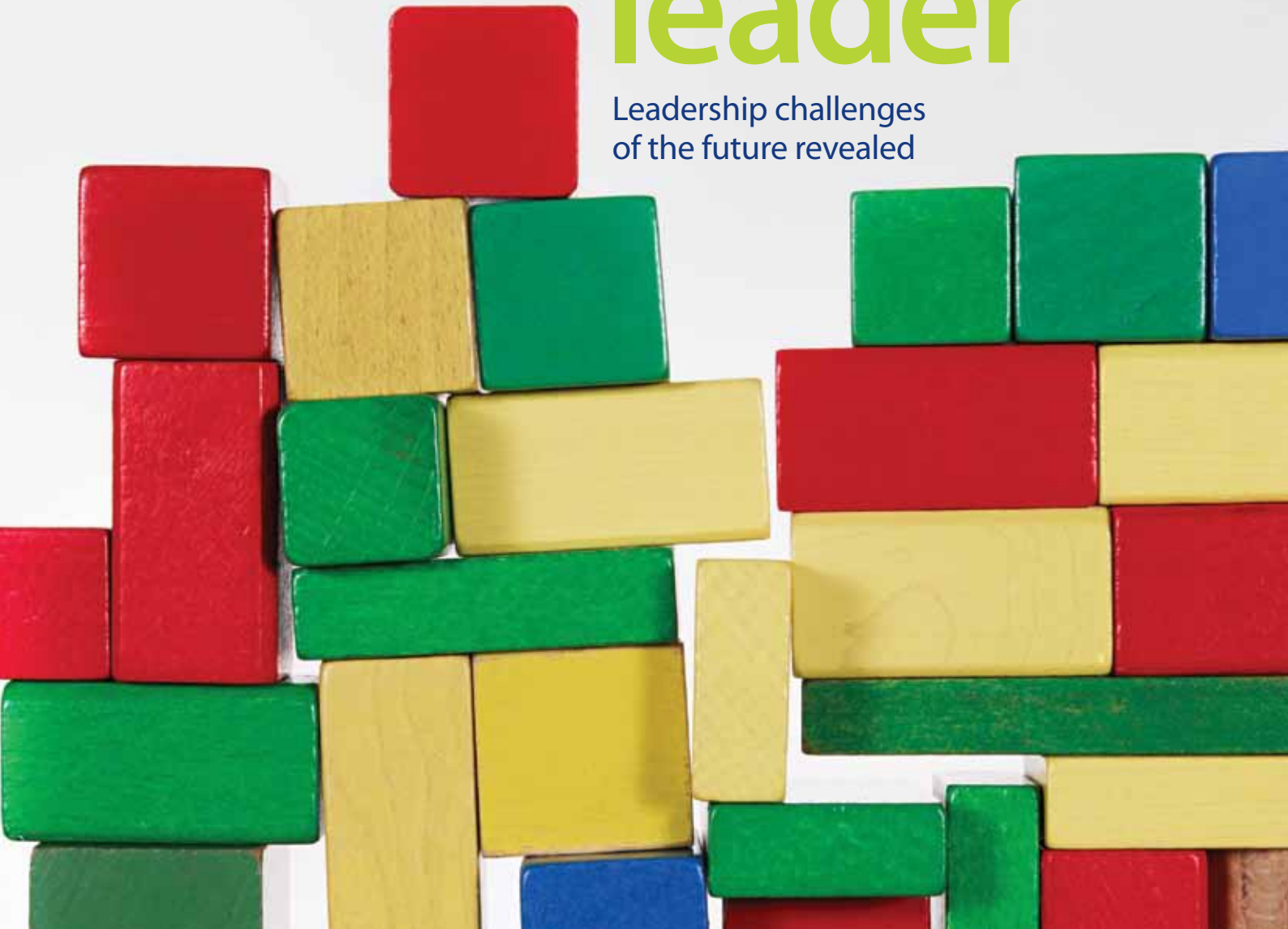


# Building the new leader

Leadership challenges  
of the future revealed



According to Hay Group's Leadership 2030 research the leaders of the future will need a host of new skills and competencies if they are to succeed >>



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## Introduction

*Leaders of the future will need to be adept conceptual and strategic thinkers, have deep integrity and intellectual openness, find new ways to create loyalty, lead increasingly diverse and independent teams over which they may not always have direct authority, and relinquish their own power in favor of collaborative approaches inside and outside the organization.*

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Megatrends are long-term processes of transformation on a global scale with a broad scope and dramatic impact

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To successfully develop this combination of skills and qualities – and adopt what is, in effect, a ‘post-heroic’ leadership style – they may need to abandon much of the thinking and behavior that propelled them to the top of their organizations in the first place.

But if they want their businesses to survive and thrive over the next two decades they have no choice. Unless they dramatically change their leadership style, starting from today, their organizations will lose out in the race for innovation, the march to globalization and the war for talent. They will be, quite simply, unsustainable.

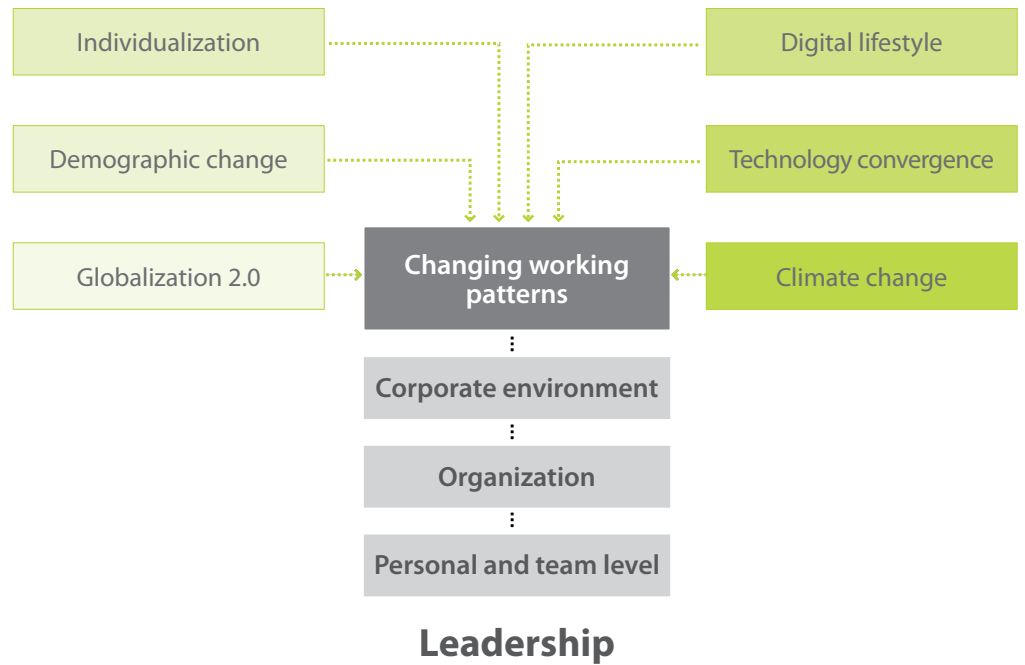
This is the conclusion Hay Group has reached after working with Germany-based foresight company Z-Punkt to identify the megatrends they believe will affect organizations and their leaders profoundly over the coming decades and analyzing the implications of each at a corporate, organizational, team and individual level.

Megatrends are long-term processes of transformation on a global scale with a broad scope and dramatic impact. They can be observed over decades and can be projected with a high degree of probability at least 15 years into the future. They affect all regions and stakeholders, including governments, businesses and individuals. And they transform economies, societies and policies at a fundamental level.

The six megatrends Hay Group singled out are:

- 1 Accelerating globalization (‘globalization 2.0’)
- 2 Climate change, its environmental impact and scarcity of resources
- 3 Demographic change
- 4 Individualization and values pluralism
- 5 Increasingly digital lifestyles
- 6 Technology convergence.

Several of these have already been researched intensively. But they have not, until now, been researched in the context of leadership. Nor have these six particular megatrends ever been investigated in one single piece of research.



Organizations will have to radically adapt their cultures, structures, systems and processes in order to survive the new world order – and managing in matrix structures, where information flows around the organization and around the globe in a way that renders traditional hierarchies and reporting lines redundant, is one of the biggest challenges. Leaders will have

to manage through influence rather than authority, which may not come easily to many. Indeed, the demands the dramatically changing business climate will have on leaders at a cognitive, emotional and behavioral level will be unprecedented. We summarize the megatrends, and their organizational and leadership implications, on the following pages.



“ Leaders will have to be multilingual, flexible, internationally mobile and adaptable. But, most crucial of all, they must be highly collaborative and have strong conceptual and strategic thinking skills ”

# 1 The global balance of power is shifting

*Increasing globalization is a given, with international competition likely to grow fiercer and markets even more diversified.*

Yet the nature of globalization is changing (hence the term ‘globalization 2.0’), largely due to a shift in the global balance of power to Asia and to the rise of a global middle class. Asian management practices and models will become more influential; emerging nations are increasingly trading between themselves; and, despite the rise of a global middle class, regional markets are behaving more idiosyncratically, with local ‘re-regionalization’ a feature of the new world order. What’s more, the global business world is getting riskier: greater interconnectedness creates greater volatility, making financial crises, pandemics and cyber-terrorism increasingly likely.

While globalization is unstoppable, therefore, its progress won’t be smooth. Organizations need to be aware of and sensitive to the changing political and economic sensibilities in different countries – particularly emerging and developing economies – which could reduce global interdependence and accessibility, at least in the short term. What’s more, while consumption patterns among the new middle classes are converging, the values of those in emerging nations may differ widely from those in the West.

In practical terms, this means that international companies need to adapt their global strategies for local markets – a process that will be helped by fostering local participation in decision-

making, having more culturally-diverse leadership teams and encouraging more cross-country and cross-functional collaboration. They will also need to be more agile, as the best global companies operate like a flattened matrix, where information and authority flow in all directions.

The strategic thinking and cognitive skills leaders will need to navigate this new world order are unprecedented. Good implementation and execution are no longer enough – if, indeed, they ever were. Also, the task is so enormous that it is beyond the power of one single individual to accomplish, making collaboration among a range of different people essential even at the stage of conceptualizing challenges. What globalization 2.0 makes abundantly clear is that the days of one or two ‘heroes’ at the top of organizations dictating strategy are well and truly over.

So, as well as being multilingual, flexible, internationally mobile and adaptable, and culturally sensitive, leaders will also have to be collaborative and good conceptual and contextual thinkers. Additionally, they will need the ability to lead diverse teams over which they may have no direct authority and to find new ways of engendering personal loyalty in an environment where the old loyalties between employer and employee are declining due to the distance between them.

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## Food for thought

In the West the number of jobs is falling; in the East leaders are having to learn how to manage in new markets as Eastern companies expand westward. How is accelerating globalization affecting your home market? How are government, your company and you personally responding?

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## 2 Climate change and scarcity of resources is a mounting problem

*The problems caused by rising CO<sub>2</sub> emissions and temperatures will be aggravated by growing industrial and residential waste in emerging and developing countries.*

Meanwhile, the growing scarcity of strategic resources such as water, minerals, metals and fossil fuels will cause price hikes and could trigger regional and global conflicts. Greater environmental responsibility and accountability will be the inevitable corollary and investment in clean technology will rise.

Clearly, organizations that lower their eco-footprint will see direct benefits to their performance, bottom line and competitiveness, so restructuring along sustainable lines has become a strategic imperative. There will also need to be greater collaboration between organizations to find solutions to environmental problems.

And firms must accept rising costs – both in terms of raw materials and more environmentally sustainable processes – as part of their license to operate.

Leaders will need outstanding cognitive skills to balance the competing demands of financial success, social responsibility and environmental custodianship. They must also act as change agents, advocating environmentally responsible business practice within and outside the organization, and forging new levels of intra-and inter-company collaboration in order to encourage team, rather than individual, solutions.



### Food for thought

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How will climate change affect your organization in terms of the amount you will need to invest in employee benefit plans, health and safety and so on? And to what extent will reduced margins compromise your leaders' ability to deliver?

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### 3 The war for talent rages on

*The world population is growing and ageing, but there are demographic imbalances. In the industrial countries of the West and China, for instance, life expectancy is rising but populations are stagnating or declining, whereas populations in developing countries are booming.*

Industrial countries will suffer skills shortages and pressure on the welfare system, and migration will increase – not just from the more to the least populous countries, but also as a result of armed conflicts, disasters and environmental problems. However, the ‘brain drain’ will increasingly turn into a ‘brain cycle’ as growing numbers of migrants return home and use their new skills to accelerate local development. But talent will continue to be at a premium and retaining employees with key skills will be a challenge.

Indeed, for organizations this means that the ‘war for talent’ will continue to rage, with knock-on effects on their innovation capability. But they have an unprecedentedly diverse pool of potential employees to draw on, and will have to work hard to

attract, integrate and develop international migrants, older people, women and others with ‘caring’ responsibilities. This will mean introducing family-friendly and age-appropriate employment models, along with educational and development programs – not least those designed to transfer knowledge between different generations.

Leaders will need to understand, lead, integrate and motivate teams of increasingly diverse employees. Fostering inter-generational and inter-cultural teamwork is essential, as is finding ways to engender commitment and loyalty among people of different ages, from different cultures and with different values. Leaders will also have to adapt their organizations in order to encourage more women and other ‘minorities’ into leadership positions.

#### **Food for thought**

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Will ‘jobs’ as we currently understand them exist in the future? Or will we all be contractors? What’s more, neither the young nor their older colleagues are likely to be interested in working 12-hour days for very much longer

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## 4 Accommodating growing individualization

*Individualization is the growing freedom of choice expected by and granted to individuals within societies and communities.*

Careers play an increasingly important role in the quest for self-fulfillment and self-expression, a shift that is driving greater convergence between private and working lives and a desire by individuals to integrate personal and professional goals. Individualization has an enormous impact on employees' loyalty and motivation to perform, with 'soft factors' such as recognition, self-development, self-direction, values-driven engagement and work-life balance often taking precedence over traditional factors like pay and promotion.

Redesigning work processes to better suit individuals rather than the organization has now become de rigeur. This involves establishing conditions that promote independent work and time management, so allowing employees time for their personal projects. What's more, with creative output recognized as a main driver for economic success, a new 'creative class' is springing up – and, with longer education, career breaks, frequent job changes and even periods of unemployment, they don't necessarily fit

into the conventional leadership mold. Individualization leads to decentralized workplaces characterized by flatter, more flexible, structures, cross-functional project teams and higher turnover.

The post-heroic leader will need to balance the roles of boss, mediator and coach, allowing teams more freedom and autonomy while keeping them focused on objectives. They will also have to recalibrate their criteria for leadership and re-think their approach to loyalty and retention, fostering good individual relationships with current and former team members to avoid a domino-style disintegration should one person leave.

Leaders will have to work harder at generating personal loyalty, through accommodating employees' requirements, enabling self-directed ways of working and individualized leadership. Developing relationships beyond the direct work environment to reflect the continuing value to the organization of those who leave its formal employ will also be key. Departure no longer equates to 'disloyalty'.

### Food for thought

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How can we train leaders to 'zoom in' in order to understand the unique needs of their people while at the same time maintaining the appropriate 'social distance'? Will we have to separate the role of leader (collaborator, talent finder, coach) from that of manager (task driver, performance manager, salary provider)?

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## 5 Embracing the digital natives

*New media will continue to blur the boundaries between private and working lives.*

Individuals are 'always on', more and more business is conducted 'virtually', and power is shifting to employees – particularly the rising class of digital knowledge workers, who can work anywhere and forge large numbers of loose digital connections with both personal and business contacts.

Digital knowledge is fast becoming the powerhouse of the global economy, its instantaneous exchange facilitated by the internet. Digital tools offer cheap, easy and fast communication, co-operation, organization and production, and workplaces are no longer tied to bricks and mortar locations.

Leaders must embrace the creativity, curiosity, and open minds of 'digital natives', but offer frameworks and guidance where needed. They must also foster collaboration and knowledge exchange between them and older workers to bridge the information gap. At first glance, the digital natives' mastery of technology might appear to better qualify them to lead than their

seniors. However, while technological prowess can aid innovation, digital natives' over-reliance on technology and their lack of social skills equip them poorly for leadership roles.

Leaders will have to learn to lead remotely, but must guard against relying purely on virtual communication. Combining virtual and face-to-face contact is important for both effective decision-making and fostering motivation and loyalty.

In an increasingly digitized world, power shifts towards the digital natives, who are able to share information – positive and negative – instantly with a global audience via the internet. This makes integrity and sincerity of paramount importance in organizations. As such, leaders have to provide 'digital wisdom' – clear, transparent and practical guidance to using new digital technologies – as well as role-modeling and fostering high levels of openness, integrity and sincerity to preserve corporate reputation in a more transparent world.

### Food for thought

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If you find and keep digital natives who work from home, will that put you ahead of the curve in terms of reducing travel costs and office overheads and, in turn, reducing your environmental footprint?

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## 6 Harnessing technology to innovate

*Miniaturization and virtualization will drive the convergence between nano-, bio- and information technologies and cognitive sciences, spurring innovation and accelerating research and development in many fields.*

'NBIC' technologies are already driving rapid advances in medicine, energy, environmental protection and production processes, and their potential for transforming other areas is huge.

Actionable knowledge of complex technologies will become a key business competence, even in non-technological fields. But the complexity of NBIC makes inter-corporate knowledge exchange vital, and 'business mash-ups' (collaborations and cross-sector partnerships) will become more common. Adaptation will become critical for survival, and willingness to integrate other players in corporate endeavors will lead to more open structures and de-compartmentalized organizations.

Despite their lack of detailed knowledge, leaders must be open to – and advocates of – visionary ideas. They must encourage innovation and collaboration and act as orchestrators of expertise from within and outside the organization in order to harness the potential of converging technologies. Helping to counter doubts about these new technologies, the acceptance of which will determine the success or failure of innovations and new products, is crucial. Leaders may not be experts themselves, but they must know enough to keep projects focused and to hold the ring between the competing views of different team members. In so doing, they will have to work through informal influence across functional and organizational boundaries.

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### Food for thought

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Are you and your organization open to new ideas, or do you tend to reject them because you are conditioned by received wisdom? Do you adhere to 'best practices' or do you think more laterally about 'next practices'?

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“ Actionable knowledge of complex technologies will become a key business competence ”



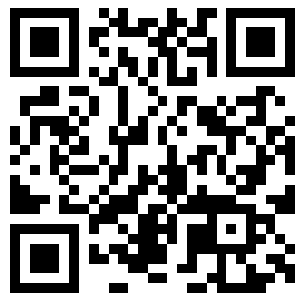
## Conclusion

*Organizations and their leaders face a tough, but not insurmountable, challenge, as those companies already adapting or preparing to adapt to the new world order demonstrate. And, as ever, the 'Best Companies for Leadership' are in the vanguard of post-heroic leadership approaches.*

For example, the Top 20 are looking everywhere for leadership, innovation and ideas – not just up the hierarchy. They are becoming more effective by ensuring the diversity of their leaders and workforces reflects the growing diversity in their markets. And they are improving their cross-cultural leadership and collaboration accordingly. They are also more socially and environmentally responsible than their peers,

and ensure their employees are able to strike a good balance between work and the rest of their lives.

But even their journey has just begun. Adapting to a world being rapidly reshaped by these six megatrends is like entering uncharted territory. But organizations have to push on: there is no alternative. Old structures and leadership styles just won't cut it any longer.



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### **New leadership competencies**

The new business world order will challenge leaders on three levels: cognitive, emotional and behavioral.

#### **Cognitive**

Leaders need new forms of contextual awareness, based on strong conceptual and strategic thinking capabilities.

They need to be able to conceptualize change in an unprecedented way, again based on conceptual and strategic thinking.

Leaders need to exhibit new forms of intellectual openness and curiosity.

#### **Emotional**

Overall, leaders will need to be much more sensitive to different cultures, generations and genders.

They will need to demonstrate higher levels of integrity and sincerity and adopt a more ethical approach to doing business.

They must also tolerate far higher levels of ambiguity.

#### **Behavioral**

Leaders must create a culture of trust and openness.

As post-heroic leaders they must rethink old concepts such as loyalty and retention and personally create loyalty.

Collaboration – cross-generational, cross-functional and cross-company – will be their watchword.

They must lead increasingly diverse teams.

#### Africa

Cape Town  
Johannesburg  
Pretoria

#### Asia

Bangkok  
Beijing  
Hong Kong  
Ho Chi Minh City  
Jakarta  
Kuala Lumpur  
Mumbai  
New Delhi  
Seoul  
Shanghai  
Shenzhen  
Singapore  
Tokyo

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Birmingham  
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Brussels  
Bucharest  
Budapest  
Dublin

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Milan  
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Stockholm  
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Vienna  
Vilnius  
Warsaw  
Zeist  
Zurich

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Lima  
Mexico City  
San José  
Santiago  
São Paulo

#### Middle East

Dubai  
Riyadh  
Tel Aviv

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Calgary  
Chicago  
Dallas  
Edmonton  
Halifax  
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Montreal  
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Ottawa  
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Regina  
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Toronto  
Vancouver  
Washington DC Metro

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Brisbane  
Melbourne  
Perth  
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