



TRANSFORMING THE WAY WE LEAD

Leaders need to be able to transform their organisations if they are to be sustainable in today's volatile and ambiguous world, says John Clements. But what does it take to be a transformational leader?

The call for transformational leadership has increased significantly in recent times. Is this just a new fashion or is there substance behind the label?

This article proposes there is a war for transformational leadership more pressing than is currently recognised. The many opposing tensions and changing structures organisations are facing bring with them greater risks and fresh opportunities. Are you and your team well positioned?

It is common knowledge that there are several drivers confronting leaders and organisations that are challenging many existing business models. There are too many indicators to mention—some objective, others less so—but there is a clear cut agreement we are living in a disruptive, volatile environment.

We live, lead and work in an era of contradictory forces. The waves of change sweeping the world—including digitalisation, globalisation, demographic shifts, migration and the rapid degradation of social and natural capital—are creating opposing tensions. And there are others tensions such as changing reporting standards and compliance standards adding to an overwhelming wave of complexity.

These waves of change have been evident for some time, albeit the tensions are increasing exponentially. In addition, in recent years there have been huge discontinuities in markets and social structures. These challenge leaders as they focus on sustainable value creation. Numerous dilemmas and trade-offs confront them as they navigate through these disruptions.

Strong leaders recognise that they must transform organisations to meet these new realities. It is a bit like changing the wings of an aircraft at 30,000m without losing a passenger. In fact, it is more complex than that. It entails keeping the passengers happy, not polluting the environment and ensuring there is adequate diversity on board as well. It is a tall ask.

Organisation leaders need to transform their companies to meet the new world in this volatile and ambiguous environment, recognising that the rate of change will most likely accelerate rather than slow down.

In simple terms, transformational leadership is the ability to transform organisations to be sustainable in an undefined unfamiliar environment and take people with them on the journey while delivering the short-term results expected by shareholders.

Leaders have to identify the underlying patterns and trust their judgement on a future outcome, and then convince people to follow. And as can be seen from the findings of the Royal Commission into Banking in Australia, this has to be achieved and delivered in an ethical manner.

Given these challenges, what makes up a transformational leader? Let me start by saying that leadership is the most well researched, well documented topic so more will be left out of this article than included.

Gillian Stamp refers to the leadership jigsaw, which identifies a number of qualities attached to leadership (*The Leadership Jigsaw*, Connor and McKenzie). This is shown in the diagram on page 22.

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The core to the model is capability and judgement. It is an area of leadership that is emerging as the ability to cope with the complexity described above. Many leaders are highly motivated, well qualified and have a high degree of technical knowledge (or horizontal learning). This intellectual knowledge informs their philosophy of management and leadership. But when it moves from words to action, there is often a gap.

Canadian psychoanalyst and management consultant Elliott Jacques developed the requisite organisation framework where he addressed levels of work (complexity), capacity to handle complexity and decision making.

Development psychologists have identified it is a person's *action logic* that determines their leadership capability and judgement. How, for example, do they interpret their surroundings and react when their safety is threatened? Are they defensive (aggressive or passive) or constructive? Do they seek and listen to feedback or shut it down?

And right now, because of the disruptive change affecting business, the safety of both leaders and the organisation is threatened.

If one looks at the statistics,

it is a telling story of a war for transformational leadership talent (see table). While the results from William Torbert and David Rooke (*Seven Transformations of Leadership*, 2005) and Human Synergistics' Shaun McCarthy (unpublished paper, 2014) have different research approaches, the statistics show a similarity and a strong bias towards earlier order conventional/expert thinking. They reflect passive defensive or aggressive defensive styles.

Just 15 percent of leaders and managers from this combined sample of over 10,000 showed a consistent capability to innovate and transform their organisations. It should be noted, too, that this is a biased sample of organisations undertaking some form of leadership development, rather than all organisations.

The lack of transformational leadership talent has significant impact on organisation problem solving and decision-making. Many New Zealand and Australia entrepreneurs spring from a technical perspective that has given them the insight into their business idea. They believe in their idea absolutely. This stance is invaluable in the initial stages of the business, but limits growth as

innovative ideas are shut down. We need experts in all disciplines to develop depth within their expertise.

Some specialists grow and get out of flow with their current work, which leaves them frustrated. I often wonder whether this contributes to the recognised problem of suicides amongst doctors and dentists. I interviewed a senior specialist who was president of a national organisation. While he enjoyed the scale, global thinking, and networking, he described his daily work as boring and found himself in the inverse of the Peter Principle, where people are promoted to roles beyond their capability.

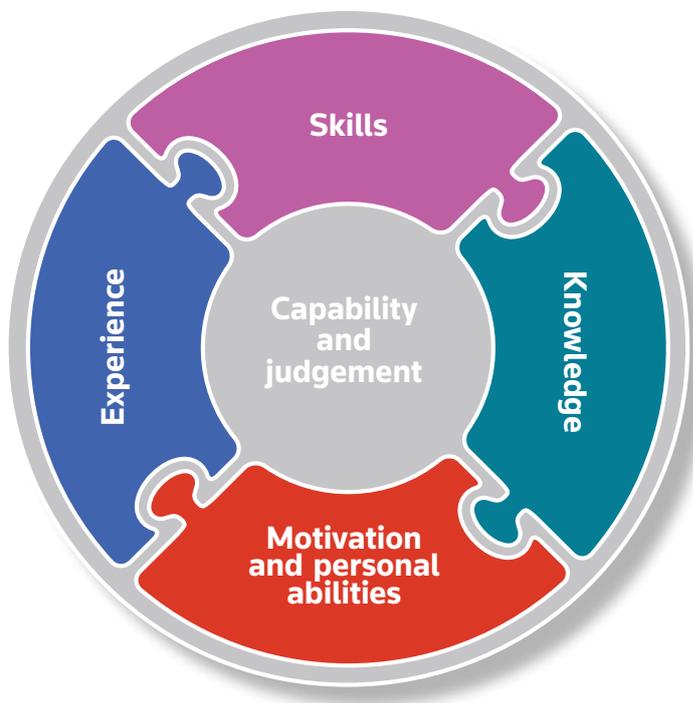
In larger companies, this may play out in a number of ways. The conventional thinker will reduce any strategic discussion to their level of understanding, dismissing divergent views or reacting defensively and thus limiting the growth of the organisation.

This is typical of opportunistic, diplomatic and expert action logics. It will have a significant impact on costs, market and morale as well as on the wellbeing of the individual who will feel stressed. These leaders are uncomfortable with feedback and diversity so respond in this manner—which is toxic at all levels of an organisation.

This is particularly true when there is disruptive change and ambiguity and leaders find themselves in over their head. Leaders have a responsibility to make decisions that reflect an informed understanding of the future and how that future will affect the business, the people and the communities they serve. Research indicates these early stage leaders are ill equipped for transformational change, even though they have significant skills and experience.

Where the entrepreneurial organisation has achiever thinking, it is dynamic, time poor and energised, but conventional. It believes in the 'rightness' of its organisational model. When outside ideas are suggested these are often rejected—one suspects some of this action logic infected Nokia when Apple introduced its iPhone.

THE LEADERSHIP JIGSAW



The later stages outlined in the table have a broader view and engage in integrative thinking and transformational leadership—Level 5+ Leadership. The leaders have the capability to have a broader view. The organisations are also great places to work. These later action logics are crucial at board and senior management levels.

The case study on Warren Buffett's evolution provides insight into this phenomenon (if interested, contact me for more). It is also relevant to design thinking, continuous improvement and employee engagement strategies.

The statistics in the table indicate more work is needed to develop later action logics.

Many of you will be reaching for the latest executive development programmes. Development can be described as occurring in two directions—horizontal and vertical. These directions intertwine, with each informing the other, but in general terms horizontal development enables us to become more skilful and adept at things we already do with a skills and knowledge focus.

Vertical development enhances our capability to employ skills, make a richer and deeper meaning of our learning and express our personality. It is the evolution of consciousness. Vertical development helps with joining the dots and having a more diverse understanding of the dynamics at play. Vertical development aligns more with capability, horizontal development is more about competency.

Vertical and horizontal development need to occur, but traditionally organisations have tended to focus too strongly on horizontal development and not enough in vertical as can be seen in the statistics outlined in the table. This has led to the limited availability of transformational leaders at a time when we need them most.

Leaders benefit from an approach that connects both vertical and horizontal learning and, in this way, increasing our capacity to respond generatively and effectively to modern, complex dilemmas. We do this

THE WAR FOR TRANSFORMATIONAL LEADERSHIP

Transforming Leaders – Torbert (2005)	n – 4510	Conscious Leadership – McCarthy (2014)	n – 6538	Jacques' levels of work	
Alchemist	1%	Total visioning	7%	Corporate vrescience	Transformational leadership
Transforming	5%			Corporate citizenship	
Redefining	10%	Proactive visioning	7%	Strategic intent	
Achiever	30%	Strategic visioning	15%	Strategic	Transition zone
Expert	38%	Conventional visioning	25%	Practice	Conventional leadership
Diplomat	12%	Blinkered visioning	45%	Service	
Opportunist	5%	Myopic visioning	1%	Quality	

through enhancing our later action logic—systems awareness, integrative thinking, collaborative relationships and diverse networks as examples.

What can organisations do to develop transformational leaders? Here are a few ideas:

1. Employ a human resources professional who is a business partner and understands the challenges and strategic intent of the business and business challenges. They need to be in sync with the board and chief executive and have an action logic to support the CEO.
2. Pay attention to vertical learning as much as horizontal learning. Greater functional knowledge does not necessarily provide self-insight and understanding. Vertical knowledge is about understanding one's assumption, inferences and stance so one can manage these. This provides more insights into the problems and creative problem solutions.
3. Ensure you understand yourself and your own action logic. Seek deeper understanding of self and be open to feedback. Also understand the action logic of those around the meeting table to maximise suggestions/decisions.
4. Engage in programmes designed to develop insights into ones assumptions and how they inform or constrain decision-making. Apply decision-making frameworks that draw out assumptions and allow reflection on decision-making processes.
5. Form an executive circle and peer-to-peer mentoring to challenge each other's assumptions and practices and those of the company/industry in a supportive, trusting non-judgemental environment.
6. Take up meditation or reflection diary writing to gain deeper insight into your own thinking—and question your responses.
7. Apply the Immunity to Change framework developed by Kegan and Lahey and use this as a reflective tool.

As Proust says: "The real voyage of discovery consists, not in seeking new landscapes, but in having new eyes." **ET**



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