



Charlotte Shileyi Dürig, age 7

1 VUCA AWAKENING

Global trends and what they mean for you and your organization.

We live in a VUCA world, one marked by volatility, uncertainty, complexity and ambiguity. But, what are the implications of this? How can you lead strategically in the midst of so much change and turmoil?



Tom Malnight



Tracey Keys

Is the world in an unprecedented state of turmoil? Every age has seen rapid change and if you had asked a Greek philosopher the same question more than two thousand years ago, he might have said: "Nothing endures but change."¹ So why do we think the scale of change is any different now? Why do we feel we are on a merry-go-round turning faster and faster, as the shapes of our world blur and our ability to perceive the future recedes?

Let's start with what George Soros, the global financier, wrote in January 2008 on the ongoing financial crisis: "The current crisis marks the end of an era of credit expansion based on the dollar as the international reserve currency. [...] The current financial crisis is less likely to cause a global recession than a radical realignment of the global economy, with a relative decline of the US and the rise of China and other countries in the developing world."² The topic of the article may have been the financial crisis, but Soros highlights one of the reasons we feel today's world is moving beyond our ability to impose shape and order on it: The shift in relative power – economic and geopolitical – between markets and nations.

Peter Drucker, the management expert, adds a further dimension: "In a few hundred years, it is likely that the most important event historians will see is not technology, not the Internet, not e-commerce. It is an unprecedented change in the human condition. For the first time – literally – substantial and rapidly growing numbers of people have choices. For the first time, they will have to manage themselves. And society is totally unprepared for it."³ The empowerment and, in many rapidly developing countries, the increasing affluence, of previously disenfranchised populations is also radically shifting power. Despite the fact that nation states have been reasserting themselves in recent years – for example through state-owned corporations and investment funds – they no longer have the degree of control over their people that they had in decades past. People around the globe, even at the lowest income levels, have more information and more choices than ever before.

The rising power of both developing economies and consumers are just two of the profound shifts playing out in the increasingly tangled web of relationships in which we live and work. In addition to these shifts, we are also seeing

massive advances in the global dissemination of information, knowledge and technology, plus developing crises around natural resources.

Changing change

So is change today different from previous eras of history? We would argue yes. The sheer level of complexity across our network, which increasingly is globally connected, and the many simultaneous shifts in relationships and power, mean the direction of the future cannot be defined simply or clearly. Simple extrapolation does not work, as each change connects to other changes, with amplifying ripple effects. It is simply not possible to predict the future with any accuracy.

But, as a business leader, it is critical to be aware of, understand and continually consider the broad directions of change if you are to build a sustainable organization, not just one that maximizes short-term profits for shareholders. Data and analysis are of no value unless you can make sense of what the trends mean for you and your business.

What is changing?

This year at OWP, we highlighted 12 trends representing areas in which we see major changes occurring that impact the world in which we work – and live. Why? Global trends are by definition long term, but they do evolve – and interact – year after year. Aspects of trends that may have been "fuzzy" are becoming clearer and new issues are emerging. **Figure 1.1** offers an overview of how we have changed the scope of our coverage of global trends from 2007 to 2008.

Global trend headlines 2008

So what do we see as the key forces shaping our world? Here is our interpretation of the headlines, which you will see echoed in other chapters of this book:

- **Shifting economic power:** The focus of economic power is shifting to BRIC (Brazil, Russia, India, China) and other parts of Asia in terms of investment and output, away from the outdated "triad" (US, Europe, Japan) markets of the 1980s and 1990s. The question is how strong

are BRIC markets and BRIC competitors going to be in driving global growth and what will be the role of the triad markets and competitors?

- **Shifting market landscape:** While developed countries will remain the largest consumer and industrial markets, the rise of a massive global “middle class” in rapidly developing economies (RDEs) will shift the demand landscape radically. The competition for these consumers will be intense, but which competitors will succeed? What will it take to serve these growing lower income consumer groups not just in developing markets, but also in developed markets?

- **Changing geopolitical and security landscape:** Globalization is driving new dimensions of power beyond military might, including financial and economic power and control over critical resources and technology. But the new global landscape is not stable: Risks and nationalism are rising and trust in institutions is falling.

- **Fracturing global social fabric:** Globally, the population is becoming older, more urban, more Asian and more mobile. At the same time, traditional social structures are fragmenting, shifting notions of personal identity. With demands for greater inclusion by previously isolated segments of society, divides – and the associated

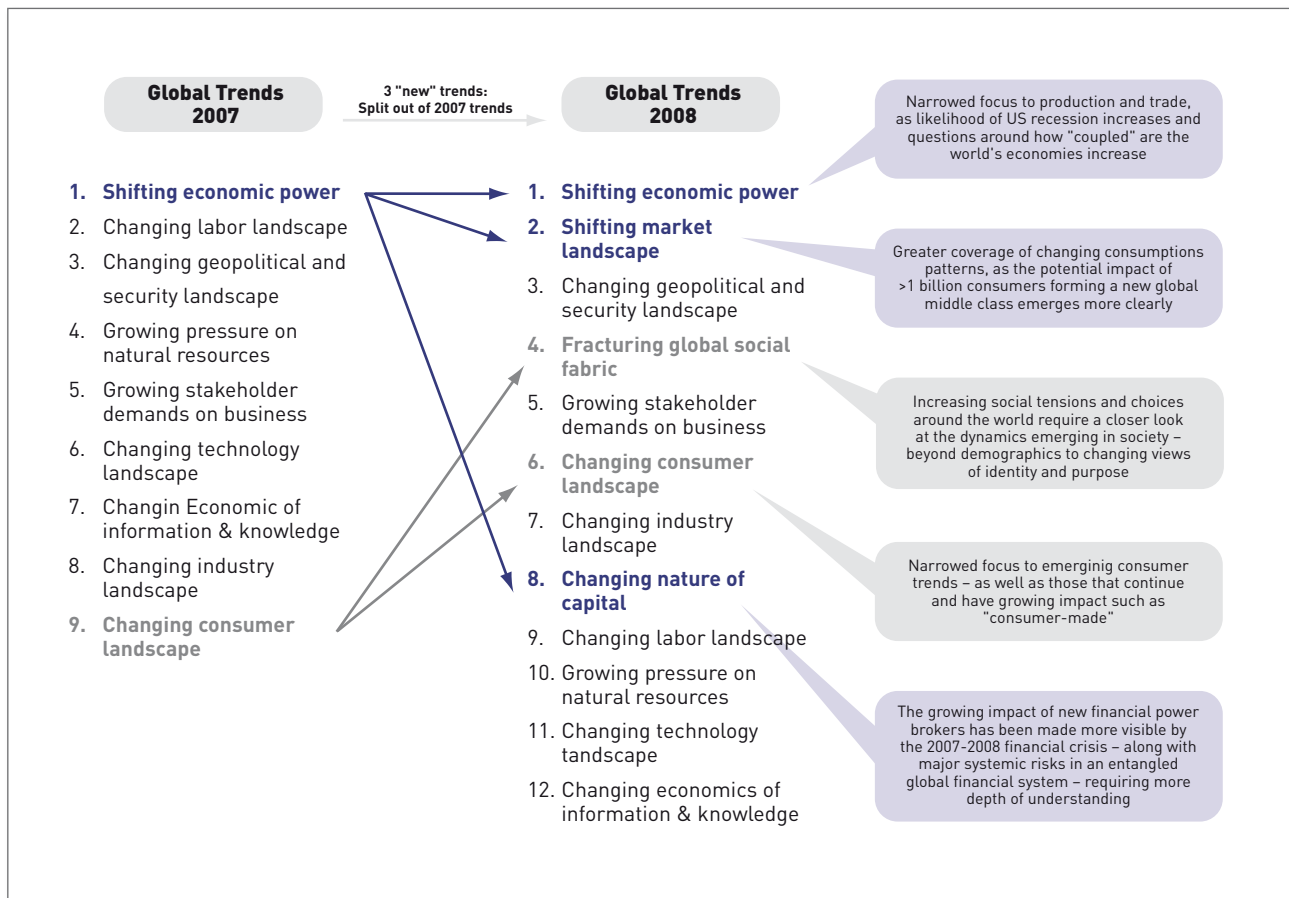


Figure 1.1 | Overview of Changes in Scope of Global Trends 2007 to 2008

tensions – are increasing. How will emerging “communities of choice” impact traditional social structures?

- **Growing stakeholder demands on business:** More stakeholders – public and private – are actively demanding transparency and accountability from business. Corporations are often seen as part of society’s problems. Can they also become critical contributors to required solutions through focusing on longer-term stakeholder interests as they create sustainable institutions?
- **Changing consumer landscape:** In more diverse and mobile societies and economies, new consumer groups are emerging. Consumer segmentation now requires a new lens, as new similarities and differences emerge. Consumers increasingly demand more involvement in and customization of consumption experiences. For example, generation “C” (for content) has a growing voice. What role will increasingly knowledgeable and active consumers play in our businesses in the future – as resources and as markets?
- **Changing industry landscape:** Business models must become more flexible – it is no longer an option. Power is shifting along the value chain. Competition is occurring within and increasingly across traditional industries. The focus of competition on creating and capturing value – and profits – is intensifying. Flexibility and innovation are critical to avoid being stuck in the middle.
- **Changing nature of capital:** Global financial flows are accelerating, with Asia and the Middle East increasingly funding the deficit spending of the US and, partly, Europe. New power brokers – emerging economy central banks, sovereign wealth funds, private equity and hedge funds – are emerging, reshaping market dynamics and potentially raising tensions.
- **Changing labor landscape:** A raging global war for talent for both skilled and “low cost” jobs is increasing. Asia is becoming increasingly important for all types of skills. How many firms today are building or expanding R&D and high technology operations from their home markets to China and India? What will be the longer-term implications of the movement of highly skilled activities to new markets?

- **Growing pressure on natural resources:** Basic resources are under threat, including water, energy, food and forests – threats exacerbated by climate change. Consumption of critical resources is already exceeding the rate at which the planet can renew them, and the situation will worsen as consumption increases globally. Public and institutional activism is rising, demanding action.
- **Changing technology landscape:** A global technology revolution is gaining pace, crossing national borders and scientific disciplines. New technologies, including biotechnology, nanotechnology and more, will reshape industries and our daily lives.
- **Changing economics of information and knowledge:** Exploding connectivity and channels for information are making knowledge creation a global imperative. Networking is critical! Gaining an advantage in and protecting knowledge is difficult to achieve – and more difficult to sustain.

Your views: Global trends survey results 2008

So how are these global trends impacting your business today? This year, as last year, we surveyed a diverse group of 241 senior executives on that very question during IMD’s OWP program in June. We also asked them if they were taking action to deal with those trends affecting their businesses.

The key trends impacting businesses today are “changing industry and labor landscapes” and “changing economics of information and knowledge,” each rated as having a significant impact* on their business by just over one-third of respondents. The trend perceived as having the least impact today was “fracturing global social fabric.” However, the perceived difference in impact between trends was relatively small. Eleven of the twelve trends scored between 2.4 and 3.2, suggesting that the trends are not currently having a dramatic impact on organizations – a fairly neutral response given the significant global issues of the last year including the credit crisis, riots over escalating food prices, and presidential election processes in Russia and the US, which will influence the future direction of these major global players.

* A score of 4 or 5 on a scale of 1 to 5, where 1 = Little/no impact on your business and 5 = Dramatic impact

In 2007, we noted that if we looked five years ahead, the perceived impact of the trends – in terms of the number of participants noting a significant impact – doubled. This suggested that companies are not acting on this perceived

rise in change pressure today and begs the question: Are we putting action off until the pressures draw closer or the impact of the trends becomes more certain? The 2008 survey repeated this result, with in some cases the number of respondents indicating a significant impact rising three-fold or more (see **Figure 1.2**).

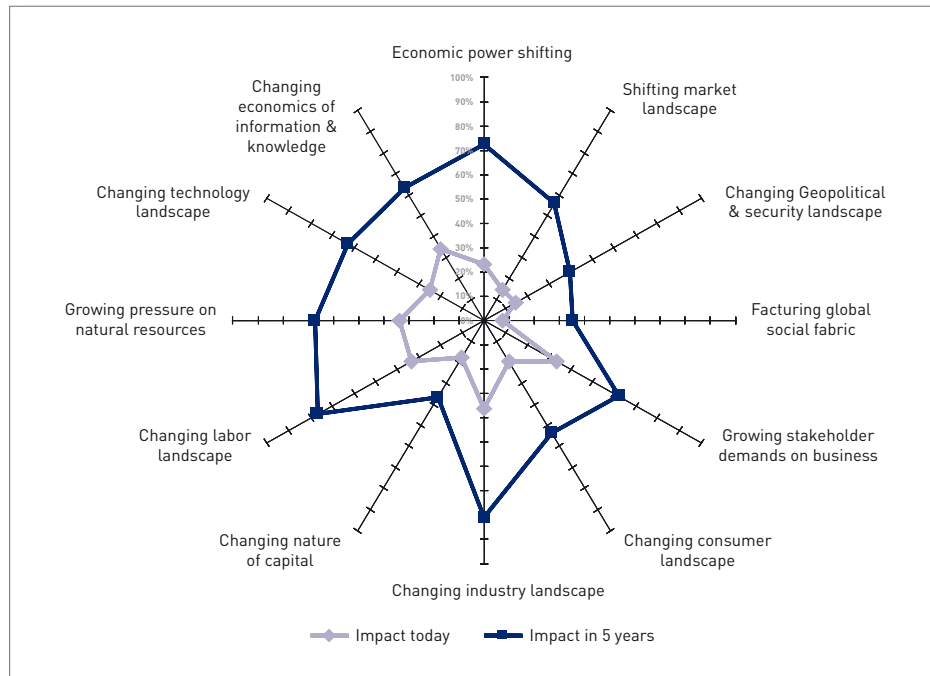


Figure 1.2 | Perceived Impact of Trends – Number of Respondents Perceiving a Significant Impact Today vs. in 5 Years

This year, to probe the 2007 – and now 2008 – results further we also asked: To what extent is this trend having a direct impact on your actions and decisions *today*? Average scores around 3 or lower suggest “not significantly.” Again, more participants are acting to deal with the opportunities and challenges posed by changing industry and labor dynamics, but only 49% and 45% of participants respectively said these trends were having a significant impact* on actions and decisions today (see **Table 1.1**).

* A score of 4 or 5 on a scale of 1 to 5, where 1 = Little/no impact on your business and 5 = Dramatic impact

Economic power shifting	42%	Changing industry landscape	49%
Market landscape shifting	31%	Changing nature of capital	21%
Changing geopolitical and security landscape	15%	Changing labor landscape	45%
Fracturing global social fabric	14%	Growing pressure on natural resources	40%
Growing stakeholder demands on business	40%	Changing technology landscape	37%
Changing consumer landscape	29%	Changing economics of information & knowledge	42%

Table 1.1 | Percentage of Respondents Indicating That a Trend Has a Significant Impact on Their Actions and Decisions Today

Does this mean executives are potentially ignoring future changes – or are they already well prepared? Or do they

believe that addressing issues arising from some trends, notably the changing nature of geopolitics, society and capital, is beyond their control?

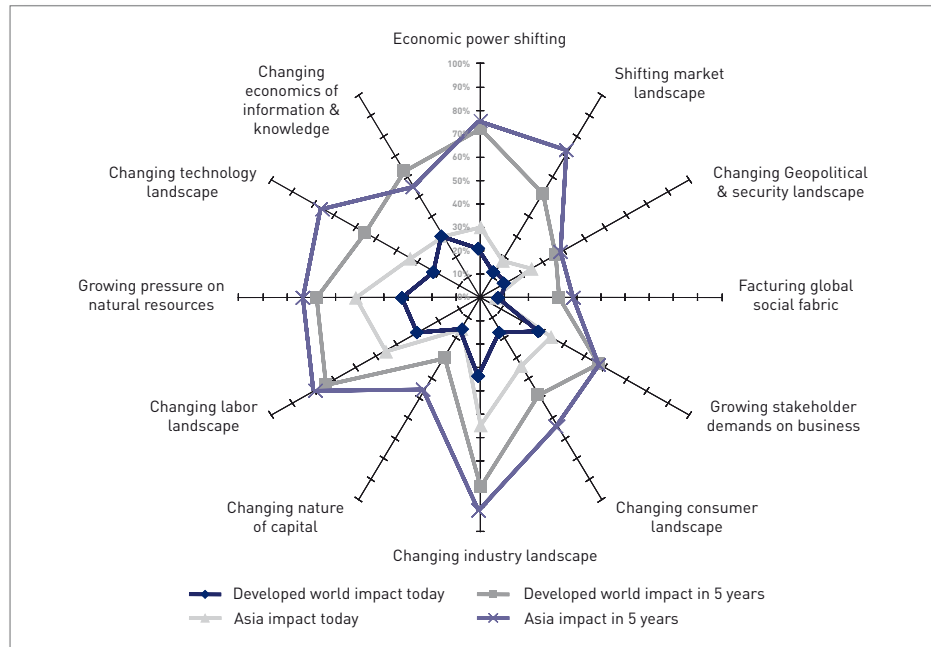


Figure 1.3 | Perceived Impact of Trends – Number of Respondents Perceiving a Significant Impact Today Versus in 5 Years: Views of Executives from the Developed World and Asia

The second key finding in the 2007 survey was: For every trend, both now and in the future, respondents from rapidly developing economies perceived a greater impact on their organizations than those from more developed regions. This year, we found the same difference in scores (see **Figure 1.3**).

Asian companies are also taking greater action on the majority of trends than their counterparts in the developed world.

The results in **Table 1.2** require us to repeat the wake-up call, particularly to executives in the developed world – you may be left behind by emerging global challengers.

	Developed World	Asia		Developed World	Asia
Economic power shifting	42%	56%	Changing industry landscape	47%	65%
Market landscape shifting	27%	44%	Changing nature of capital	17%	24%
Changing geopolitical and security landscape	12%	15%	Changing labor landscape	44%	50%
Fracturing global social fabric	13%	12%	Growing pressure on natural resources	39%	41%
Growing stakeholder demands on business	38%	32%	Changing technology landscape	30%	50%
Changing consumer landscape	26%	44%	Changing economics of information & knowledge	42%	32%

Table 1.2 | Percentage of Respondents Indicating That a Trend Has a Significant Impact on Their Actions and Decisions Today

The final finding we want to share here* is on how well companies are translating long-term trends into today's decision making. Last year we said: "The good news from our survey respondents is that they are actively building shared insights, defining implications for their organizations, creating options and taking decisions and actions. The bad news is that few organizations believe they are doing this particularly well – and it is in building shared insights that the respondents believe their organizations are weakest." Has this changed since last year? No – the effectiveness scores suggest executives perceive their organizations as neither effective nor ineffective in translating trends into decisions (see **Figure 1.4**). Moreover, it is still in building shared insights that participants feel their organizations are weakest. Again, we need to ask: Are we spending enough time reflecting on where we want to go? Or have we developed an attitude of "if we don't know, just keep busy doing?"

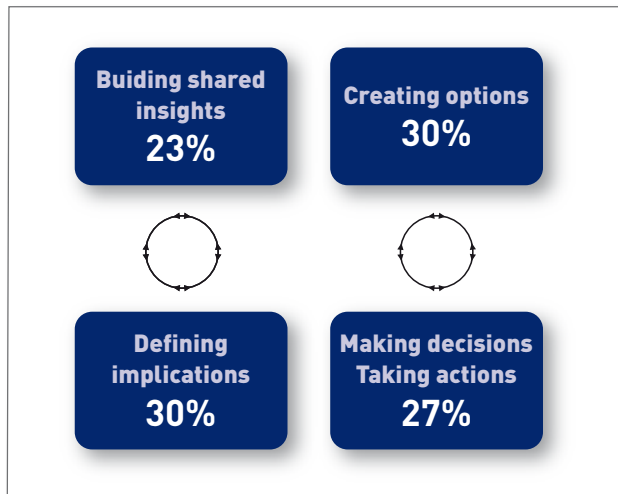


Figure 1.4 | Percentage of Respondents Indicating Their Organizations Are Effective or Very Effective at Each Stage of Translating Trends into Today's Decisions

The survey continues to reinforce the challenges facing executives in building a sustainable organization for the future. It is very hard to translate long-term global trends into today's decision making, to keep the pace of change in your organization as fast as – or faster than – the pace of change around you. But we can't wait. Actively taking the

time to reflect on the forces shaping the future and the implications for your organization is critical.

Ten implications for business

While we do not see businesses actively responding to the potential implications of global trends on their businesses, we do see important implications for business arising from these trends. This impact may come from single or multiple trends, but the chances are that the biggest challenges and opportunities for your business will result from the interaction of multiple trends. Looking across all the trends, we see some significant implications for businesses as they tackle the future:

1. Transparency

Transparency is inescapable, for better or worse. Ubiquitous information, mass and mobile connectivity, burgeoning e-commerce and content creation means we are all, individuals and organizations, ever more visible on a global scale – think Google, MySpace, YouTube, Bebo and more. Massive advances in data tracking allow organizations to analyze in minute detail behaviors, movements and needs not only of themselves but also of the smallest customer segments. Individuals and growing numbers of "communities of choice" have unprecedented power to make information visible to further their interests, e.g. whistleblowers on corporate scandals, music groups building markets virtually – or hackers aiming to cause disruption. It's harder to hide – and the first generation to grow up with the internet just might not want to. Privacy and intellectual property risks are growing, at the same time as the benefits of transparency are increasing, for example allowing us to create customized solutions for customers' needs, whether tangible or intangible. In this fishbowl, the challenge for business is to manage visibility actively, honestly and with awareness of the opportunities as well as the risks.

2. Thinking in the size of 1

Thinking in the size of 1 is increasingly possible and profitable. Technology advances are creating opportunities to rethink every aspect of life and business from the molecule up. Nanotechnology and advances in materials science

* We will be producing more detailed survey results in later publications.

are making available ever smaller and more customized solutions for applications such as delivery of medicines and manufacturing processes – could we one day see our own personal “nano-factories” capable of recycling objects we no longer need? At the same time, advances in information and communications technologies are making very broad ranges of products and services (the “long tail”) feasible for many industries, e.g. publishing or retailing. Thinking in the size of 1 opens the way to profitable mass customization as well as the potential for combining multiple “1s” to create new value propositions. The appeal of such flexibility for customers who increasingly want tailored solutions is enormous – the challenge will be to unlearn the ways we do business today which have been built around scale, standardization and the pursuit of efficiency.

3. Entangled networks

Entangled networks are replacing boundaries. Dense and far-reaching interrelationships raise effectiveness but also the chances of unexpected butterfly effects.* This new network of relationships opens the door to radically rethinking how we operate as individuals or businesses. Linear principles no longer apply – boundaries are blurring between producers and consumers, business and society, competitors and partners, our physical selves and our virtual avatars. Customer and consumer needs are being redefined to make sense of an increasingly complex world, e.g. affinity groups shifting from “traditional” social structures (family, religion) to communities of choice with shared needs and aspirations, from gardening hobbyists to terrorist cells. Flexibility and speed in reshaping the networks in which we operate to create new sources of value will be critical capabilities as the pace of change accelerates. We need to think more broadly about what is part of our organizations and our markets and what is not: Where do/should the boundaries end, not only today but also in the future?

4. Sustainability

Sustainability is harder to achieve in the face of rapid change and the diffusion of advantages. To succeed in building a sustainable organization – and to survive – we need to balance short-term and long-term perspectives. Increasing awareness among individuals, organizations and societies of common challenges, such as improving stewardship of natural resources or management of diseases, is fueling a growing emphasis on sustainability. But it’s about more than being “green” – it’s about balancing today’s pressures

with a longer view of our collective legacy to our families, companies and societies. Debates on sustainability are raging from the corridors of government power to the pages of internet blogs, but it is ever harder to achieve. Businesses and society’s institutions cannot rely on results today to sustain them in future. Radical changes in economic and industry landscapes will require equally radical changes in the way we cooperate and compete. The challenge is to reshape strategies, networks, relationships and organizations to deliver *both* short- and long-term objectives in an environment where today’s principles of management may simply no longer apply.

5. Mobility

The world is on the move. Where is your “real” office? Your home? Your markets? Your friends? You are probably spending more time than any generation before on the move, interacting with others via instant messaging, wireless hotspot, BlackBerry and so on. It is not just our behaviors that are changing as the tools we use become cheaper and more portable. People and organizations can change where they work and live more frequently and easily as immigration controls relax, outsourcing continues, urbanization increases and prices to leisure destinations fall – record oil prices notwithstanding. Trade in goods and services is increasing at twice the rate of gross domestic product (GDP) while information and knowledge are moving at ever-increasing velocities. In this mobile world, our view of time is shifting. We can access information and entertainment 24/7, from almost anywhere, but are “time poor” because we are always “on.” Our organizations can run 24/7 R&D operations, shifting projects to the next time zone to increase the speed of innovation. For the first truly digital generation, time and space exist within the frame of blurring virtual and physical worlds. For individuals and businesses, mobility will only increase – the question is how is it built into your business model or lifestyle?

6. Personal health and wealth

Myriad scientific advances in fields such as medicine, agriculture, nutrition, nanotechnology, materials and neuroscience, coupled with declining birth rates from Europe

* The term “butterfly effect” is related to the work of Edward Lorenz, based on chaos theory. It refers to a small change in the initial condition of the system, which causes a chain of events leading to large-scale alterations of events.

to China, mean that, on average, the human race is getting older and in many cases healthier. The declaration, "We can rebuild him. We have the technology." in the 1970s science fiction drama series *The Six Million Dollar Man* is no longer fantasy. The same advances are pushing the frontiers of fights against the world's biggest killer diseases – AIDS, diabetes, malaria, and tuberculosis – especially in, but not restricted to, developing countries. Despite such progress, a world of high speed and limitless choice can be bewildering and frightening – and we often lack the social and economic "guides" of our predecessors. Trust in the institutions that have served this role in the past is falling dramatically, while social structures, such as families and local communities, are becoming more fragmented. Despite global increases in wealth, support systems such as state pensions and health care are failing. More than ever, we are looking inwards to our deepest beliefs and outwards to our chosen communities for identity, meaning and purpose. This search for personal health and wealth manifests itself in how we live and work, what we choose to consume, and how we interact with the world around us. Organizations need to question how to support their customers' changing lifestyle needs as well as how the values of the company and its employees interact, allowing it to attract and retain talent.

7. Bridging divides, managing tensions

A more connected world – in terms of information, mobility and attitudes – plus improving incomes in rapidly developing economies offer greater potential for previously excluded groups, such as the poor or the politically extreme, to participate in "mainstream society." More voices and choices make the world a richer place, but the challenge is to manage the tensions created as the previously disenfranchised struggle to find their place in a society where trust in society's institutions and businesses is at a record low and individualism is taking precedence over collective needs. Diversity in the workplace and our lives will only increase as "walls" are broken down, whether literally like the Berlin Wall in 1989 or figuratively through the new spending power of the emerging middle class in India and China. But the risks are high for business and society. Despite a fall in absolute numbers of people in poverty, income inequality in the majority of the world's countries is rising. Sentiment against globalization is emerging. Religious and ethnic tensions are becoming more visible. These emerging tensions need to be managed – the question for business is not *if* they should play a role, but *how*.

8. From triad to BRIC

The 21st century is seeing the emergence of BRIC and other rapidly developing economies as key forces shaping the world. No longer are the triad markets seen as the center of economic power and knowledge in a world in which the Soviet Union and US gave us clearly defined military power bases. In one sense, the ongoing credit crisis and the slowdown in the US are simply accelerating the relative decline of the US currency and economy as the world leader. Where the focus of future economic, geopolitical and industrial power will be remains unclear, although it seems unlikely that there will be a total economic decoupling. It is more likely that BRIC will increasingly share the stage with the Western world and ultimately also the leading role. These countries, particularly in Asia, have already moved beyond being "simply" a base for low cost production, which is increasingly mobile even within the region. The sheer population size and increasing skills and wealth in BRIC markets mean these nations are becoming key drivers of global consumption patterns, reshaping trade and financial flows. Rapidly developing economies, notably China, Russia and the Middle East, already wield substantial power over global foreign exchange reserves, while BRIC multinationals are rapidly expanding overseas and introducing radical business models to the rest of the world, e.g. cheap cars or the US\$100 laptop. All businesses need to understand how these dynamics will reshape their environments because there is no doubt that the emerging Asian powers and their populations are hungry for their place in the world – and they will shape it, perhaps as America did in the 20th century.

9. New power brokers

In an increasingly connected world, new power brokers – from sovereign wealth funds to social networking sites to consumers – are reshaping how we live and do business globally. As global capital flows accelerate and investment increasingly moves from east to west, the central banks and sovereign wealth funds of rapidly developing economies from Russia to China to the Middle East have the power to shape economies and industries. For example, the massive investments of China, and more recently, India in Africa are helping drive growth in the region, while investments from Middle Eastern funds, among others, are shoring up ailing banks in the US and Europe. Add the assets of hedge funds and private equity to the mix and you have a pool of assets whose value approaches the GDP of the US – and will soon exceed it. But the more important power shift many be

one from governments and businesses to the people – the customer or consumer. Remember Peter Drucker – more people with more choices. The “will of the people” in many countries is becoming stronger and more strongly heard, with unpopular and unresponsive governments being forced out in some cases. The digital generation actively creates and shares its own experiences and lifestyles, whether through videos on YouTube or on social networking sites. Companies are tapping into the “customer-made” phenomenon, in which customers help design, develop, test, market and even sell the products and services they want. The global brain is being tapped. With these power shifts, the question for business is who is creating and sharing the value – why should the new power brokers invest in you?

10. Fragile earth syndrome

What’s fragile earth syndrome? In a nutshell, we are using more resources than the planet can provide – and with continued economic growth and lifestyle shifts, including increased consumption as incomes rise, the situation is only going to get worse. There are no clear solutions to the challenges, some of which are reaching a crisis point, with civil unrest in many countries in the last year over escalating food and energy prices. Water scarcity is already a reality for many countries – and it will become so for many more as, for example, glaciers continue to melt in the Ruwenzori Mountains in the heart of Africa, the highest water source for the Nile River. Climate change

is only making the situation worse, with the UN expecting many more climate refugees, particularly from the poorest countries, which are hardest hit by the pressure on the basic needs of life. It used to be that companies and national governments were the primary players focused on extracting and refining natural resources. As pressure has increased on these resources, more and more actors are becoming involved. For example, international institutions and non-governmental organizations (NGOs) are promoting cooperative action across all players to deal with climate change, water scarcity and food security. Consumers, increasingly concerned and aware, are voting with their wallets for eco-friendly goods and services. Companies are increasingly focused on developing and implementing clean technologies, as raw material costs escalate, regulatory and social demands increase and, in many cases, just because they believe this is the right thing to do. The issue is that despite all these individual efforts, there is no joint cooperation across all players to address challenges that cannot be solved alone. Pressure on resources may retard economic growth even in the fastest growing RDEs. Growing domestic concerns over protecting resources, combined with a lack of international trust, may heighten geopolitical tensions. However these pressures play out, businesses will face increasing competition for resources – and they need to answer a fundamental question about their role in contributing to the collective legacy of the earth.

What are the implications for strategic leadership?

We have just outlined some pretty important implications, even if they do not all apply to your particular business environment or company. How do you deal with them? The key issue many companies face is the need to change mindsets to be able to address these challenges and opportunities, which do not have neat, clear-cut solutions.

Playing field	Defined boundaries	Framing opportunities
Strategy	Rigorous analysis of products, markets, functions	Selecting the right path
Mindset	“What can we do”: fix problems fast, avoid failures	“What must we do”: learn, adjust, lead
Issue frame	Rigorous analysis, data driven	Constructive dialogue, data enabled
Source of advantage	Firm strength, deliver efficiently	Network strength, joint value creation
View of change	Change as a painful process	Change as a continuous process
Success measures	Meet budgets and targets	Ensure long-term organizational sustainability
Key risk*	Judging too soon	Deciding too late

* Adapted from Johansen, Robert. *Get There Early: Sensing the Future to Compete in the Present*. San Francisco: Berrett-Koehler Publishers, 2007.

Figure 1.5 | Characteristics of Operational and Visionary Leadership

The nature of change has changed. These dilemmas require a new approach to strategic leadership. What do we mean by this? Our view is that strategic leadership must be comprised of both visionary and operational leadership – in the right balance (see **Figure 1.5**).

Visionary leadership is an ongoing process of reflecting on and making sense of the changes that will impact your organization's role and place in the world and its potential to continue as a sustainable institution. It means building understanding across the organization of what is changing, developing shared insights and identifying the implications for the business. Visionary leadership starts with a broad, outside-in perspective. It is not hindered by historical constraints related to what we have always done or incremental budgets – “they” won't let us do it. The playing field on which we seek opportunities for future leadership is wide, often beyond the boundaries of our industry – take the iPod for example. It requires seeking multiple perspectives on what is possible and desirable inside and outside the organization. Visionary leadership sets direction – working from a desired future back to the present, allowing us to clarify what we *must* do to build a sustainable institution, within a strong network. This will allow us to embark on

the path that will take us there – always knowing that this will have turns as changes unfold.

Visionary leadership provides the necessary context – the vision, focus and priorities – for operational leadership. Operational leadership is about making choices and taking action – the bulk of our daily work as executives. It is about translating our desired future into options, decisions and actions – and then implementing them. We need data and analysis to make these choices; targets, budgets and measures to track our performance; strong capabilities to deliver on our promises to customers. We need to act if we are to move forward and succeed.

The essence of strategic leadership is being able to use *both* approaches – using each in the appropriate situation. If you are in a crisis or turnaround situation, clearly you will need the operational hat on most, if not all, of the time. If you are planning 10 years out, you need more of the visionary mindset.

Strategic leadership allows us to translate global trends into today's decisions in order to meet the challenge of changing as fast as – or faster than – the winds of change

around us. Start by looking at the future from the outside in: Understanding what forces are shaping the world and taking a view on how these may play out. You will then be able to take a view on how the industry, market and consumer landscapes in which you will compete may evolve. In turn, you can then take a view on what your organization's ambition should be: how it should create and capture value, what vision it should pursue. These views provide the necessary context for choices and actions, making your desired future happen, one day at a time. **Figure 1.6** outlines this process.

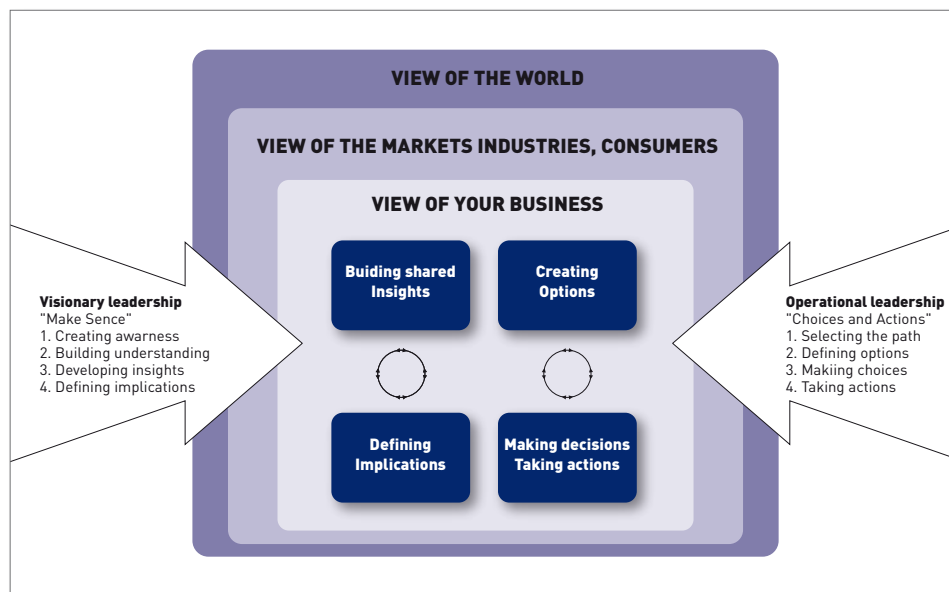


Figure 1.6 | Building Strategic Leadership: A Framework for an Uncertain World

Getting the balance right

Just take a moment now to think about how much of your organization's time today is spent practicing operational leadership and how much is spent on visionary leadership. How about your own time? Does the balance feel right to you, both from an organizational and a personal perspective?

Strategic leadership, combining the two approaches we outline, is obvious, you may say. But how is this simple reality reflected in how we engage our organizations? Honestly, how much do we manage in linear, incremental steps towards successive budgets? How often do we really challenge internal thinking to create opportunities to move the business forward? Are you and your company prepared today to be successful five years into the future?

Few, *if any*, organizations and leaders we work with feel that they are spending enough time and effort on true strategic leadership, building an organization that can succeed in an uncertain future. As some of our OWP participants put it:

Most decisions about our future are made in terms of revenue, organizational structure and geographical expansion. Our implicit assumption is that our markets are not going to change.

Our strategic objectives are clear, focused and communicated through the organization. However, they do not reflect global trends, besides the obvious dilemmas. Our objectives are more focused on issues that are known today.

We are so busy "doing" that we don't take time to look, learn, determine and reflect on a real strategy.

What gets in the way of leading strategically?

Our work with companies, including the survey results above, suggests there are a number of common traps.

- 1. The ostrich trap:** Change is coming... but not yet and/or not on our turf. Keep your head in the sand until it's gone again! The results from our survey this year again make us ask if organizations, particularly those in the developed world, are going to find that the future sneaks up on them faster than they think – and they will not be prepared. Will the future be driven by BRIC competitors fighting in BRIC markets?
- 2. The doing versus thinking trap:** Again, our survey respondents tell us they are much better at making choices and taking actions (operational leadership) than at building insights into the changes going on around them and defining implications for their organizations. If we do not reflect deeply enough before we act, are the choices we make simply perpetuating the past?
- 3. The Alice in Wonderland trap:** As the Cheshire Cat said to Alice: "If you don't know where you are going, any road will take you there."⁴ Too often we look to the future in incremental steps, building on what we think we *can* do today – we want to grow 8% per year but how and why are never clear. Starting by developing the vision for where we see ourselves in the future and working back to what we *must* do to reach this ambition will not only drive greater achievement but also greater excitement in the organization around this shared direction.
- 4. The sunk cost trap:** Short-term targets, impacted by yesterday's decisions and investments, get in the way of preparing for an uncertain future.
- 5. The information myopia trap:** Hard-pressed executives are overloaded with information and don't have time to translate it into "so what?"
- 6. The complacent follower trap:** First movers take risks, and it can seem much easier to be a fast follower. "We'll get around to it someday" is a frequent attitude.

¹ Heraclitus, a Greek philosopher living 540 BC to 480 BC, quoted in *Diogenes Laertius, Lives of Eminent Greek Philosophers*, Loeb Classical Library.

² Soros, George. "The Worst Market Crisis in 60 Years." *Financial Times*, January 23, 2008.

³ Drucker, Peter F. "Managing Knowledge Means Managing Oneself." *Leader to Leader*, No. 16, Spring 2000: 8–10

⁴ In Lewis Carroll's *Alice's Adventures in Wonderland*. London: Macmillan, 1865.

QUESTIONS TO ASK

So how do you improve your capability for leading strategically – and your ability to translate global trends into today’s decisions? We suggest you and your team begin with the questions below. Challenge yourselves to open your perspectives and take a fresh look at the future and its implications for you and your organization.

- Looking at the implications outlined above, what is the impact of each on your business today and five years from now (or whichever time horizon is most relevant for you – it should be beyond your typical budgeting/operational planning horizon)?
- What do you and your team see as the key opportunities and threats that these implications suggest? Have you assessed your current reality honestly and in depth? To what extent are you incorporating these opportunities and threats in your decision making today?
- Where are the gaps in addressing these opportunities and threats? For example, are there capabilities you need to start building now to succeed in the future? What should you start/stop doing now to address them?