

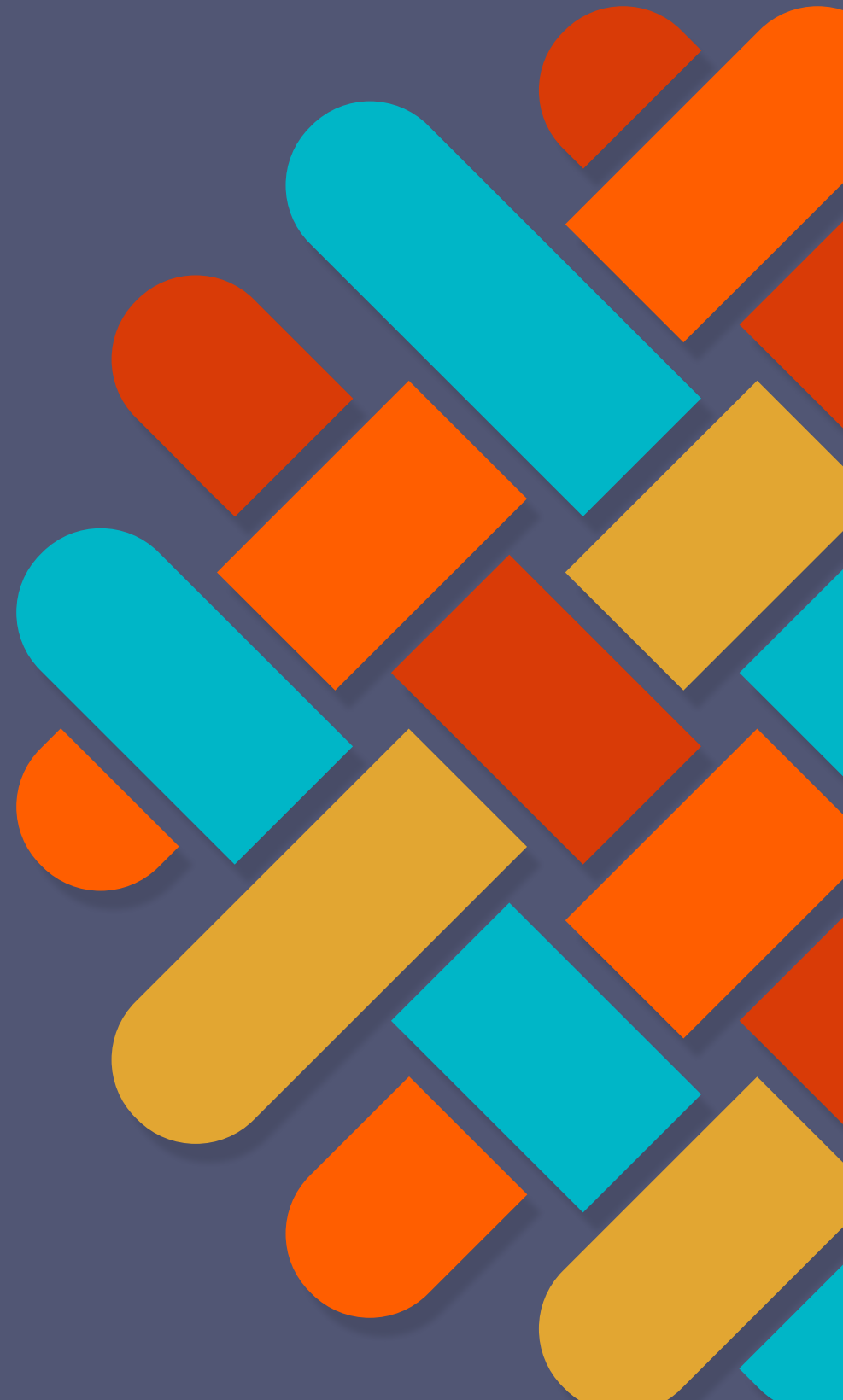


Advanced Executive Fluency

Responding to new leadership challenges
in a complex world

CEO Research Report

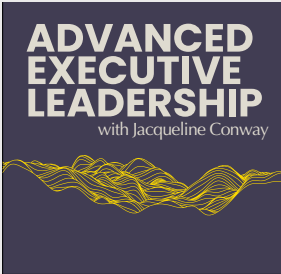
Dr Jacqueline Conway



Contents

With thanks to the contributors	3
New leadership for a new world	4
Leading at altitude	5
The context has changed	6
What do we mean by fluency?	7
The 4 Fluencies	8
Cognitive Fluency	9
Barrier 1 – Applying the wrong logic	11
Barrier 2 – Assuming your development is complete	12
What is Cognitive Fluency?	13
Developing Cognitive Fluency	15
Futures Fluency	16
Barrier 1 – The tyranny of short-termism	18
Barrier 2 – Poverty of imagination	19
What is Futures Fluency?	20
Developing Futures Fluency	22

Ethical Fluency	23
Barrier 1 – Polarity thinking: either / or	25
Barrier 2 – Conflating ethics with compliance	26
What is Ethical Fluency?	27
Developing Ethical Fluency	29
Emotional Fluency	30
Barrier 1 – Rational decision making	32
Barrier 2 – Data in decision making	33
What is Emotional Fluency?	34
Developing Emotional Fluency	36
Weaving the fluencies together	37
About the author	37
References	38
Get in touch	38



Our podcast **Advanced Executive Leadership** has been launched to accompany the report.

Hear from the CEO participants themselves in deepening conversation about the four fluencies.

You can access it on Apple Podcasts, Spotify or wherever you listen to podcasts.

<https://podfollow.com/advanced-executive-leadership>

With thanks to the contributors

Advanced Executive Fluency is the outcome of a research project undertaken by Dr Jacqueline Conway.

Jacqueline’s initial ideas and hypothesis were critiqued and developed by 17 CEOs who each lead organisations that are characterised as operating in a traditional business sector that is being radically disrupted in our new world of work.

The research is a collaboration between Dr Jacqueline Conway and the contributing CEOs.

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With thanks to the following people for their support.

Sandra Blake

Diane Burke

Sir John Eldridge

Barry Evans

Rebekka Herlofsen

Sue Perez

Kathryn Sherratt

Linda Urquhart, OBE

Ian Wallace

A special thanks to Jacquie Hastie at Two7Design for the design of this report

www.two7design.co.uk

Learn more

If you’d like to find out more about the background to the research or the 4 Fluencies, you can sign up for our executive digest where we go deeper on the topics covered in this report. You’ll also hear about our podcast and can sign up to attend our In-Dialogue executive roundtables.


Sign up at:
www.waldencroft.com/newsletter.

New leadership for a new world

Now, perhaps more than ever, we need executives in our organisations who can anticipate, navigate and lead in a disrupted and complex world. Leaders who are sufficiently well developed to meet the challenges of today.

Our world is experiencing a period of hyper-change brought on as global interdependence has collided with exponential technological advancement. Against the backdrop of a climate emergency, businesses must respond in ways that ensure they are not just sustainable, but regenerative.

This will require those at the top of our organisations to exercise a different type of leadership. These leaders need new ways of *thinking*, *acting* and *being* to respond to the immense challenges and new organisational realities that we face.



“A good executive team brings collective expertise rather than just a deep specialism. The deep specialism roots you in your categories; it gives you security and confidence. But you need more than that. You need to bring in others to help you collectively be the best executive you can be.”

Jon Geldart
Director General, Institute of Directors

Leading at altitude

As leaders move to progressively more senior levels, much like a mountain ascent, the terrain changes, the context changes, and what's required to survive and thrive changes too.

The organisational peak is a perilous environment. It's more complex and challenging than ever before and the scrutiny on CEOs and executives is immense. In a real mountain ascent, reaching the peak is characterised by planting a flag and getting off there as quickly as possible. In contrast, when executive leaders reach these levels, they're required to live there.

Corporate Longevity

In the West, company longevity is decreasing. Numerous studies¹ show that the average age of a company listed on the S&P 500 has fallen from 61 years to 18 years today – and this downward trend is continuing. In the FTSE 100, only 28 of the companies that were on the Index in 1984 were still there in 2017.

Executive tenure

Alongside a decrease in corporate longevity is an emerging picture of increasing CEO turnover. The global median tenure of a CEO is just five years², and the UK doesn't even reach this low bar.

Statistics from the Corporate Executive Board highlight that 40% of new executives fail within 18 months. Of those, about 3% 'fail spectacularly' whilst a whopping 50% 'quietly struggle'. 52% of CEOs are fired from their role.

"The complexity of organisations is much more extreme than it used to be and this is where some leaders fail. They're not able to deal with complexity. A lot of people try and simplify it without first really understanding how the interdependencies of the business work and the resulting complexity. Interdependence is *really* important."

Ross Shuster CEO, Howden



The context has changed

Climate change; tech innovation; pandemics; cybercrime; shifts in consumer values and behaviour; hybrid working; and the digitisation of everything.

These are just some of the challenges facing business today. And they interact. They're part of a larger, interdependent whole that's characterised by unprecedented instability and a warp-speed pace. Even events that occur far in time and geography can have an impact on your business locally.

For leaders to be effective in this context, it requires them to deploy what we call full spectrum problem solving. That is, solving issues that relate to the entire enterprise within its full context.

We live in a liminal age. Still clinging to the vestiges of the old Industrial Age, measured and rewarded on throughput, output and profit. All of which we gain through extraction from our planet.

That's where we've been. Going forward, the expectation on business will be to create value not by being extractive but by being additive. One in which regeneration and sustainability are placed front and centre.

Full spectrum problem solving assumes three things:

1. The challenges executive leaders increasingly face are non-linear and non-incremental.
2. The scope and impact of the decisions that executive leaders make will be greater than at any point in history.
3. The solutions to these challenges create their own unintended consequences that need to be considered in problem solving efforts.

Full spectrum problem solving is holistic in its outlook, requiring leaders to cast a wide temporal and stakeholder net. As such, it requires the entire brainpower of an executive team, one that is strengthened by diversity in all its forms.



What do we mean by fluency?

The challenges of leading at the perilous peak and the requirement for full spectrum problem solving necessitates that executive leaders don't become merely proficient in the advanced ways of *thinking, acting* and *being*. They must become fluent.

The idea of executive fluency is akin to the Japanese notion of ShuHaRi. Based on the ancient martial art Aikido, ShuHaRi represents a progression from novice to master.



SHU

At the first stage, Shu, the early leader is a student, absorbing the knowledge and skills being taught by a master. Whether this is a business mentor or leadership education, adherence to the rules and principles of the teacher are important to build a solid foundation.



HA

As the leader becomes more adept, at the Ha stage the leader is able to apply the fundamentals in new and more imaginative ways. We witness this when purpose driven leaders push against accepted norms to progress themselves and their organisations. The leader in Ha becomes a leader to other leaders, the student is also the teacher.



RI

When a leader achieves Ri, they have honed the ability through their wisdom and insight to be discerning in using the parts of the practice that serve and don't serve. They are able to function in a way that transcends dogma and artfully apply their expertise in multiple situations. They have internalised their own mastery.

The Ri phase of ShuHaRi is the essence of executive fluency.

Having gained high levels of functioning of the fundamentals of leadership, they are able to move towards higher levels of thinking, acting and being in the service of organisations that are a force for good in the world. It is both a process and a desired destination.

Advanced executive fluency represents an evolution in leadership and a maturing of senior leaders to truly embrace their challenges and responsibilities. This report outlines four areas where executive leaders must become fluent to lead well for the challenges of today.

The 4 Fluencies



Cognitive Fluency

Diagnose complexity and expand your problem solving beyond the linear



Futures Fluency

Anticipate possible futures and measure your impact by your legacy



Ethical Fluency

Accept the responsibility to create just outcomes for all your stakeholders



Emotional Fluency

Utilise your emotions and subjective experience to make better decisions

“The key thing with the fluencies is that they belong to the team collectively because it is very difficult for individuals to combine all of these things.”

Sondre Gravir CEO, STATS ASA

Cognitive Fluency

Diagnose complexity and expand your problem solving beyond the linear



The macro, interconnected, exponential world that organisations operate in is more complex now than at any other time in human history. How can executives lead well in this environment?

Back in the 1960s, a British cyberneticist and psychologist, W. Ross Ashby, noted that when the complexity of the environment exceeds the capacity in the system, the environment will dominate and ultimately destroy that system. This is the Law of Requisite Variety.

In order for organisations to survive and thrive in today's disruption, leaders have to evolve to sufficient levels to be able to work effectively with the complexity they are confronted with.

Where is the first place to develop this flexibility and increased capacity?

It's not the strategy; it's not the change methodology; it's not the people policies. It's in their thinking.

If there's anything that executive leaders are expected to do, it's to diagnose issues, take decisions and solve problems. The types and frequency of the problems executives face are multifarious. Some types of problems executives solve consistently well. Others, not so much.

What types of problems are proving impervious to leaders' attempts to solve?

That some problems seem to defy solving can be baffling to experienced, intelligent leaders.

Two things get in the way of leaders working effectively with complexity.

Barrier 1

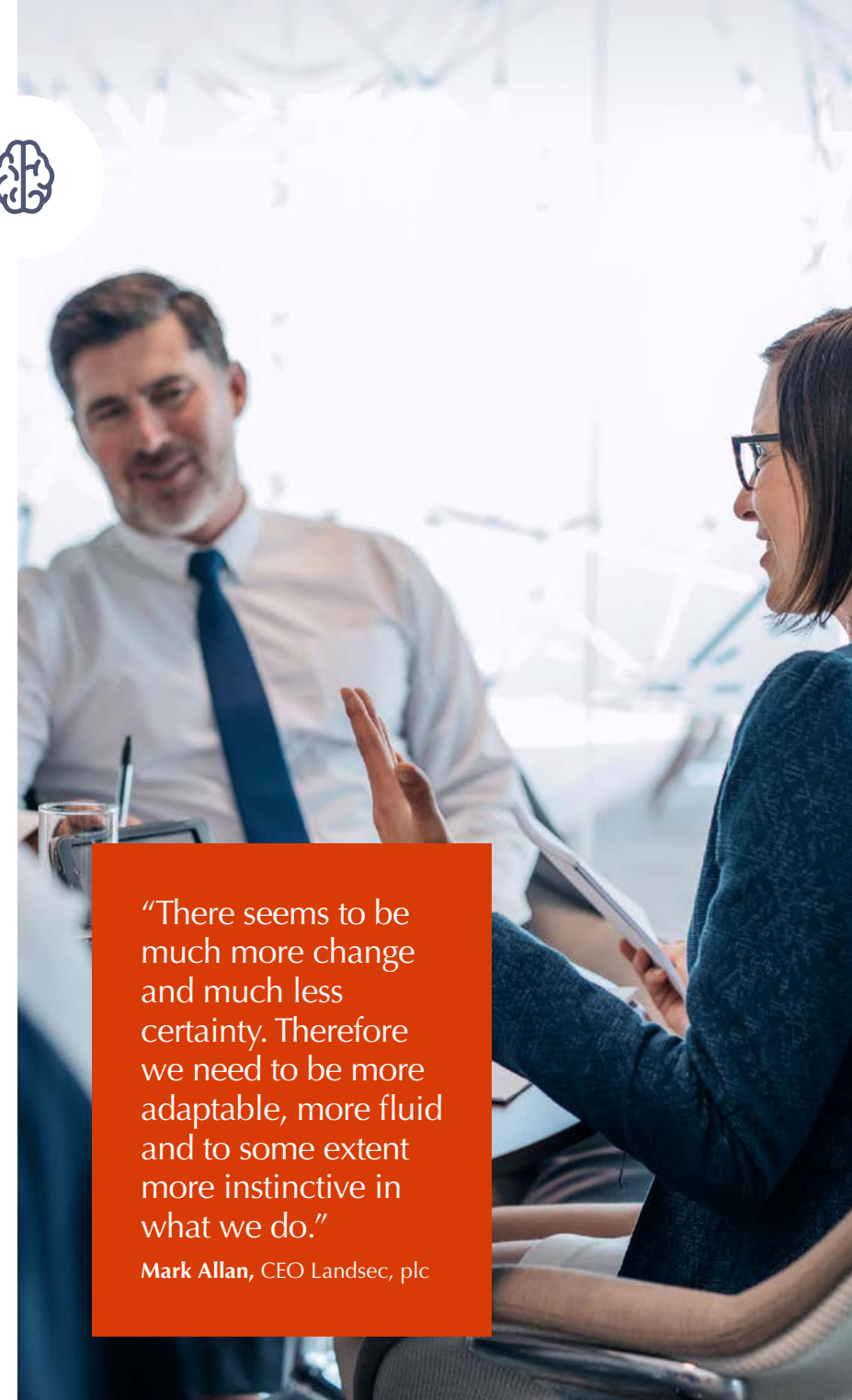
Applying the wrong logic to complex problems

Barrier 2

Assuming your development is complete

"There seems to be much more change and much less certainty. Therefore we need to be more adaptable, more fluid and to some extent more instinctive in what we do."

Mark Allan, CEO Landsec, plc



Barrier 1 – Applying the wrong logic

During the Industrial Age, organisational growth and success was largely based on mechanisation. And to do this, leaders were elegantly aided by the rules that governed the physical sciences. Everything from the combustion engine to deep sea oil excavation was based on Newtonian laws.

The solutions worked because the problem-type and the solution-type belonged to the same category. They were in elegant alignment.

Even so, there were some organisational challenges that were not amenable to mechanistic problem solving approaches. The formidable Fredrick Winslow Taylor experienced this when he mechanised the production lines of the Midvale Steel Company.

Taylor applied the same logic to the people on the production line as the machines, reducing every role down to its simplest component part. The result? The people left in droves. When he took away their craft, and by extension the meaning from his employees' work, he found that although he was able to exponentially speed up the production line, people didn't want to work that way.

Work groups, regulatory environments, the changing whims of customers, and organisational culture: however much we may want them to, they simply don't operate under the same logic as pistons, combustion engines and bridge yields.

The idea that human systems are not the same as machines may seem self-evident today. But even a cursory look at the most popular approaches to managing change, implementing new strategies, or developing talent, it's obvious that much organisational practice is based on the logic of machines rather than the logic of human systems.

Taylor's genius was in applying Enlightenment principles to industrial problems in the late 1800s. The flaw was that he applied them universally to all parts of the system, across all categories.

The logic of the physical sciences hasn't been proven wrong; it's just misapplied to a category of problem that is structurally different from a physical problem. When we do this, we engage in a category error.

When you apply the wrong logic to the problems you're solving, you literally close off the best, most exciting, most transformational solutions.

We apply this category error in organisations in four fundamental ways:

Determinism:

We act with an assumption that through sheer force of will, any problem can be solved; any outcome all but guaranteed. 'Just work faster, just try harder' is the mantra. But human systems are not inanimate objects. When you act on them, they act back. They respond. More command and control from a 'hero leader' doesn't change this fact.

Reductionism:

We reduce problems down to their smallest component parts like isolating chemical components in a Petri dish. It assumes that problems that exist at a micro level are structurally identical at a macro level, so that's how we try to solve them. In everything from customer enquiries to appraisal systems, we apply reductionist logic to holistic issues. Then we wonder why so many of our change efforts lead us inexorably back to where we started.

Dataism:

We assume that 'the data is always right'. So we apply numbers to everything to provide a false sense of certainty to issues that are messy and ambiguous. More data, better data, big data. We go after numbers, numbers, numbers and leave wisdom at the door.

Rationalism:

Economic rational man may be reduced to myth in economics, but in organisations the idea that people will act in rational and predictable ways still underpins much of how we do things. No matter how often we hear ourselves say 'I didn't see that coming' we design like we know how people will react. Whether it's how the work-from-home experiment will play out, or why the new expenses policy is immune to implementation, it's hard to admit that we've no idea how our people will respond.

Barrier 2 – Assuming your development is complete

The route to an executive role is long and challenging. By the time most leaders reach the C-suite, they've engaged in a great deal of development work and have transformed themselves from their start-of-career junior self.

In fact, there's a strong correlation between the success of senior leaders and the amount of development they've actively engaged in throughout their career, both in formal learning programmes and in-role development experiences.

And then something odd happens. The amount and type of development work that executive leaders do dramatically falls away when they reach the C-suite. Perhaps it's correlation and not causation – but so does the failure rate of leaders at this stage.

You've arrived

Having attained the most senior and coveted position, executives often rightly assume they have achieved this because of their excellence in many areas.

Once in the C-suite it's both easy to think they've arrived and that their development is done.

There's a lot written about executives in organisations and if they believe the hype about the ability of people at this level, they are more likely to fall prey to the distorting effect of their success on their sense of self. This makes it ever harder to admit to oneself there may be development areas.

A focus on technical rather than adaptive capabilities

No matter how good the development until the point of moving to the executive suite, the focus of attention, the level of complexity and the shift from a predominantly functional focus to an enterprise focus means that there is new, different developmental work to be done when leading at altitude.

The level of complexity that a leader is confronted with at the C-suite is greater by an order of magnitude. In order to be able to work with the level of complexity at this role level, leaders have to have developed their cognitive ability to work with this complexity and the adaptive capacity to do enterprise leadership. It's rare indeed that this has been deliberately developed in executive leaders.

Teaching smart people how to learn

Executives who have been promoted on the basis of the sound judgement and competence they've displayed throughout their career may come to believe in their own infallibility. This is exacerbated when, the more senior a leader becomes, the less open people are in giving robust feedback about areas for development.

Their very success and competence can breed complacency in executive leaders. It's often more difficult, according to Chris Argyris,³ to teach smart people how to learn. If executive leaders are focused on being competent and smart, it may actually stop them from adopting the growth mindset required to accept the need for their ongoing lifelong development.

It's dangerous to show weakness

Executives are held to impossibly high standards and shareholders and boards have little time for poor executive performance. This makes it difficult for leaders to show vulnerability.

Given how coveted place on the C-suite is, there are many more people wanting to be there than there are places available. In a competitive environment, showing vulnerability may open executives to the judgement that they don't have what it takes for such a senior role. And in these instances, being open about development needs can feel very risky.

If the culture in the team is to not show weakness, there will be even less motivation to be open about where they might be struggling. When executives compare their insides: anxiety, self-doubt, and stress with the exterior of other executives, who display a facade of executive poise – of having it all together, it makes it even more difficult to be open about what support an executive might need.

The style of the CEO also has a strong affect on the team culture. A perfectionist and overly-critical CEO sends a signal to the team that having developmental needs is a sign of weakness. In contrast, a developmentally oriented CEO is more likely to cultivate a culture of ongoing learning and development.



What is Cognitive Fluency?

There's a dominant way of knowing in organisations. It's logical, it's deterministic and it's borrowed, wholesale, from Enlightenment thinking that's based on the laws of physical objects. It's the reason why an engineering company is able to manufacture heavy machinery, why an aerospace company can enable air travel and why a water company built a dam.

The issue is not that this way of knowing is wrong. But that this way of solving problems only works for the categories of problem that the approach is designed for. It's precisely because it's so successful that organisational leaders, in an attempt to gain the same predictable outcomes they get from solving engineering problems, have applied it to most organisational problems.

This mechanical view of organisations has been so pervasive for so long because it provides leaders with a sense of order and predictability. It follows that if leaders can act on an organisation as if it were a machine that they can exercise control over it. Good leadership, it follows, is centred on how able leaders are to exercise that control to take the organisation in the direction they want. So leaders 'build' cultures, and 'manage' performance and 'create' organisation designs.

But this way of leading has reached the end of its lifecycle. We need to think differently about how we solve complex problems.

"What rests at the exec table are the complex problems, the problems which require multiple perspectives. When we are making decisions, we have to consider our organisational culture and we have to understand what sort of problem we are trying to solve"

Craig Jasienski CEO, Neptune Lines

Increasing seniority aligns with increasing complexity

In the earlier stages of a career, it is much more likely that a professional will be called upon to use their technical skills to solve technical problems. But as leaders move to increasing more senior roles, the types of problems they are confronted with changes to deal with increasingly levels of uncertainty and complexity.

So by the time a leader is operating from the C-suite, if they are fully embracing their enterprise leadership, they will be dealing with complex problems as a matter of course. These problems are not amenable to off-the-shelf solutions because they are highly dependent upon the initial conditions that created the issue and in the context in which they exist.

To meet these challenges, leaders must learn how to think in novel and emerging situations, in novel and emerging ways. In effect, leaders need to rethink thinking.

To say that leaders must be able to deal with 'complexity' does not mean they must learn to do things that are hard, or difficult. Rather, that complex problems – problems concerning human action – don't adhere to the laws of the

physical sciences and therefore need a different, more appropriate frame. That frame comes from Complexity Science.

This Complexity frame has different assumptions about the nature of the challenges that leaders are confronted with and where knowledge about these issues comes from. Many organisations pride themselves on being data led, which is usually a euphemism for putting numbers to everything, but what about knowledge drawn from sentiment, opinion, and feelings?

Complex problems are highly sensitive to their context. The problem emerges not in a linear progressive way, but in episodic bursts, where small events can create enormous tipping points. The linkages between cause and effect are indirect with complex problems, and because everything is entangled, it's hard to know how the consequences of your actions will play out.

Because complex problems are structured differently to problems that belong to the physical sciences, the approaches that leaders can deploy are manifestly different in nature and method.

Working well with complexity

Cognitive Fluency is the ability to first diagnose the type and form of problem that is being confronted and then deploy the appropriate frame and methods to solve it.

Being fluent in working with complexity is having the intellectual capacity to know when you are facing one sort of problem versus another sort of problem. It involves avoiding the category error of trying to treat a complex problem that is non-linear, emergent, turbulent and interdependent in a rationalist, linear way.

It moves away from the reliance on causal reasoning and invites leaders be more expansive in creating collective understanding of the issue at hand.

It places as much emphasis on the subjective understanding of the problem the executive team has as on the objective 'facts' that are presented. In so doing, it represents an integrative approach to thinking, sensemaking, problem solving and decision making.

"Lawyers pride themselves on a very rational, deterministic approach to life and sometimes won't believe that they are influenced by anything other than clear rational thought. But it's actually about getting behind that and seeing what else is going on."

Chris Harte CEO,
Morton Fraser

"I've seen leaders in the past who come into an organisation and try to do the same things they did in their last job because it worked there. But it won't necessarily work now. You have to listen to the organisation and work out what's going on and what it needs."

Gordon Stewart CEO,
Maldives Airport

Developing Cognitive Fluency

Here are three ways you can take action today to develop your Cognitive Fluency.



Diagnose

The first step in developing the ability to become cognitively fluent is to understand what type of problem you're facing. The Cynefin Framework⁴ is a diagnostic tool that will help you explore and understand the type of issue by placing it within workable boundaries based on the issue's relationship between cause and effect. By being able to establish if the issue is obvious, complicated, complex or chaotic, the possibilities for appropriate action become clearer.

Such a framework helps leaders make sense of the issue and to understand it better by appropriately classifying it. The very act of an executive team talking together about the nature of a gnarly problem opens it up to greater possibility. By starting with diagnosing the type of problem, executives spend a greater amount of time building their awareness of how it's structured before moving too quickly to trying to solve it.



Observe the movement

Complicated problems are static until you act on them, so data is helpful in telling you how it is. But a key difference between a complicated problem and a complex one is *movement*. Complex problems are evolving and iterating within their environment so any data you gather is only a snapshot in time.

Emergence is a characteristic of complex problems, and it is helpful to try to understand the direction and space at which it's changing. Also helpful to understand, if you can, is its initial conditions – what did the issue grow out of? History matters in complex issues.

The liminality of the issue creates both an opportunity and threat. The opportunity lies in the fact that the system can be moved in a more helpful direction through action. But the threat is that your acting on it may tip it in a direction you don't want, in a way that can have a major impact.



Experiment

Because best practice and off-the-shelf solutions don't work for complex problems, a more appropriate way to deal with them is to conduct several small scale experiments that help you understand the issue in ways that make it safe-to-fail. As you observe how the system reacts you can better understand where you have points of leverage to help move the issue in a way that serves you.

There's a view in complexity that you never deal with a complex problem directly, so the experiments are best attempted at the periphery of the issue – trying out different angles to see what moves the system and what has no impact. All the while you are building knowledge of the issue and you are nudging it to a different place.

Futures Fluency

Anticipate possible futures and measure your
impact by your legacy



We want the companies we lead to create sustained value and achieve longevity, but in many cases, we're experiencing the opposite

Only 30 of the FTSE 100's original companies were still there by their 35th anniversary. In the US, the average large company lifespan has fallen from 75 years to just 15 since the 1950s.⁵

What are the reasons for organisational failure – which we define as a company ceasing its operations due to an inability to respond and adapt to the changes in the external environment?

One crucial reason is because the executive team had inadequate expertise, lack of talent or were working with a defective structure. Each of these contributes to strategic errors within the team, notably the failure to appropriately gauge the extent of the risk an organisation is confronted with. This leads to being too slow to react and respond.⁶

Executive leaders have a choice. They can wait until the disruption and turbulence of a highly volatile world impacts their business and then react, or they can get in front of what might be coming, to anticipate change, and proactively make strategic choices to enable their business to adapt.

Before being agile and responsive, leaders must be able to anticipate what might be coming. That is, becoming fluent in the ability to see how issues, trends and events may coalesce in such a way that they have a huge disruptive impact on the business that they lead.

With the very viability of organisations at stake, the ability to become futures fluent has never been so pressing. But the ability to think long-term and anticipate the future is thwarted by two challenges:

Barrier 1

The tyranny of short-termism

Barrier 2

A poverty of imagination

“Being strategically prepared for the future is about being connected. Connecting with people outwith my organisation who are willing to have a discourse about what the future might hold.”

Heather Knox CEO,
NHS Lanarkshire

Barrier 1 – The tyranny of short-termism

Most businesses are structured towards short term deliverables and gains. Quarterly reporting, annual budgets, three-year planning cycles. These may ensure the current health of a business, but a singular focus on the here-and-now won't help an organisation adapt and evolve for the long term: to the there-and-then.

Our research highlighted that a combination of ownership structure and industry type had a huge influence on the time horizon that a business operates in. Those concerned with national infrastructure or capital investment decisions with a long lifespan were naturally more focused on the future. And those who had mutual or private ownership were also more likely to think longer term.

At the other end of the spectrum were publicly owned companies who have been shown to sacrifice longer term value creation to short-term achievement, exacerbated by the quarterly reporting requirement.

It has been almost a decade since the Financial Times warmly welcomed the Review of UK Capital Markets and Long-term Competitiveness⁷ led by one of the UK's leading economists, Sir John Kay. Kay described the act of quarterly reporting as a form of 'tyranny', where CEOs and executive leaders are often rewarded – and handsomely – on short-term performance and results.

The challenge of short-termism is further exacerbated by the self-evident truth that what we focus on habitually, we become better at. Many of the CEOs who contributed to this research spoke of the lack of competency in executive teams to think and act with a genuinely long-term focus. They simply don't know where to start.

And why would they? A leader's competence is often assessed by the immediacy of the performance and results that they achieve. Without an incentive to look to the future, most leaders will reasonably stay in the present. As Roman Krznaric notes in his book, *The Good Ancestor*, there is an inescapable paradox now facing us all: "that the need for long-term thinking is a matter of the utmost urgency, requiring immediate action in the present".⁸

There's good data, such as the McKinsey Corporate Horizon Index⁹, to support the case that businesses with a long-term focus dramatically outperform those who don't. Amongst an impressive list of achievements, those companies with a long-term focus cumulatively grew on average 47 percent more than the revenue of other firms, and with less volatility. They exhibited stronger financial performance over time both in market capitalisation and in their total return to shareholders. And these firms tended to bounce back more quickly after shocks.

A short-term focus has created a planetary crisis that's almost too late to solve. After too many *mañanas*, the future is urgently pressing on us today. Only now are sustainability and ESG (Environment, Social and Governance) moving mainstream onto Board and Executive agendas. In order to do them justice, we must truly embrace the long-term.

"What will be needed in the future impacts the skills agenda. It's a bit of a contradiction that we have more people than ever on the planet, yet we seem to be short of skills. Perhaps it's a reflection of the fact that we haven't yet made the connection between the skills we need in the future and the resources we've got."

David Horne CEO, LNER

"One of the key jobs I have is to be ahead of the business at all times. You need to be able to see around corners. And you certainly need to be further ahead than your people are ready to be at this juncture."

Chris Harte, CEO
Morton Fraser

Barrier 2 – Poverty of imagination

A genuine desire to make progress leads executives towards action and busyness; to focus on what's in front of them in the very near term. Turning their attention to what is urgent, important and do-able.

But in an effort to make progress, they often work on incremental change. This type of change is the stuff of much organisational adaptation. But if they are to be open to the possibility of proactively working with the conditions that creates major transformational leaps, they have to envision a different future. Doing this requires a much-underrated leadership capability: imagination.

Apple invites us: think different. Shakespeare said “imagination gives form to things unknown” and Einstein said “imagination is more important than knowledge”.

Imagination allows us to suspend what is and explore what might be. Perhaps this is why organisations are ambivalent towards imagination. It's needed, but because there is so little control over the outcome and their consequences, it's often feared and avoided. But side-stepping it isn't an option in our world of disruption and turbulence.

One catastrophic example of a failure of imagination is outlined in the Commission Report published to understand why 9/11 was able to happen. It notes that “across the government, there were failures of imagination, policy, capabilities, and management” but “the most important failure was of imagination”¹⁰.

Holding too firmly to the world as it was without exploring what it might be could be described as the ultimate act of poor leadership. Imagination, therefore is a fundamental capability of an effective leader. Because, although there are many organisations that move along without much of it, the truly successful companies are those led by people with the most vivid imaginations. These people make it their business to question what is and to venture into the possibilities of where the world might be heading – and then pivot their organisation to capitalise on the transformative change.

But there are inherent tensions with imagination. Executives know that it's needed, but most organisations are not set up to work with it effectively. The outcome of working imaginatively involves doing new things, or old things in new ways, or completely upending what we thought

was true. All involve a high degree of risk. Yet most large organisations are optimised against risk. And when risk is minimised, imagination is unnecessary.

In its place, leaders try to reduce the uncertainty through prediction and control. Planning, forecasting, controlling. Knowledge dominates so heavily that this is widely accepted as the only responsible way to lead. Leaders are more often focused on closing down uncertainty and managing ambiguity in such a way to return to a comfortable place of control. Imagination runs counter to all of these instincts.

This is understandable. Those who manage risk are justified in being wary of unbridled imagination because most novel ideas are wrong. For every brilliant insight or innovation, there are many more that were cast aside. We are very harsh towards leaders who are mistaken in their vision. Yet the consequences of not being imaginative in a world that is changing a warp-speed can be even more dangerous.

“You can't solve non-linear problems using linear approximation. It's about how we tell stories about the future.”

John Watson CEO,
Crosswinds Developments

“My role as a disruptive leader is to challenge the now and transform and prepare for the future.”

Paul Denton CEO,
Scottish Building Society

“If you don't have a breadth of tools then you won't know how best to scan the environment.”

Gordon Stewart
CEO, Maldives Airport



What is Futures Fluency?

The future isn't already set. And it doesn't arrive fully formed in one piece for us to work with. The future emerges as trends and disruptors coalesce – novel ideas, emerging technologies, and shifts in values collide with events that change our hearts and our minds.

In this way, the future leaves clues. If we're attuned, if we become futures fluent, we can anticipate the plausible, possible and preferable futures that may one day come to pass.

The world has always been changing and evolving. But the consequences of global interdependence and the impact of technological advancement means that the pace and scale of change is greater than ever before. This represents an immense opportunity, but also a huge threat.

The purpose of foresight is not to know the future in the abstract. It is, rather, deeply practical. There is so much talk of organisational agility, and the need to be adaptive and responsive to our environment. But we first need to know our environment; to understand the plausible ways in which it might change so we can get ready to quickly pivot. The aim is in generating multiple alternative futures, not trying to predict a single one.



“The biggest challenge is how to hold both the long term and the immediate term in your thought process at the same time.”

Michael Thielmann CEO,
Evobus UK (part of Daimler)

Strategic action and placing bets

The purpose of determining what possibly and plausibly may happen in the future is not just to know it's coming. It's to know early enough so that you can do something about it. To change course and develop strategic action aimed at creating a preferable outcome.

So although the horizon is the long term, Futures work is created for the purpose of action in the here-and-now. It enables executives to be pro-active rather than merely reacting once an event occurs. To gain early advantage by having developed and prepared contingency plans.

In so doing, leaders in a better position to help orient their people to what might be next, and what they may have to get ready for.

It requires that leaders balance optimism: that the future may be better than the present, with pessimism: that things could plausibly get worse, with realism: that change is possible. But only if they act.

Social and collective knowledge production

In forecasting and modelling, data is used and manipulated to determine what may happen based on assumptions of how change might happen. It is based on assumptions that the future emerges in a linear, incremental and positively progressive direction.

Futures work invites leaders to look at narratives of how discontinuous change might come about. In most forecasting, a good analyst does the modelling and presents it to the executive team. But in narrative based Futures work, the aim is to develop the narrative. The executive team's role, therefore isn't to become the consumers of knowledge, but the creators of new knowledge. The team very well may do this with others from outside of the exec or the organisation – but the executives are intimately involved.

The outcome of this is the collective learning that takes place within the executive team (and those others involved) in a collaborative, iterative process of learning and knowledge creation. It's only then that the executive team will have developed both the anticipatory capacity to spot the weak signals that underpin how certain futures come about, and for the collective leadership to have rehearsed a potential future in an embodied rather than just an intellectual way.

The futures that executive leaders consider do not sit in a moral and ethical vacuum. If leaders are to consider preferable futures, (in addition to plausible and possible ones) the question is: preferable to whom? The collective development of futures fluency, therefore, is also in surfacing what is important to the team, to the organisation and to its stakeholders.

Another significant distinction between forecasting and foresight, is that explicit values about the type of future that the organisation is trying to advance includes all stakeholders. Factoring in the future generations who will be impacted by the decisions the executive team takes today.

In order to do Futures and Foresight work well, leaders have to collectively surface the paradigms that they're running about what the organisation is *for*; where it's going; and what success and failure are in their broadest, most holistic sense.

Futures Fluency, like the others, is a collective experience of executive thinking, acting and being.

"I discipline myself and the team to try and lay out a business plan over a long-term horizon. Considering not just what's happening over the next 5 or 10 years, but to try and challenge ourselves to think about the scenarios over the next 50 years. This is a very good discipline to get into. "

Stewart Wingate CEO
Gatwick Airport

"We need to look after today but we also need to be thinking what bets should we be placing now. We cannot not place bets."

Chris Harte CEO,
Morton Fraser

Developing Futures Fluency

Here are three ways you can take action today to develop your Futures Fluency.



Mapping the mess

Strategic initiatives tend to meet an existing business need. But how well will they last? You can do some Futures thinking by visualising a future event or state and then place your current strategic initiative in it.

Exploring a planned or current initiative on a longer time horizon – say 10 years out, allows you to think differently about its lifetime social, political and economic worth. When critiqued from a long time horizon, is it still such an attractive idea?

This exercise invites you to suspend your attachment to pet projects and preferred options long enough to look beyond what's needed today.

Then, working backwards, ask yourself, in that future, what would make sense today? What ideas haven't we thought of to solve the challenge? Is there a different solution that has a better longer term outcome? You needn't decide on this option, but having explored it, you'll think differently about your current initiatives.



Exploring weak signals

The future leaves clues of what might be coming by way of weak signals. Technological advancements, medical breakthroughs, subtle shifts in attitudes. Discovering these weak signals and exploring what they might mean for your business is a good way to become attuned to a future that is only beginning to emerge.

Bypass your usual sources of news and information when trying to spot weak signals. If you read about something in the mainstream press, it's already a strong signal, not a weak one. Look for the contrarians, those doing cutting edge research, or subtle signs that we're changing our behaviour.

Give yourself time to explore each of these weak signals, creatively thinking about all of the ways they could become mainstream for your business. And ask yourself: if this were to come to fruition, how could it disrupt our business? And what do we want to do about what?



Imagining what might be

You can't be expected to be good at imagining the future if you're trapped under a 32-item agenda each month.

In the same way that we create the conditions for formal, logical work to take place, we must also be purposeful about creating the conditions for our imagination and creativity to emerge.

Different types of thinking happens in different settings, so it's essential that there's space in your team's meeting cadence for reflection and deliberation. This is best done off-site. It needn't be an expensive hotel. Some of the best team conversations happen on a walk in the hills.

Make day-to-day matters off-limits for these gatherings and invite team members to bring the issues they're curious about. Switch between the space for individual imagination to emerge and for the team's collective imagination about how the future could emerge. And invite disruptive or contrarian speakers to join your team for dinner as a way to explore the possibilities you may never have even thought of.

Ethical Fluency

Accept the responsibility to create just
outcomes for all your stakeholders

We now live in an exponential world. The pace and impact of technological change, medical breakthroughs, and the ubiquity and availability of data raises the stakes of our decisions like never before.

Klaus Schwab, Founder and Chairman of the World Economic Forum has described our current technological phase as the Forth Industrial Revolution¹¹. All three previous phases were predicated on technology subordinated to humans. But this latest phase ushers in a new era where the lines between human and technology are blurred. For example, the possibility of the 3D printing of organs suitable for transplantation inside a human being is within reach.

It's predicted that up to 50% of all jobs will be rendered obsolete by the end of this decade. That's half the people in jobs currently in your company that you may not need in single digit years. This rapid technological advancement will have huge impacts on society as jobs change. And it's all happening against the backdrop of a planetary crisis, which is now on the agenda of every well run company.

Models of value creation based on the extraction of resources solely for the purpose of shareholder profit maximisation are giving way to a more expansive model of business. One that's purpose driven towards meeting the higher needs of all stakeholders involved with your company.

Sustainability, and Environmental, Social & Governance (ESG) are becoming mainstream and companies are publicly declaring their intent. This is a good start, but what's required now are executive teams that can translate these laudable strategies into their day-to-day decision making.

Even more locally, there's compelling research to show that workplace misconduct is rife. 54% of workers in the UK and 58% in the US report having experienced some form of workplace misconduct in the last 12 months, in what's been described as a 'growing systemic problem'¹².

These issues are deeply ethical in nature. That's why the third of the four fluencies is Ethical Fluency: accepting the responsibility to create just outcomes for all of your stakeholders.

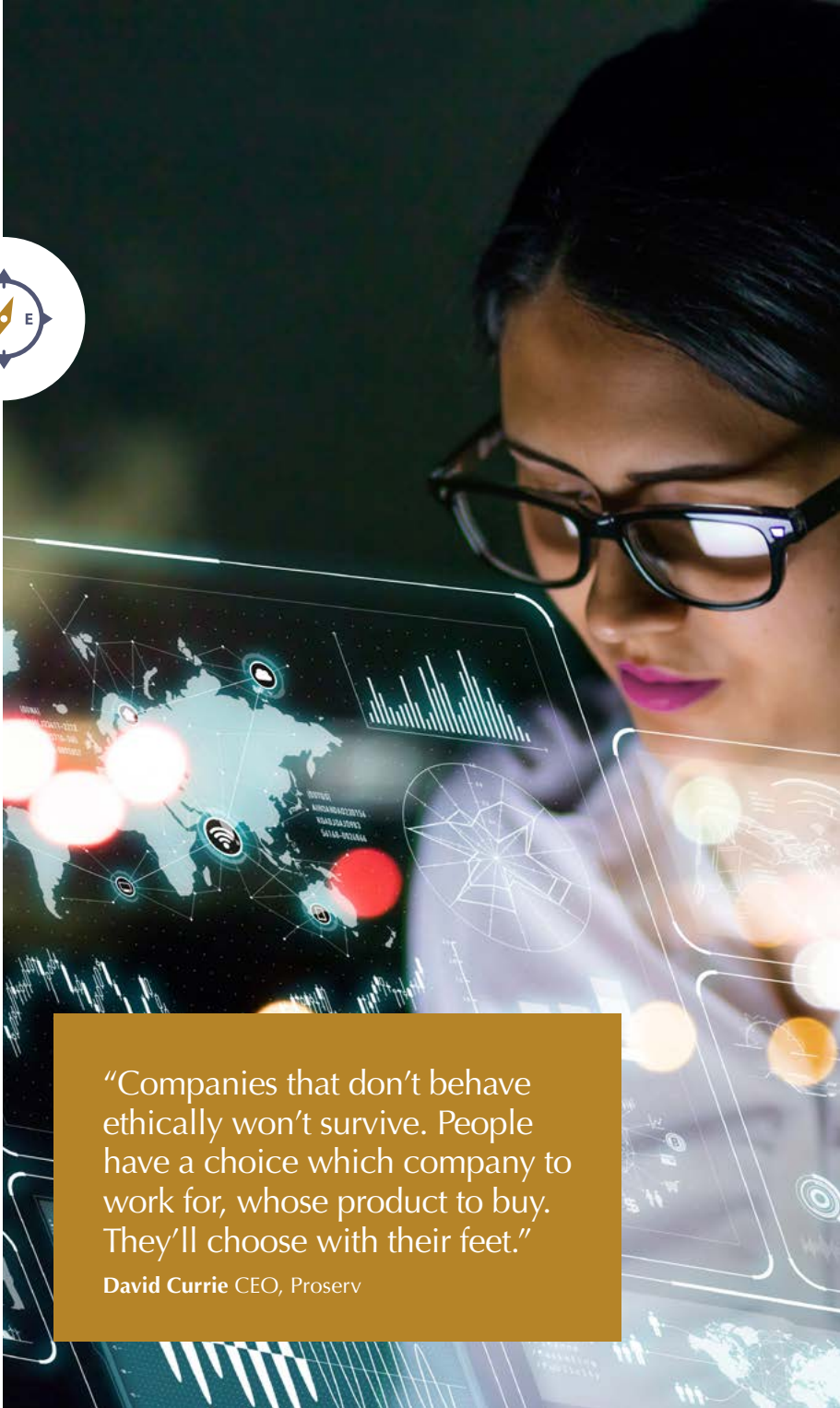
Like the other three fluency areas, there are things that get in way of executive teams working well in the ethical space:

Barrier 1

Polarity thinking: either/or

Barrier 2

Conflating ethics with compliance



“Companies that don’t behave ethically won’t survive. People have a choice which company to work for, whose product to buy. They’ll choose with their feet.”
David Currie CEO, Proserv

Barrier 1 – Polarity thinking: either / or

It's easy to assume that ethical problems are a straightforward case of right and wrong. Stay within the law, stick within the regulatory framework or the compliance guidelines. But many of the ethical challenges that executive leaders face are much more nuanced than this. Ethical dilemmas are entangled, interwoven, messy.

And leaders can't always look to the law to be their guide. As the pace of change in wider society moves as quickly as it does, the law is slow to catch up, leaving a gap between clear legal parameters of what companies should do with the ethical challenges of what they will do. Take for example how to safeguard young people on the metaverse. Can an assault really be an assault if it happens in the virtual world? The law is nowhere near dealing effectively with these types of challenges.

Our habitual way to deal with these types of ethical challenge stems from our desire to categorise things and label things. Right/wrong; good/bad.

Our brains are wired to think this way, but the problems executives are invited to solve at the top of organisations need them to move out of this binary thinking.

Take for example how the leaders of social media companies such as Twitter and Facebook grapple to simultaneously defend freedom of expression without enabling fake news, hate speech and other harmful content.

Many ethical dilemmas are actually polarities in which the sets of opposites can't function well independently of each other. Barry Johnson¹³ describes the difference between a polarity to be managed rather than a problem to be solved. With straightforward problems, either/or options are independent of each other. So when you solve it, it remains solved. But with a polarity, the two

sides are interdependent. Freedom of expression is the flip side of a coin that has hate speech on the other side. When leaders are looking for ways to act when confronted with a polarity, they cannot choose one solution and the expense of the other.

In the example above, one person's freedom of expression is another person's hate speech. If leaders only solve one side of this polarity, say by introducing a completely open policy of freedom of expression, they'll have failed to solve it for the other side who will view much of content that this allows as hate speech.

Because binary decision making has a satisfying completeness to it, we are naturally inclined to solve all problems like this. And for a time it works. But with a predictable certitude, ethical problems solved in this way come back, sometimes having morphed way beyond what they were at the outset.

"Increasing complexity opens up more scope to be accidentally unethical and I think there is a different challenge around how society is recasting the role of capitalism and ethics."

Gordon Dewar CEO,
Edinburgh Airport

"Social value and ethics are gaining increasing importance for us. It's hugely relevant in terms of how our people expect us to operate as a business."

David Horne CEO, LNER

"Part of the corporate code, as an accountable officer, is getting comfortable with what you're doing in terms of core values, fairness, and respect for employees."

Heather Knox
CEO, NHS Lanarkshire

Barrier 2 – Conflating ethics with compliance

Most large organisations have some form of compliance monitoring to ensure that laws, policies, and standards are adhered to. Whereas it's a vital role, it doesn't replace the need for executive teams to become fluent in handling ethical dilemmas and making ethical decisions. Ethics and compliance are similar, but they're not the same

Ethics and compliance are each underpinned by different frames. Compliance is based on the law and staying on the right side of it. Ethics, on the other hand, is based on what makes a good and just company.

A compliance strategy is usually driven by adherence to minimum standards set out by the law and/or regulators and is oriented towards conformity. The Compliance Office ensures the organisation's policies and procedures adhere to the law, current and new. As a result, by its nature, it is largely reactive.

In contrast, ethical issues sit above compliance and the law. The standards ought to be higher in leaders' ethical decision making than what's mandated by their organisation's policies and procedures. By strictly adhering to a purely legal position, they risk missing what's acceptable to their different stakeholder groups. The reputational damage of doing what's legal but not socially acceptable can be catastrophic, as many a newspaper front page can attest.

What's more, ethical dilemmas often happen in the cracks that compliance doesn't cover. Ethics are enacted not through rules, but in the everyday decisions that the executive team make and communicate to the wider organisation.

It sets the tone for the culture and values of the organisation in the way no policy ever can.

The trade-offs required in ethical decision making mean that there'll always be, relatively speaking, winners and losers in a decision. Good ethical decision making is being transparent about this, so the assumptions and criteria that's being used is open to scrutiny.

The act of being transparent about who stands to benefit most from your decision making surfaces the deeply held values and assumptions that come to make up your collective leadership style. If this is outsourced to the compliance office, executives literally miss doing leadership. For it's the gnarly, difficult and value-laden decision making where leadership is enacted.

In assuming that ethics is synonymous with compliance, executives miss the opportunity to develop and hone their ethical decision making muscles. It may mean they ignore challenging issues that don't have recourse to the law but which nevertheless represent good governance.

Initiatives are important, but what is equally important is the executive team collectively talking about decisions from a deliberately ethical standpoint. Most ethics decisions are made in the micro decisions that don't fall under the auspices of a major compliance initiative.

A compliance office can keep us within the law, but it is the executive team first and foremost that set the moral and ethical compass for the organisation. You can be compliant and also unethical.

“Traditional organisations are used to having ethics that are built into the code of conduct. But that's compliance. A much bigger topic is how ethics relates to sustainability. So strategically, how do we drive a sustainable agenda? How do the decisions we are making around our impact on the environment, for example, bring in an ethical dimension? ”

Craig Jasienski CEO,
Neptune Lines

What is Ethical Fluency?



Many corporate failures can be traced to a collapse in ethics. Lies, deceit, cover-up, and bullying are all underpinned by a failure both individually by leaders, and systemically in the organisation, to act in an ethical way.

Given what's at stake, and that executive teams are confronted with ethical dilemmas and decisions both big and small on a regular basis, the ability to deal with them thoughtfully and with rigor is an important collective competency within the C-suite.

Executive leaders set the tone for ethical behaviour – or its lack thereof. Through forms of social contagion, the decisions that leaders make and the behaviours they display will influence what becomes acceptable norms – even if they run counter to what's set out in policies, and procedures. Values statements etched into windows and doors mean nothing if they are ignored by leaders. Your people will work out what your true values are.

Ethical fluency is the ability to make human centric choices and decisions that take full account of the impact and consequences for myriad stakeholder groups against a backdrop of competing values.

“Sometimes we have no idea what to do in a difficult situation, but the most important thing is that, together, we have to keep talking. It's the only way we're going to learn.”

Marshall Dallas CEO, Edinburgh International Conference Centre

The Ethical Edge

The challenge with ethical issues of this nature is that they're not straightforward issues where we can apply either/or, right/wrong thinking to solve them. Many of these dilemmas happen at what's sometimes referred to as the 'ethical edge' – the line where the law no longer guides us, leaving us only with ethics to inform our decision making. Rather it requires the practical application of our values, morals and assumptions about what and who is deserving and who as a team you are there to serve. To do so well requires leaders to operate from a level of relational maturity where hard truths can be surfaced and shared. It points to a sophisticated level of adult development.

Consistent ethics leads to an increase in leadership effectiveness and trust because they are based on self-awareness and empathy for others. Working diligently on ethical challenges both requires a certain level of internal moral structure and it also develops the leader towards an increasingly effective and expansive capacity to do so. Like any muscle, it will become stronger with deliberate practice and consistent use.

Ethics traditionally belongs to the realm of philosophy and may seem esoteric. But CEOs and executives leaders sit at the pinnacle of the tall pyramid. Yes, others in government, the scientific

community and social activists are concerned with these issues too. Business is too big, too powerful and too important to delegate the discussions to others. Business leaders have the chance to step above the profit motive of their business to honestly look at the implications that their business has on their community, on their customer and what it is contributing to society now and in the future.

It is a self evident fact that when business leaders make big decisions there are always, relatively speaking, winners and losers. It therefore takes moral courage to be a leader in an ever complex and fast changing environment, regardless of the personal threat of doing so.

Ultimately, ethical fluency is where leaders believe their decisions can stand up to ethical scrutiny. This doesn't mean someone else should always agree with the decision they made, but that they properly considered all of the options and acted in an ethically justifiable way.

Ethical contagion

As role models for organisational culture, the ethical decisions and actions of leaders has a significant impact across the company.

Research suggests¹⁴ that leaders who consistency behave in ethical ways are associated with developing a culture that has heightened awareness of moral identity and attentiveness. Indeed, the ethical characteristics of people within these organisations has been found to mirror those of the leaders. Ethics, it seems, gets noticed and is contagious.

Ethical leadership is positively related to a range of pro-social organisational behaviour including improved task performance and citizenship.

With such consequences, it is incumbent on responsible leaders to accept that good and bad organisational behaviour is largely shaped by the example that's set at the top of the organisation. But only if there is trust for those at the top. And trust is impacted in many ways.

CEO and executive remuneration, for example, sends a strong signal about whether everyone is in this together or not. When workers were asked¹⁵ what the appropriate worker to CEO ratio pay should be, the results came out at less than 5-to-1. The is in stark contrast to the more than 200-to-1 ratio that is currently stands.

"Ethics isn't binary. It's something much more nuanced. Something can seem like ethically the right thing to do, but could have knock on implications elsewhere which makes it not quite so obvious. In fact, some knock-on implications ultimately damage the objective of what you were trying to do in the first place."

Mark Allen CEO,
Landsec plc

"You don't pour oil down the Thames. There are big things that you know you're not to do but it's the little things that are harder to know what to do with."

Jon Geldart
Director General, Institute
of Directors

Developing Ethical Fluency

Here are three ways you can take action today to develop your Ethical Fluency.



Winners & Losers

When your team is at the point of being almost ready to make a decision of an ethical nature, before it's enacted and whilst still 'in the room', take pause to review how consistent the decision is for those important to you. Ask yourselves a series of questions to surface your underlying assumptions about who and what is important that may not have been explicitly expressed in the conversation.

- Who are the winners and losers from this decision?
- Why is this the case?
- What does this say about who and what is important to us?
- Now that we know this, does this seem fair and right?

Having explored these questions, you may want to return to your original decision and see if it needs to be changed in any way.



The Hidden Judge

It's said that in many ethical dilemmas, teams make their decisions, not on what is most important to them personally, but to a 'hidden judge'. This hidden judge may be an individual, a group, such as shareholders, or amorphous such as social media.

This hidden judge may not be the same in every scenario, but it's usually fairly consistent. Take the time in one of your next meetings to ask: who is our hidden judge? What do they want from us and is that reasonable? Do we have to make decisions for the hidden judge, or is there a better person or group to hold in mind as we take our decision?

By making this explicit and scrutinising the impact that it is having on the team, brings awareness to an issue that may have toxic implications for the team. By surfacing these, the team has the chance to change them.



In Their Shoes

This is an exercise you can do as a team to flex your ethical muscles and compare your problem-solving abilities with other companies.

It's a fun and enlightening way of practicing for the inevitable ethical conundrums you'll be confronted with at some point.

Choose a current news story that has resulted in reputational damage for the company involved. Find out what you can about the nuances of the story so you're aware of the competing demands the company was balancing in their decision making. Discuss in your team the nature and scope of the ethical challenge the company was confronted with. Ask:

- What was the nature of the ethical dilemma?
- What options were open to leaders?
- Who were the winners and losers from their decision?
- What does this say about what they value in their organisation?
- What would you have done in their shoes?

Emotional Fluency

Utilise your emotions and subjective experience to make better decisions

The types of issues that executive level leaders are confronted with don't have off-the-shelf answers. They require leaders to sit with the problem for longer to understand the issue and find appropriate ways to deal with it.

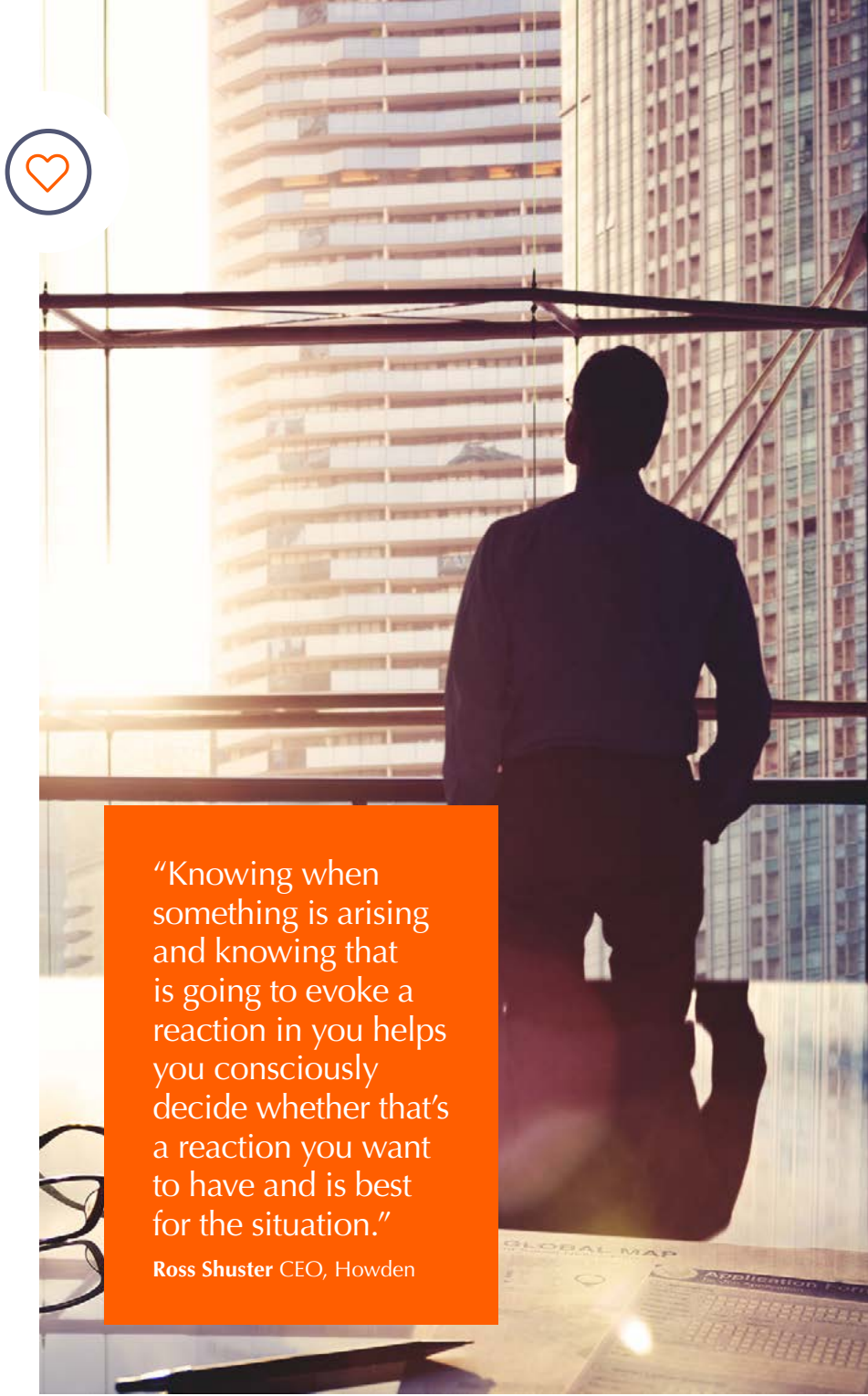
Yet such problems are inherently anxiety provoking. Leaders in this situation can be seduced into finding *any* answer just to provide themselves with a sense of relief that they're doing *something*. In these situations, decision making can become as much an anxiety management strategy as a legitimate way to solve an organisational problem.

Emotions are at the heart of who we are. Literally. They shape our moods, our behaviours, our decisions. It is through emotion that we come to be who we are. Yet they're largely denied in organisations. To be labelled 'emotional' is a slur.

Decision making has to be seen to be rational and based on data. But not all data. Statistics, spreadsheets, numbers. In Western business, numbers are king. The assumption goes that if you follow the data, your decision making will be logical and it will be rational. Ergo: it will be right. But will it?

Barrier 1
"Rational" decision making

Barrier 2
Data in decision making



"Knowing when something is arising and knowing that is going to evoke a reaction in you helps you consciously decide whether that's a reaction you want to have and is best for the situation."

Ross Shuster CEO, Howden

Barrier 1 – Rational decision making

Long after the idea of ‘rational economic man’ was abandoned in economics, it still forms of the basis of how we believe organisations ought to behave.

Our obsession with rationality in leadership is based on the assumption that cool reason and emotion are distinct internal processes that preside in different parts of our mind. If they’re independent of each other, the logic goes, then leaders should access the rational side to make the best, most reasoned decisions.

As a consequence, it’s been normalised by leaders to suppress their inner, emotional reality whilst exercising their leadership. Indeed, much of the coaching industry is based on the need for leaders to have a space for their true and whole selves to be given voice and acceptance. If only we allowed this inside organisations!

During the early days of Covid, leaders felt as overwhelmed and frightened as everyone else. Even as they watched the businesses they led nearly obliterated, the expectation on leaders was to be strong and provide reassurance to others. The pressure and responsibility on leaders are burdensome, and it’s not uncommon for coaches

to hear executive leaders ask why anyone would want to do this work. The denial of leaders as human beings first and foremost results in much suffering and derailment.

The admonishment to ‘keep it rational’ assumes both that leaders have the ability to bracket off their emotions and that doing so is desirable.

Both assumptions have been firmly debunked by many scholars, most notably by the acclaimed neuroscientist, Antonio Damasio.¹⁶ His work discovered that patients with forms of brain injury resulting in reduced emotional processing were less able to reason well. Emotions, and their human biological underpinnings, he proved, are intimately involved in all aspects of decision-making. In so doing, Damasio upended the traditional view that sound decisions come from a cool head. Yet a ‘cool head’ is still seen as the gold standard in corporate decision making.

‘Be rational’ is synonymous with ‘be strong’; an overly masculinised view of leadership that’s had its day. A leader once told me “If you show weakness here, they’ll scythe you off at the knees”. How can anyone be expected to bring their best selves within such a culture?

In our modern knowledge economies, we need people to bring their whole selves to work. It means accepting, especially in HR and People functions, that instead of policies as mechanisms of control, we have to embrace the messiness of human beings in our workplace. There is no alternative, because it just *is*. The more we try to take out the messiness, the more we remove the brilliance.

For leaders to lead in this way, they must also *be* this way and accept that leadership is relational. And if it’s relational, then the role of empathy and taking seriously the feelings of others is a vital part of leadership.

When viewed this way, emotion has more of a fighting chance of being given its rightful place.

“I’m not uncomfortable sitting with a bit of emotion. You get to a better answer if you give people time to talk it through, naming what’s bothering you, listening to each other.”

Heather Knox CEO,
NHS Lanarkshire

“We have given ourselves a safety valve where we give ourselves space between talking about an issue and making a decision.”

David Currie CEO, Proserv

Barrier 2 – Data in decision making

Data now sits at the heart of planning, problem solving and decision making in organisations. Whether it's hard facts, statistics or spreadsheets; data is raised on a pedestal of rationality. We have come to accept that a rational data-driven decision making style; characterised by research for, and logical evaluation of, data is the *only* decision making style. It requires a detached view of data that sits outside of ourselves.

The organisation 'out there'

Think for a moment of the assumption that must follow from this thinking about what an organisation is.

This mechanical view assumes that leaders act *on* the organisation as if it were a thing outside of themselves: an inanimate object.

Is this what an organisation is? Or is it a collection of people working together to advance a common purpose? If it's the latter, then the leader isn't a detached observer watching from outside the organisation but is subjectively involved in enacting the organisation alongside everyone else. Leading becomes a social/relational process of interacting with others.

Data is a small snapshot of a problem. A reductionistic way to understand a component part of it. Yet as we have seen throughout this report, a more expansive and holistic approach to decision making is required for the types of problems that executive leaders are confronted with.

The basis of strict rationality in decision making is usually profit maximisation and other bottom-line orientations. But research shows that leaders who bring attention to multiple factors simultaneously, including relationships, feelings and perceptions, are more likely to be viewed as visionary and effective.

The only legitimate form of data

It has long been an unquestioned assumption in organisations that *any* quantitative data in supporting leadership decision making is better than no data. The ability to use data to make decisions is based on being able to present it in a logical, rational way and fit the Western business norm that numbers are king. Even when the use of quantitative data isn't suitable for the subject matter at hand – think culture surveys – these data are still highly prized.

A hunch or gut feeling holds a lot less weight than numbers. But it shouldn't be discounted so readily. Gary Klein¹⁷ researched how experienced firefighters just *knew* when to get out of a burning building the moment before it collapsed. This led to decades of research on what creates insight. He found that leaders "weren't trying to compare options to select the best" rather, they "relied on their experience, the patterns they had acquired over decades, to quickly size up situations and recognise the option most likely to work".

This speaks to the inherent wisdom and deep knowledge that an experienced leader has gained over a lifetime. Discounting this is what leads to an over reliance on quantitative data even though it's widely accepted that much decision making is made emotionally and post-rationalised with hard facts.

"The numbers are not going to tell me definitively if this is the right answer or not. I'm going to have to make a call and think what information I need in order to give me the best chance of that being the right one."

James Reader CEO,
Covea Insurance

"There is definitely a much greater importance attached to empathy as you are leading an organisation. You at least need to be aware of where people are coming from, what their circumstances are or might be."

Mark Allen CEO,
Landsec plc



What is Emotional Fluency?

Emotions play a significant part in decision making. Even in decision making that leans heavily on data, it isn't the data that makes the decision – people do. Therefore, no amount of data is a substitute for good judgment.

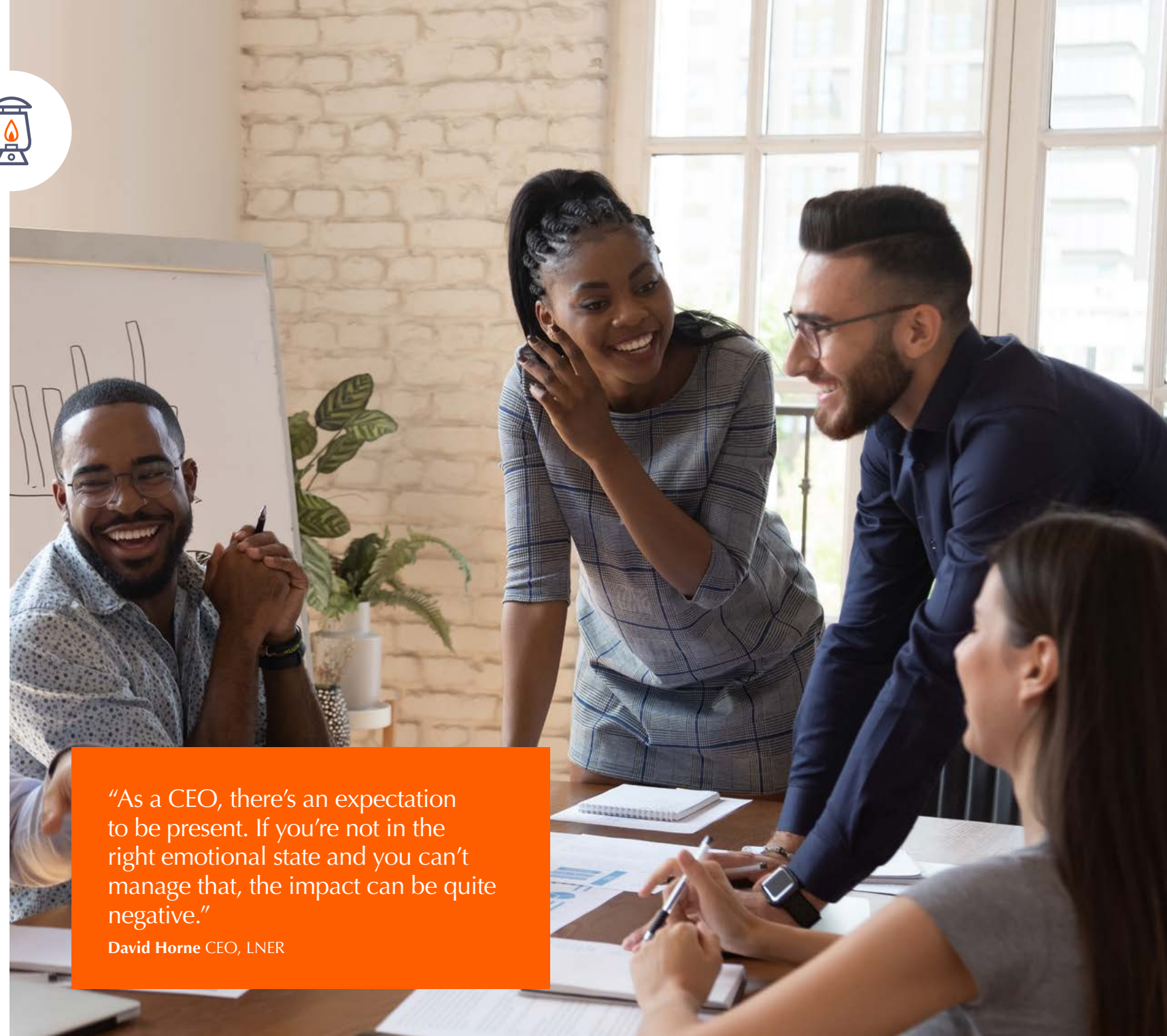
To cultivate Emotional Fluency leaders must tune into their emotions and know what they are feeling – without judgement. And not just at an individual level. The group dynamic in the executive team impacts and is impacted by individual emotions and it therefore must be open to examination.

Rather than try to cover decision making in a cloak of rationality, Emotional Fluency requires that leaders accept that even sound and rational decisions are made using a combination of objective and subjective factors.

If leaders accept that subjectivity comes into their decision making, then the focus shifts from trying to remove subjectivity to exploring the impact it has on decision making and whether or not it is working in their favour.

We all have a dark side, and we're sometimes driven by it. Becoming emotionally fluent isn't just about recognising, accepting and working with the tolerable parts of ourselves but also those darker parts that we'd rather we didn't have. When leaders bring it into the open and integrate it in their decision making, they neutralise the ways that it can be harmful in an organisational setting.

The interconnected aspect of leaders' outer world in the organisation and in the executive suite is interwoven with their inner world.



"As a CEO, there's an expectation to be present. If you're not in the right emotional state and you can't manage that, the impact can be quite negative."

David Horne CEO, LNER

Empathy and attunement

When we lead, it's in the service of others; to meet a need they have. To lead well, it follows, a leader must be able to identify with the inner life of another person or group. This is the essence of empathy.

As the report has outlined, looking after the interests of one group at the expense of another is problematic in today's milieu. Leadership empathy is now to be directed towards a diverse stakeholder population, requiring leaders to develop their natural ability to empathise within multiple others.

But empathy alone is not enough because it's limited to the intellectual identification of another's position. What's needed is the deeper quality of resonating at the level of feeling. This is attunement.

We can't have attunement without empathy, and both are required for thoughtful leaders in today's diverse stakeholder environment. To develop them, leaders must cultivate their feeling capacities as much as their thinking abilities.

The subjective life of the group

In an executive team, the team is as important as the executive. The leader and the team are formed in a continual state of interaction with each other. When it's high functioning, the team becomes a positive developmental space for individual leaders to grow, and the functioning of the entire group expands.

In much the same way that the individual leaders must become attuned to their individual emotional states, the team must also become aware of what's known as its 'affective tone'. Feelings such as optimism about the future, or a collective feeling of incompetence, have a significant impact on the team's ability to exercise good judgement. Therefore, the affective tone is one of the factors that defines the team's culture and distinguishes it from a mere collection of individuals.

Usually, the CEO has a disproportionate impact on the emotional state due to the mirroring that happens between people's feelings and the emotional contagion that happens in teams. These issues are more likely to be openly talked about and worked through in a team characterised by psychological safety. To create such an environment, the feelings of team members must be given their rightful place as an important dynamic within the team.

The dark side

Every person carries the wounds from a personal history that was imperfect. The challenges people have endured can be the driving force of them wanting to become a leader. But they manifest in both a bright side and a dark side.

The bright side is the part of ourselves we want the world to see. In contrast, the dark side: envy, greed, selfishness etc, carries shame and guilt. It's the part that we try to keep hidden in the shadows. Both influence leadership behaviour, but some are better able to manage it than others.

The dark side, left unchecked, can wreak havoc. It matters so much in the C-suite, with the accompanying power and access to resources, because the impact of a leader playing out their dark side in the C-suite can do so much more harm.

The goal is not to overcome the dark side; this isn't possible since it's part of the human condition. Rather the work of developing Emotional Fluency is to bring our dark side out of the shadows and work productively with it, being open about the impact that it has on who you are as a leader.

"With AI and the pursuit of more and better data, we are going to depend more and more on automated processes and machines. This is where we see the replacement of manual labour and manual intervention from human beings to machines. If I take this to the edge, the only thing left for us to do as human beings is to do what only human beings can do and what machines cannot do – and that is to apply emotion. Therefore the need for emotional fluency in Exec Teams is I think absolutely key."

Craig Jasienski CEO,
Neptune Lines

Developing Emotional Fluency

Here are three ways you can take action today to develop Emotional Fluency.



Check-in at the start of meetings

This technique is as simple as it is powerful. We are human beings before we are corporate beings, and we bring the fragments of our life with us to work: a sick child or a bad night's sleep. A simple check-in at the start of a team meeting provides a way for team members to be present with each other. Allowing everyone to be seen and heard.

Each person is invited to tell the group:

- What am I bringing into this session, from home or elsewhere?
- What do I need to leave behind in order to be fully present in this session?

The rule for the check-in is there are no comments, actions, questions or follow ups. It's purely a way for the entire group to arrive to the space. Trust that if there's anything that needs to be followed up with individual members, this will happen organically.



Centring practice

When you suppress a feeling, you may hold onto it tightly without being aware of the impact that it has on you. This self-coaching exercise can help you access a different energetic pattern in your body that in turn can change your perception of an issue you're grappling with.

- Think about an issue that has had an effect on you. Tune into where you feel this in your body.
- Centre yourself by lifting up your posture into a longer spine.
- Think of the breath not as in and out but as in up and down. Inhale: Up for 5. Exhale: Down for 7
- Imagine your internal energy like a coloured heat coming off your body. Think of this as a positive aspect of you being a physical being in the world.
- Ask: What would it be like if there was more ease?
- Notice if you feel differently about the issue



Explore the emotional cadence of a decision

This exercise helps a team surface the emotions evoked in a decision. Some of these emotions may be helpful and some unhelpful. By making it explicit, the team will be able to work more effectively with the emotional landscape the decision sits within.

- Ask: What underlying emotion does this issue evoke? Specifically focus on How does this issue make me feel, rather than What does this issue make me think?
- Give team members the chance to personally reflect and write it down.
- Share what it evokes in pairs
- In the whole group, share the emotions that the issue evokes. Ask: How helpful are these feelings in our decision-making? Is this useful data we should be aware of, or feelings that are getting in the way of us reaching the best decision?
- Return to the issue with this deeper knowledge of what it is evoking in the team.

Weaving the fluencies together

The premise of Advanced Executive Fluency is that it's a collective development endeavour for executive leaders to both cultivate their leadership practice, and to engage in work that is suited to that organisational level.

Much more needs to be done in executive leadership teams to evolve their practice of collective leadership to better meet the challenges faced today. To do this, leaders must give their attention to how they go about their executive work, what they spend their time doing, and the proportion of their time spent in their functional sphere rather than in their adaptive, enterprise-level work.

When the fluencies are woven together into executive leadership practice, it becomes a way to operationalise development in the C-suite.

We would love to hear your views about the research and to carry on the conversation about how we develop leaders engaged in enterprise leadership.



About the author

Dr Jacqueline Conway works with CEOs and executive teams as they lead in the face of uncertainty and complexity. She works in the related areas of Strategic Foresight, Complex Change and Adaptive Leadership.

Her work combines academic rigour with deep practicality. She has a PhD in executive team functioning from the Adam Smith Business School, is a professional Futurist, trained as a coach at the Tavistock Institute and is also a certified Systemic Team Coach.

Jacqueline is the founder and Managing Director of Waldencroft. She has the dual focus on leading the consulting practice and working directly with clients, developing and implementing transformative solutions.

Based in Edinburgh, she works globally.

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Advanced executive leadership for a disrupted world

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