who are trying to execute on it, or buy into it (e.g.: customers, partners, consumers, etc.)
- Expresses the most universal core values and purpose (Jim Collins’ core ideology) and aspirations (Jim Collins’ “Big hairy audacious goal” or BHAG) of the contemplated business (Ford’s “Democratizing the automobile”)

But to move from hallucination to reality, requires hard-nosed execution.

So in short we quote Jack Welch, a business leader of the last century: “Good business leaders create a vision, articulate the vision, passionately own the vision, and relentlessly drive it to completion.” So the success of a charismatic leader will be that vision is continuously rebuilt by execution.

The evidence from our research and consulting practice confirms that execution is integral to strategy, as the major job of the business leader and as the core element of company culture. Nothing less will do.

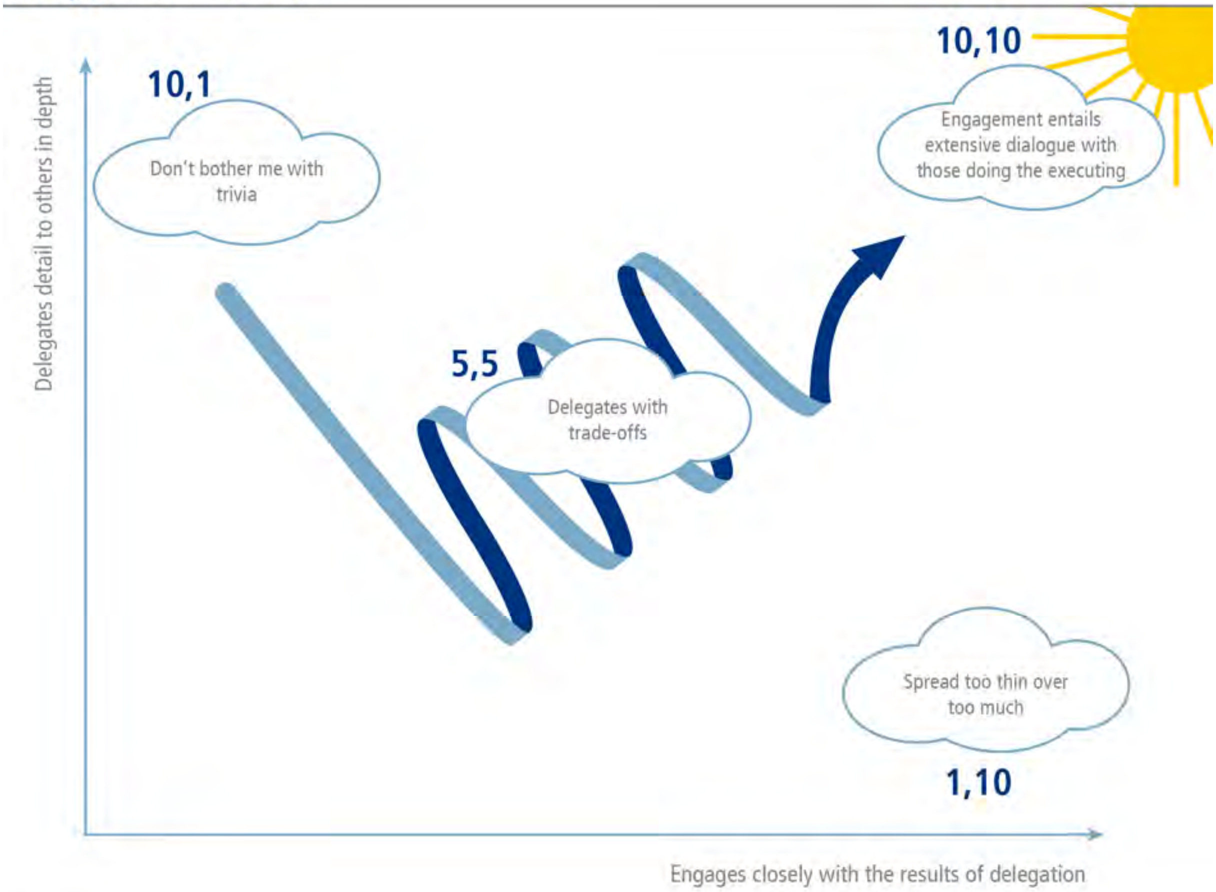
By execution, constituting a discipline is meant a systematic way of discovering and shaping reality. Jack Welch is cited as an example. It is a people process, a strategic process and an operations process in the style of continuous improvement as rooted in the Japanese automobile industry.

A key requirement is that the leader be deeply *engaged* with the way the company does things day by day. This has been called helicopter leadership and/or dolphin leadership because the leader sees "the big picture" from on high but dives downward to examine the details at the level of execution. The leader does not simply engage but immerses him/herself in dialogue, in hard questions and in true answers. If you are serious about people being your principal asset then you do not leave this to HR; you engage them personally.

Using our conceptual framework for the ‘Engaged Charismatic Leader’ looks like this:

Each dilemma graphic that follows shows a spiral. This indicates that a charismatic leader begins from one extreme side of the dilemma and then asks 'how can I get more of extreme Y through combining with extreme X?' He/she spirals back and forth (iterating) between the extremes and finishes in the top right corner having developed a reconciled solution that combines the best of both side of the dilemma. For clarity, we only show a clockwise spiral starting from the top left, but it is equally valid to begin from the bottom right with an anti-clockwise spiral iterating between the extremes.

The engaged charismatic leader



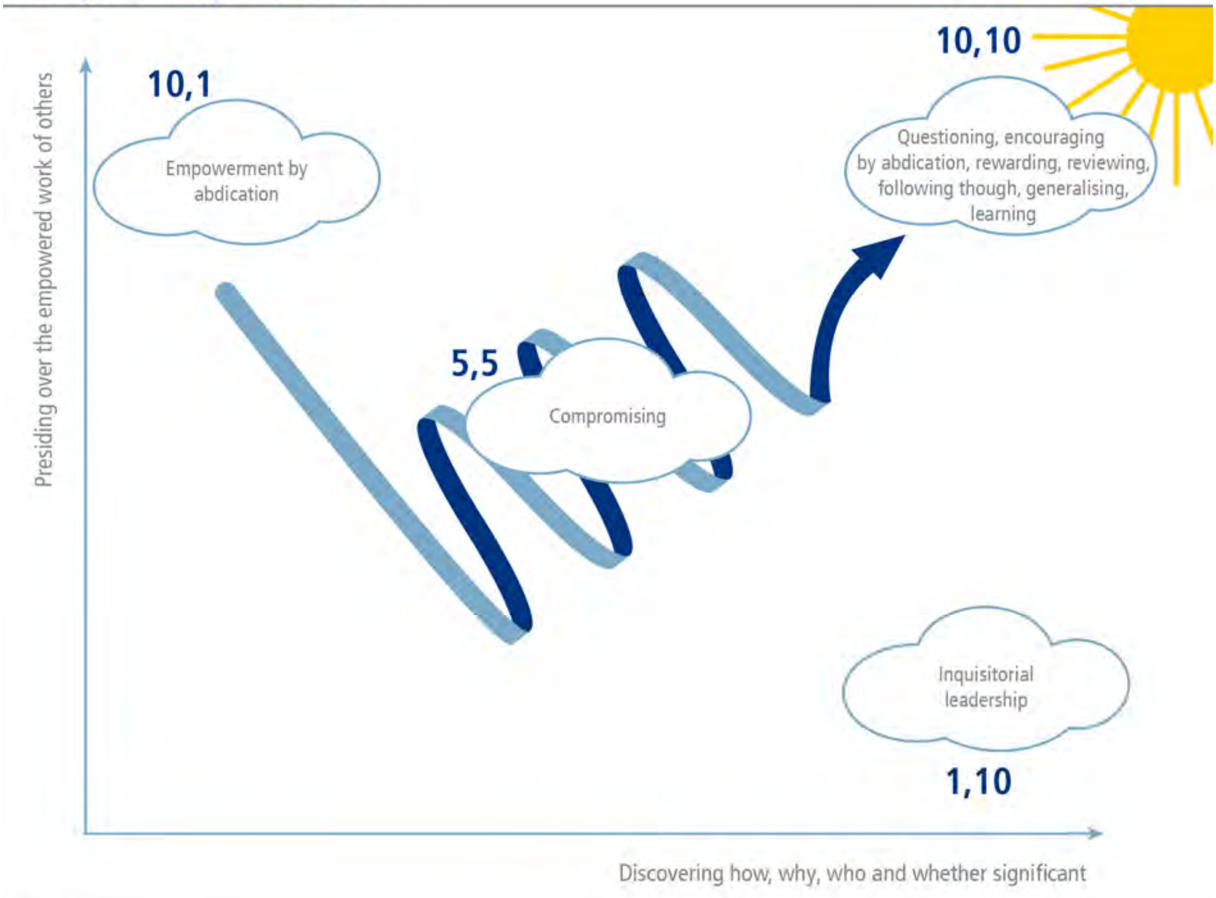
Source: Authors.

Of course leaders must delegate. They cannot do everything. But delegation is NOT abdication. You are responsible for those you have entrusted and for what you entrusted them to do. Leaders can delegate powers but their responsibility never lessens and the leader needs to check on how that power was used and why it failed or succeeded.

What needs to happen is extensive debates and trade-offs in the center which will lead in time to engagement at top right. The engaged charismatic leader is deep in dialogue and periodic reviews of the performance of those who are doing the executing. What he/she is after is hard truths and actual results compared to expectations. The charismatic leader wants everyone to learn from experience and that means ceaseless inquiry into actual operations.
Execution is an intellectual strategy every bit as challenging as grand plans. A manager with a goal to increase sales by 8 percent in a flat market should be able to tell the leader where this increase will come from, what products have gained, who accomplished this and how. What reaction is expected from customers and competitors and what are the milestones leading up to this accomplishment. Whose assistance was required and have they been rewarded? The executing leader needs to know WHY all this happened and whether others could benefit from this example. He/she must "drill down" to find the answers. It is therefore important to distinguish presiding form empowering from executing.

Using our conceptual framework for presiding, empowering and executing looks like this:

Presiding, empowering and executing



Source: Authors.

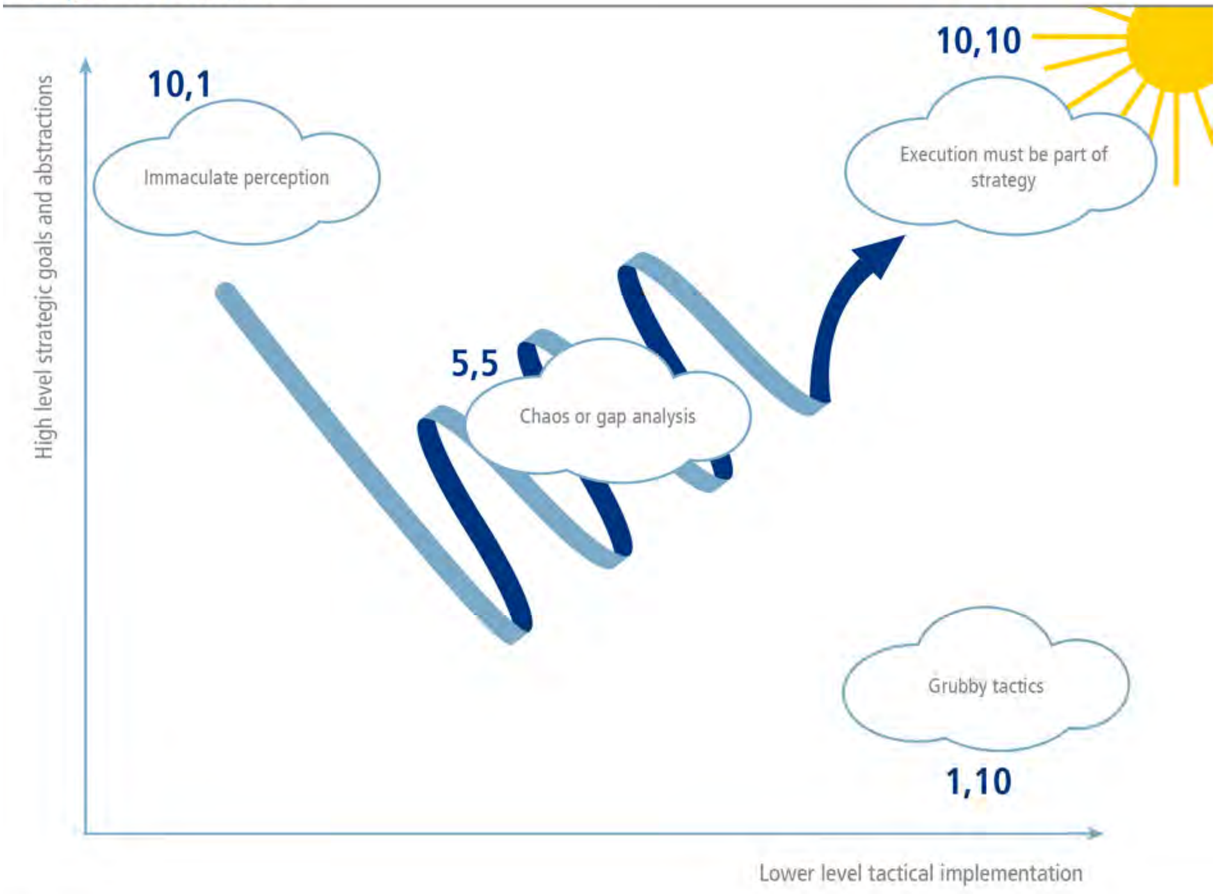
This is an example of "hands-on" leadership. You do not tell people what to do but you inquire diligently into any reasons for success.

Let us now look at what Bossidy and Charan are saying, but as expressed in our framework.

There is an invidious distinction between strategy at senior levels and mere tactics. Those at the top think in high level abstractions while those in the middle struggle to implement this. Often strategy fails to get enacted. This creates a "gap" and interestingly the Greek word for gap is "chaos" the failure of *harmonia.*

We can represent this as follows:

The importance of execution



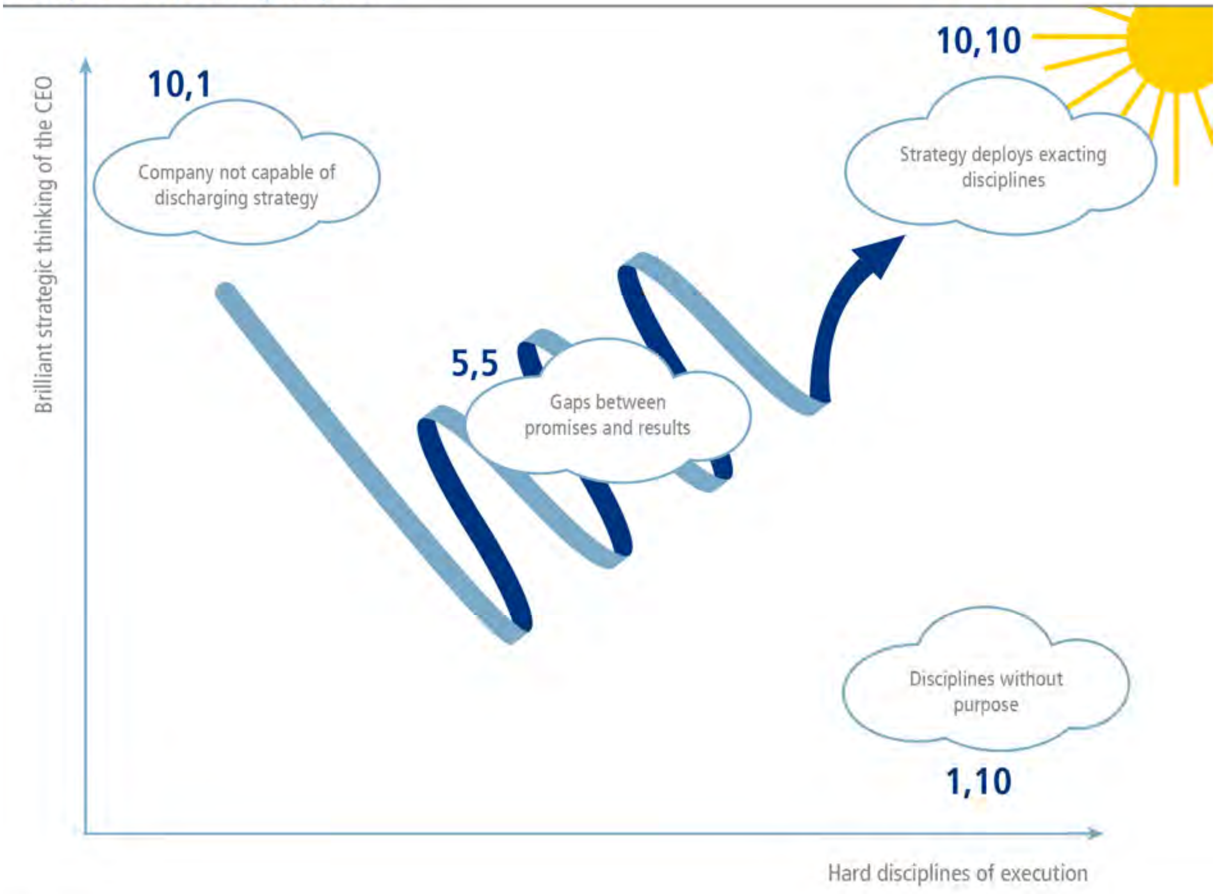
Source: Authors.

What the authors are saying is that tactical implementation is not "low level" at all but must transcend the Grubby Tactics (bottom right) to become a vital part of strategic thinking at top right. However immaculate one's perceptions (top left), only whatever is translated into action will make a difference.

In "the gap no one knows" the authors explain that when strategy fails to work the CEO is often believed to have erred. Alternatively it is said that the company is not capable of delivering these goals. What is required in such cases is *the disciplines of execution* as witnessed in companies like GE, the key ingrained capacities to get things done and complete actions successfully. However inspired the strategic thinking of the CEO without the disciplines of execution these will fail. On the other hand these disciplines require purpose and direction or they cannot be deployed successfully.

The dilemma looks like this:

The requirement of exacting disciplines



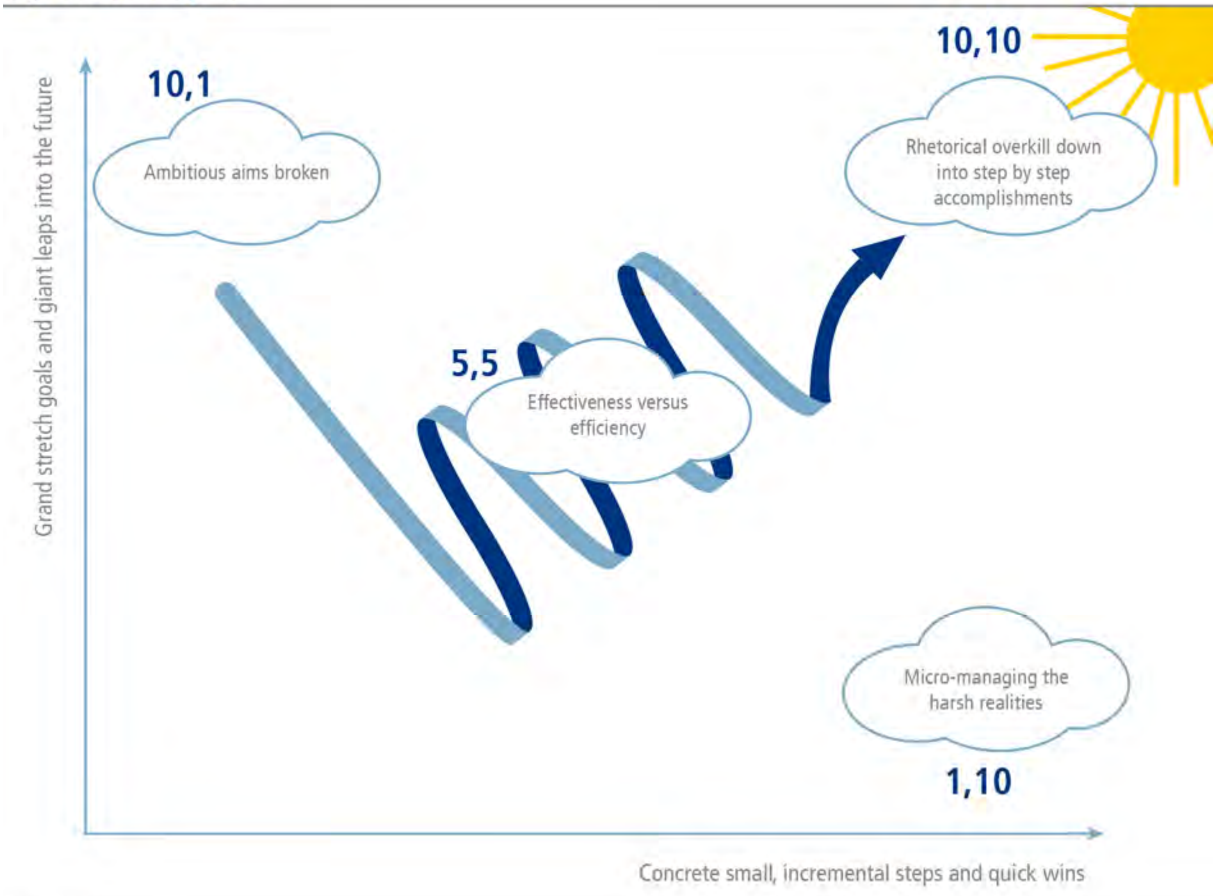
Source: Authors.

3. The requirement of exacting disciplines

At top left the company is incapable of discharging strategy because the disciplines are lacking. At bottom right it has the disciplines but no direction. The failure to deliver promises reliably in the center reminds us of the gap, while strategy is only complete if hard disciplines are encompassed and deployed at top right.

The authors think there is too much talk of stretch goals, bold strides into the future, giant leaps of faith, all of which results in rhetorical overkill. Although they skim over it, one assumes they do not want micro managing and harsh realities either. What can and must happen is that (overly) ambition goals get broken down into concrete steps delivered in an agreed sequence of accomplishments.

Steps to ambitious goals



Source: Authors.

Once again we have sailed between the rock and the whirlpool, or between the values of efficiency and effectiveness. It was a matter of time before efficiency staged a comeback, and here we have it.

4. The Golden Dilemma between communicating and listening

Joanna Kozubska claims that for a leader to be charismatic it is extremely important to have the right communication skills to express oneself completely and confidently. This means to express oneself with passion, feelings, enthusiasm and emotion. Moreover, the charismatic leader needs to develop the ability to use his/her instinct and project chosen images with using humor with care. In that sense the charismatic person will develop excellent presentation skills.

And charismatic lleaders need to be capable of recognizing both soft and hard signals identifying appropriate modes of communication, through active listening. Leaders need to easily identify the relevance of what they observe and hear, being aware of the vulnerability and sloppy management in complex systems. Central to these leadership skills are those of recognizing what the relevant "noises" are emanating from the complex pattern of interactions, what an operator on a BP oil rig in the North Sea once described as "the singing in the wires".

Active listening involves listening with all senses. As well as giving full attention to the speaker, it is important that the 'active listener' is also 'seen' to be listening – otherwise the speaker may conclude that what they are talking about is uninteresting to the listener.

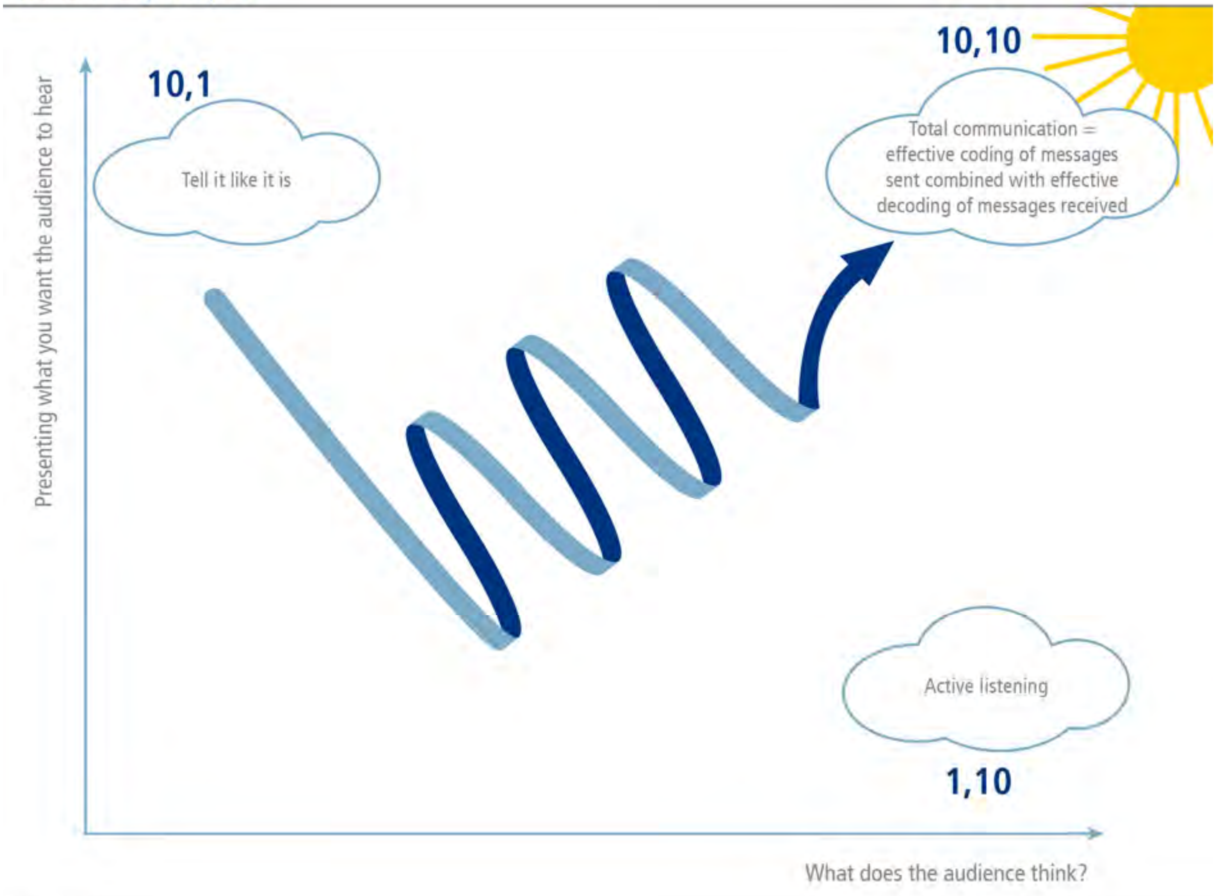
Interest can be conveyed to the speaker by using both verbal and non-verbal messages such as maintaining eye contact, nodding your head and smiling, agreeing by saying ‘yes’ or simply ‘mmm hmm’ to encourage them to continue. By providing this 'feedback' the person speaking will usually feel more at ease and therefore communicate more easily, openly, and honestly.

Listening is the most fundamental component of interpersonal communication skills. Listening is not something that just happens (that is, hearing); listening is an active process in which a conscious decision is made to listen to and understand the messages of the speaker. Listeners should remain neutral and non-judgmental, this means trying not to take sides or form opinions, especially early in the conversation. Active listening is also about patience - pauses and short periods of silence should be accepted. Listeners should not be tempted to jump in with questions or comments every time there are a few seconds of silence. Active listening involves giving the other person time to explore their thoughts and feelings, they should, therefore, be given adequate time for that.

Active listening not only means focusing fully on the speaker but also actively showing verbal and non-verbal signs of listening. Generally speakers want listeners to demonstrate ‘active listening’ by responding appropriately to what they are saying. Appropriate responses to listening can be both verbal and non-verbal.

Shannon and Weaver’s treatise on communication shows that messaging must be duplex (two-way) and that the de-coding of thoughts and content received must be identical to the original coding from the transmitter otherwise the result is ‘Chinese whispers’. This is what charismatic leaders achieve.

Communicating in duplex



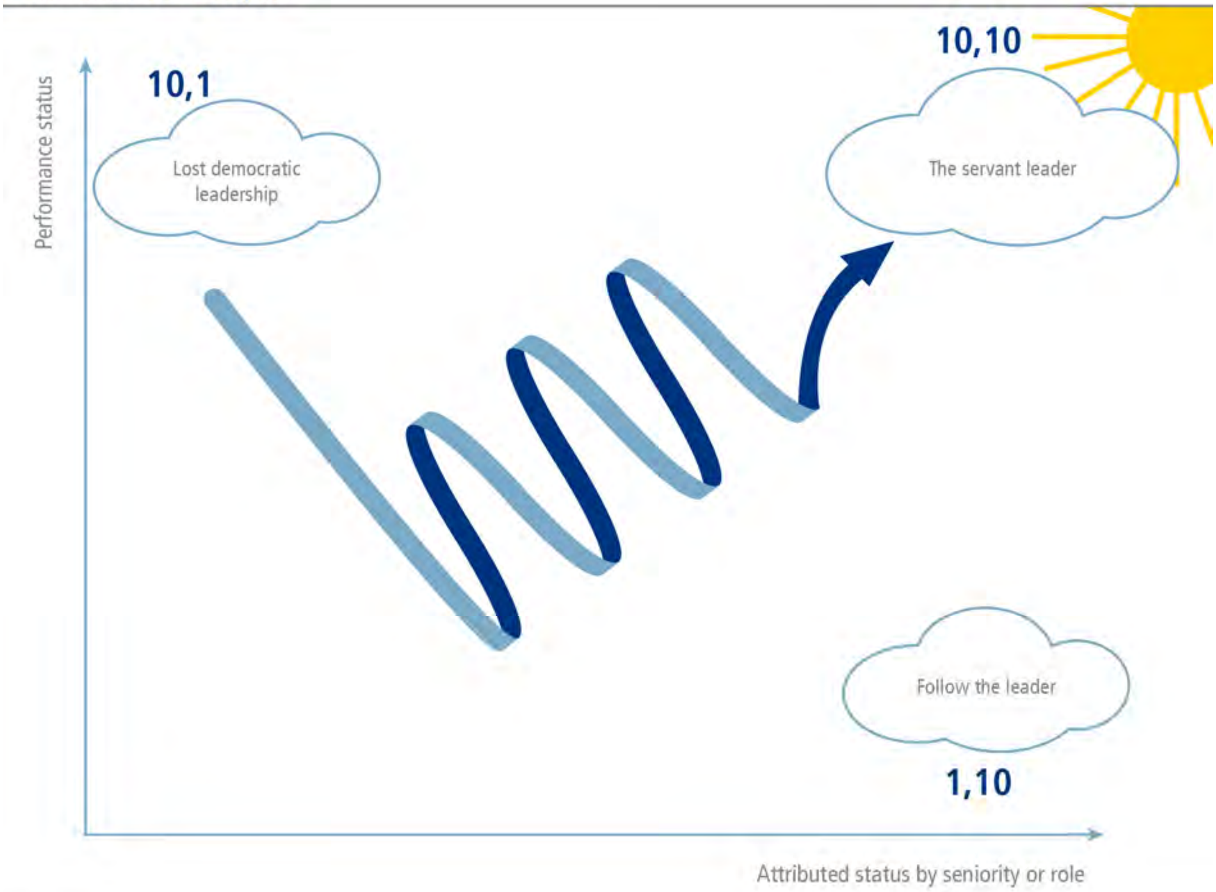
Source: Authors.

5. The Golden Dilemma between being true to others though being true to your self

Joanna Kozubska called this the 'style key' for the charismatic leader. This key is based on developing curiosity by learning to play again. It focuses on developing a passion for learning and being courageous by developing one's own style with pride. To be true to others, it is first important to be true to yourself and be yourself. However, this can only be materialized through others. A charismatic leader is therefore a servant leader. By serving others you grow yourself and your authority, according to Greenleaf. According to him the servant-leader is servant first. It begins with the natural feeling that one wants to serve. Then conscious choice brings one to aspire to lead. The best test is: do those served grow as persons: do they, while being served, become healthier, wiser, freer, more autonomous, more likely themselves to become servants? And, what is the effect on the least privileged in society; will they benefit, or, at least, not be further deprived? This aspect is so important for the charismatic leader. Charisma grows by growing others.

And again if you only serve by listening and bottom-up processes, you might end up in the lost democratic leadership corner where the leader can't make any decisions, because we need to involve more people. This is also known as the Dutch and Swedish disease. On the other hand, if you like to give directions top-down you might have a lack of feedback leading to the extreme of follow the leader and have every follower drop down the cliff. No the charismatic leader combines.

Achievement versus ascription



Source: Authors.

6. The Golden Dilemma between moving and shaking through stability

So what about the ‘moving and shaking’ that Kozubska quotes as a key trait of charismatic leaders? It’s OK, but just moving or shaking makes you a rock star, not a leader, and change will not be sustainable.

If you need to change you need endurance. Organizational members need stable stepping stones to be able to change.

Charismatic leaders in today’s organizations face some bewildering challenges. Paul Evans (2000) states that 21st century leadership of change issues is not simple; he sees modern leadership as a balancing act. Though we don’t support the word balance because it assumes mutually excluding ends, we subscribe to his main message of the need for leaders to accept the challenge of navigating between opposites. Leaders have to integrate a track record of success with the ability to admit mistakes and meet failure well. They also have to integrate short-term and long-term goals, focus on global and local issues, encourage individual accountability at the same time as enabling team work and lead and manage. Consider the dilemmas of leadership that inspires every manager Evans found at Lego:

- To be able to build a close relationship with one’s staff, and to keep a suitable distance.
- To be able to lead, and to hold oneself in the background.
- To trust one’s staff, and to keep an eye on what is happening.
- To be tolerant, and to know how you want things to function.

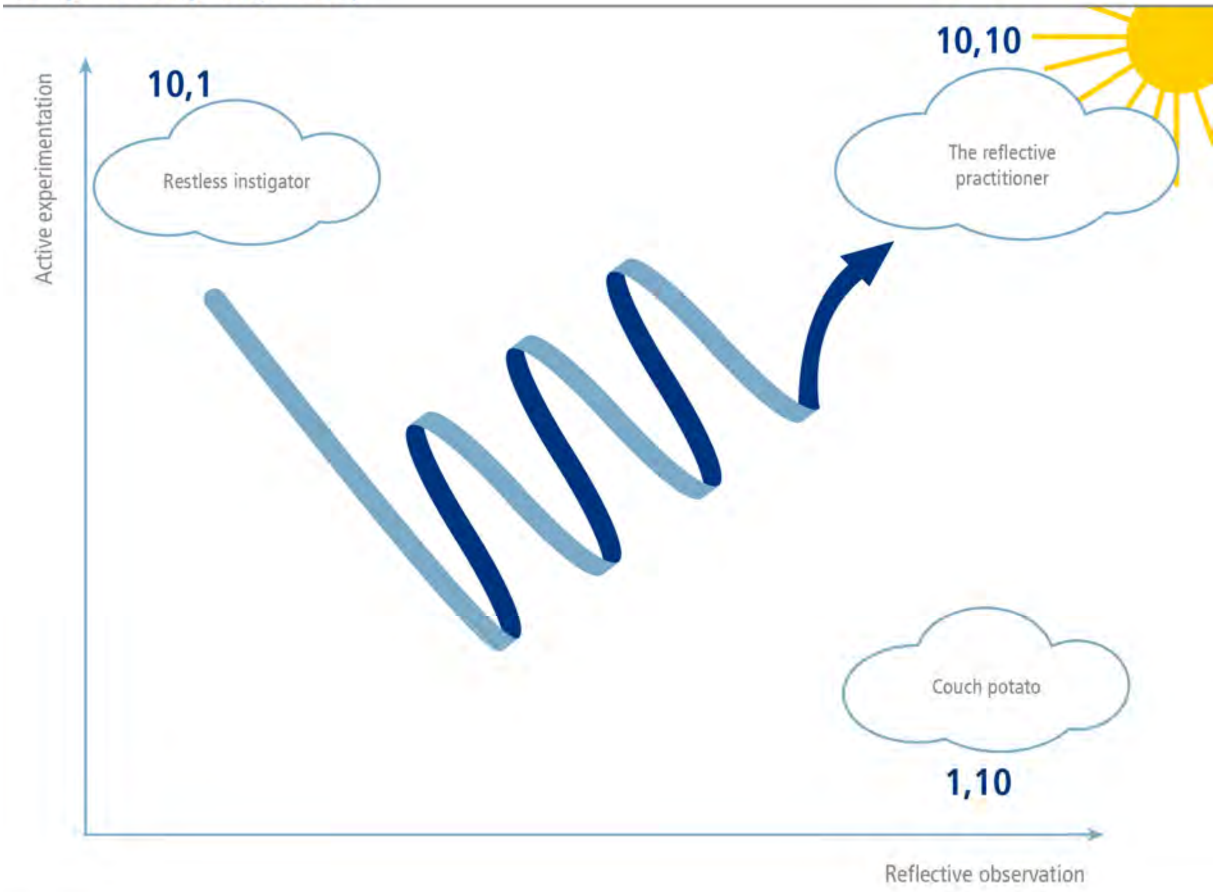
- To keep the goals of one's department in mind, and at the same time to be loyal to the whole firm.
- To do a good job of planning your own time, and to be flexible with your schedule.
- To freely express your view, and to be diplomatic.
- To be a visionary, and to keep one's feet on the ground.
- To try to win consensus, and to be able to cut through.
- To be dynamic, and to be reflective.
- To be sure of yourself, and to be humble.

Inspired by the work of Kurt Lewin, David Kolb provides one of the most useful descriptive models available of the adult learning process. How can we apply this to the charismatic leader? Yes he moves and shakes but he is also able to take distance and give the turbulence context.

Kolb's model suggests that there are four stages that follow from each other: *concrete experience* is followed by reflection on that experience (*reflective observation*). This may then be followed by the application of known theories or general rules (*abstract conceptualization*), and then the modification of the next occurrence of the experience (*active experimentation*), leading in turn to the next concrete experience. Our research indicates that the full charismatic leadership process lies in the integration of these opposites, i.e. the reconciliation of active experimentation and reflective observation, and of concrete experience and abstract conceptualization. Again, where opposites connect, the charismatic juices flow. Moving and shaking is contextualized by reflection and stability.

As such the charismatic leader is a *Reflective Practitioner*. In summary, the charismatic leader, in reconciling active experimentation with reflective observation, also needs to integrate abstractions with concrete experiences in order to be creative and avoid making the same mistakes forever. This complementary process leads to what George Lakoff calls the *conceptualizing experience* or *experiential conceptualization*.

Moving and shaking through stability



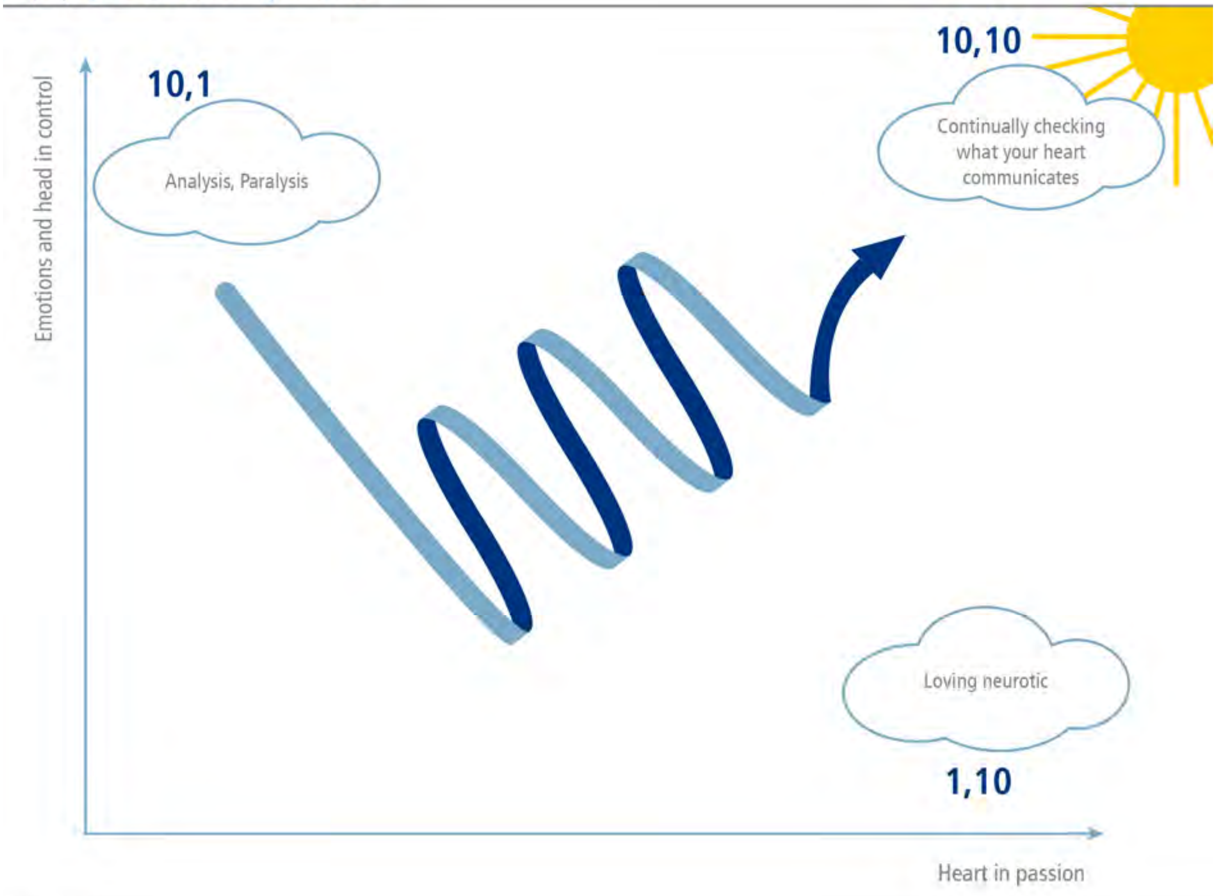
Source: Authors.

7. The Golden Dilemma between visibilities through embedding it implicitly

The charismatic leader needs to use the visibility key by standing up and being counted. He or she expresses views assertively, and seeks visibility and manages the consequences. In that process, he/she always treats others with respect, courtesy and care. This view of what gives a leader charisma is true, but, once again, only half true. Both quite neutral leaders such as Nelson Mandela and Martin Luther King and expressive leaders such as Bill Clinton and Richard Branson can be labeled charismatic. Is it done verbally or rather non-verbally, visibly or implicitly? However the neutral person is easily accused of being ice-cold with no heart; the affective and expressive person is seen as out of control and inconsistent. Charismatic leaders have the power of reconciliation. This can be shown if we observe what happens when seemingly opposing values are disconnected. Emotions that are expressed without any "neutral" brake easily verge on the uncontrolled "neurotic." Likewise, an overly neutral person may become an iceman who dies of a heart attack because of unexpressed emotions. So we see that the charismatic leader continually checks what his or her heart communicates. We see that the charisma of Richard Branson is effectively built on the fact that he is surrounded by neutral bean counters. And both Nelson Mandela.

Mandela and Martin Luther King were masters in taking advantage of long pauses, so that when they said something it made a huge impression. And their non-verbals, like the expression of their eyes and hands did the rest. And when leaders reconcile their emotional expressions with their cool calculations charisma turn into a trait that becomes very effective in every culture it is practiced.

Displaying versus concealing emotions



Source: Authors.

8. The Dilemma between mystery and enigma through being obvious

By now the reader will have seen the common logic across each of Kozubska's keys. We can continue with the same logic by extending her key of being mysterious to the other side of the dilemma of being obvious.

Again, the charismatic leader will seek to use through-through thinking in which the benefits of being mysterious are combined with the benefits of being obvious.

Rather than show this reconciliation here, we invite you create this for yourself. You can then test yourself as a charismatic leader with the extended seven keys: - go to our website: www.thtconsulting.com and use the password "Charismatic Leadership" to explore your own orientation and propensity for charismatic leadership. You can check out our solution for this last Golden Dilemma.

In this way, we ourselves are being a little mysterious before you can see the obvious solution online!

Can charismatic leadership be developed, or is it innate?

From our extensive, reflective critique of our evidence, we find that this newly identified competence of reconciling dilemmas is not simply just learned or innate. It needs a systemic approach. The whole organization needs to provide a framework that supports, stimulates, and facilitates people to reconcile.

We have seen individuals with high potential, yet not able to progress further than a (lose-lose) compromise because their work environment did not appreciate creative solutions.

Conversely, we have found less effective individuals that achieved significant reconciliation by their stimulating and supportive environment.

How to create such? It begins with leaders who practice what they preach. And it is of utmost importance that rewards are created that motivate individuals and teams to do so.

Our message is to link reconciliation to business issues and business results and make it into a continuous process so that it becomes a way of living rather than a conceptual exercise.

Through the above methodology, we have helped many client organizations reconcile such dilemmas. Of course, as soon as you remove one, another pops up. But in today's rapidly changing, ever oligopolistic world, it is the very essence of organizations. Our aim has been to raise the debate for a new logic for the interpretation and development of charisma.

So our agenda follows the logic that in order to secure long-term success as an organization, the cultural dilemmas between the various stakeholders need to be reconciled. Since essentially charisma can be defined as combining values that are not easily joined, this process is essentially created by and leads to innovation. It is the charismatic capability of such individuals, from process to product, from R&D to HR that will make an organization sustainable.

And so, ultimately, charismatic leadership is about celebrating the extremes of opposites and combining them to provide solutions that secure the benefits of both.

Individuals who can combine such opposites are truly charismatic, and not those desperate A-list individuals you might see in their Kirlian photograph.

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Trilogue Salzburg

Surrounded by the stimulating atmosphere of the Salzburg Festival, the Trilogue Salzburg convenes leading thinkers, decision-makers and renowned personalities from the arts, civil society, business and politics to engage in crosscutting, inter-cultural and future-oriented debate at a roundtable. The Trilogue Salzburg was originally initiated by Dr. Wolfgang Schüssel, member of the Bertelsmann Stiftung Supervisory Board and former Austrian Chancellor. The 2015 Trilogue focuses on the question of what leadership means for governance, social cohesion, cultural tolerance, innovation and competitiveness.

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