

ROBUST LEADERSHIP STUDY:

LEADERSHIP IN UNCERTAIN TIMES

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Change Methodologies

CONTENT

<i>1. Introduction: Robust Leadership in a VUCA-World</i>	<i>3</i>
<i>2. Robust Leadership Framework</i>	<i>4</i>
<i>3. Robust Leadership Study II</i>	<i>7</i>
<i>4. Organizational and Leadership Tensions</i>	<i>11</i>

1. INTRODUCTION: ROBUST LEADERSHIP IN A VUCA-WORLD

Companies are increasingly faced with the challenge to survive in a VUCA business environment ("VUCA": Volatility, Uncertainty, Complexity, Ambiguity). Some companies perceive this as a challenge and risk, others as an opportunity. However, one question is crucial for all companies: What kind of leadership is appropriate to master this challenge, or rather, how to lead safely or "robustly" in uncertain times?

Robust leadership is a central stabilizing mechanism for the value creation of companies, be it in terms of performance or in terms of organizational development.

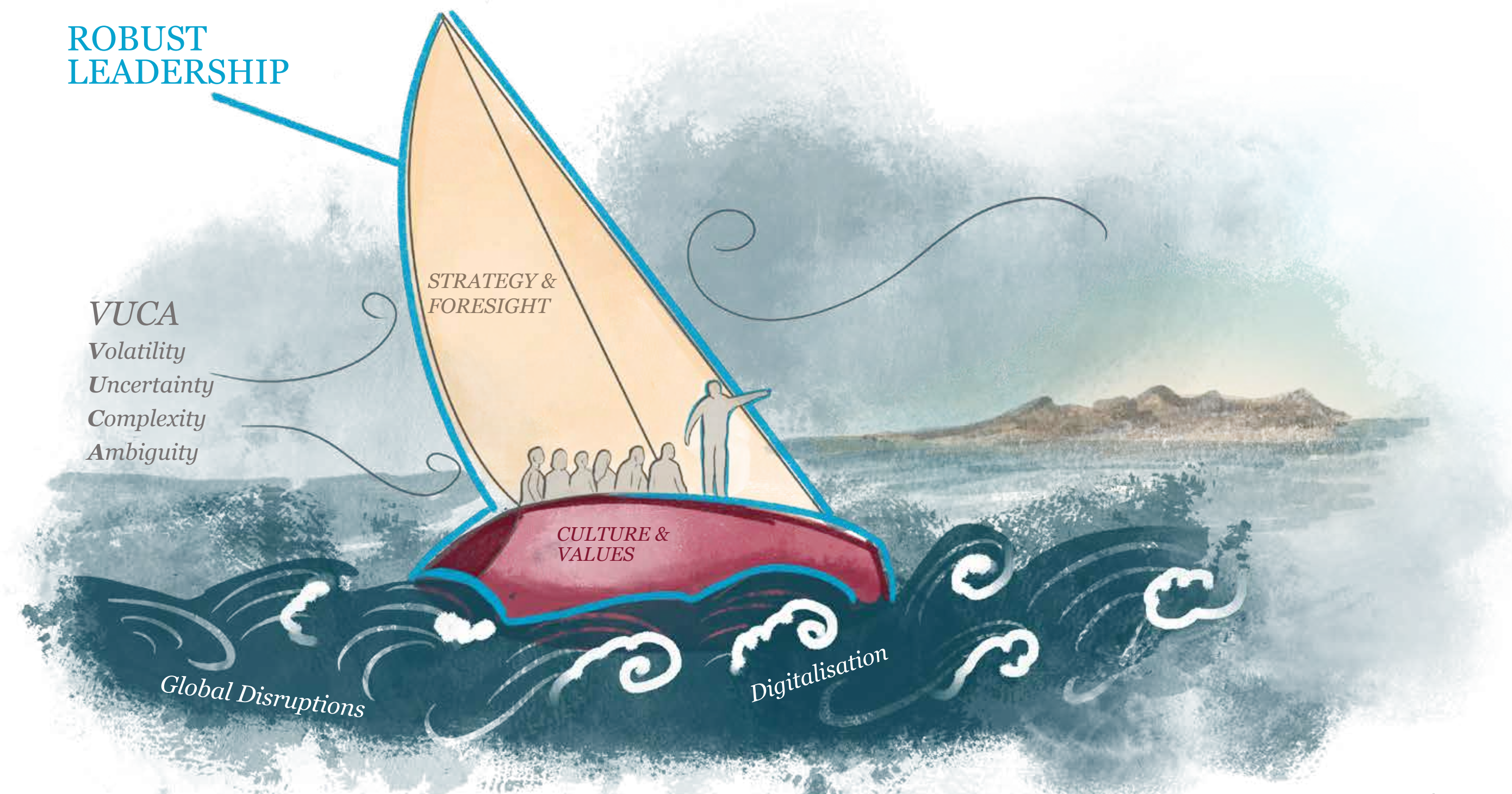
This is particularly relevant in times of discontinuity and change, in which the respective business environment is radically changing to a "new normal". But how can leaders prepare their organization to respond to change in a way that promotes stability and strengthens the organization holistically?

To answer this question, in our first Robust Leadership report, we highlight the "areas of tension" which leaders must deal with today, to ensure the success and long-term existence of their own company.

Based on the results of the now completed *second Robust Leadership study*, findings from transformation projects and insights from current literature on leadership and organizational development, we have compiled four central areas of tension, two at the organizational level and two at the individual leadership level.

Based on the data of almost 500 leaders from international and German companies, we also analysed how robust the leadership culture in their organizations is. We will share these insights in the following report as well.

ROBUST LEADERSHIP GUIDANCE FOR LEADERS IN UNCERTAIN TIMES



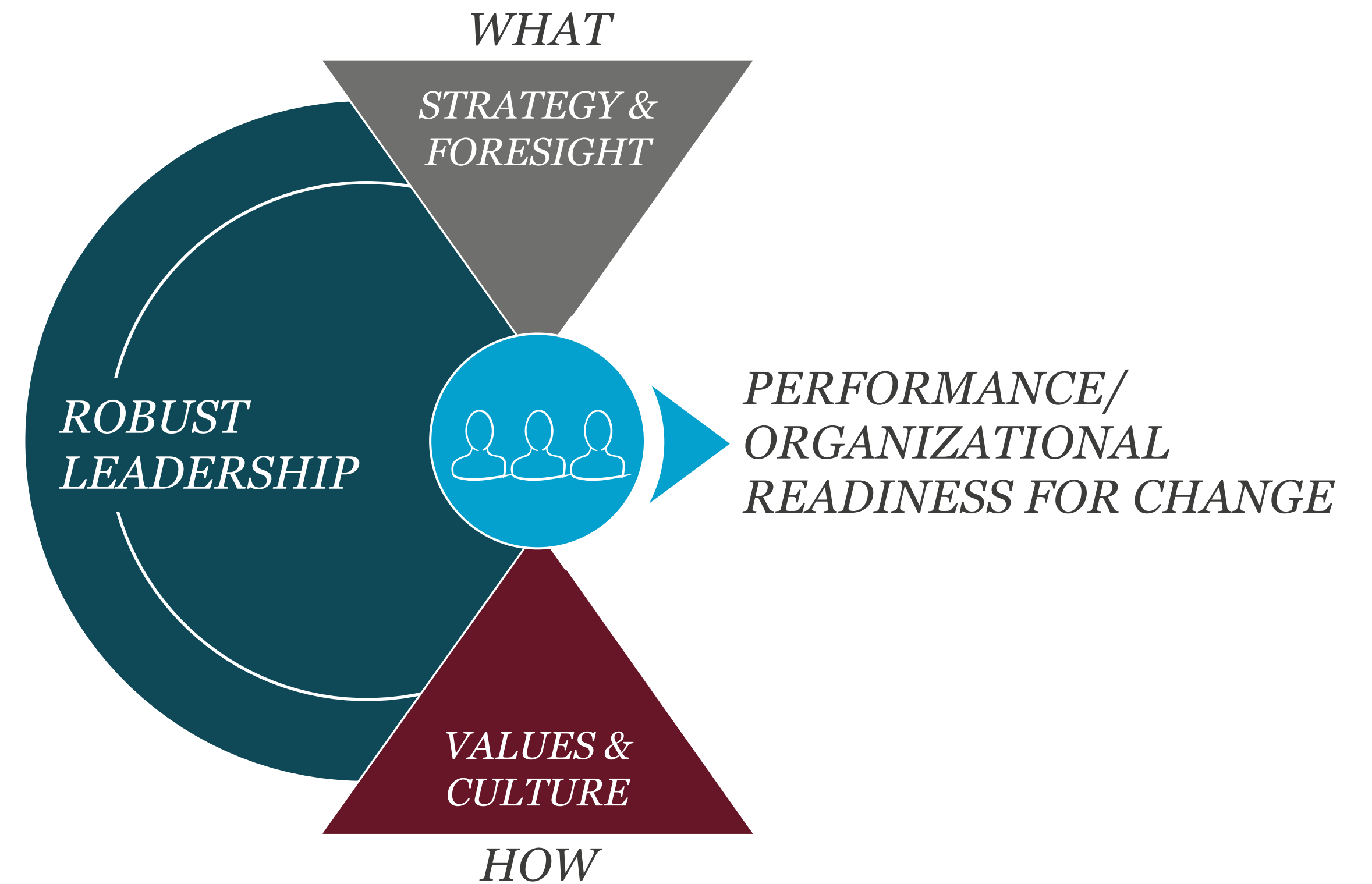
2. THE ROBUST LEADERSHIP FRAMEWORK

The Robust Leadership Framework, developed within the scope of the two studies, enables a better understanding of the mechanisms, that make up Robust Leadership. This framework can be used to address the areas of tension, identified by the research and supports leaders and organizations on the way to achieving their own goals.

One of the central findings of the studies is the requirement for leadership to provide orientation for their organization.

Two elements of the framework are central:

1. giving orientation as to **WHAT** the company wants to achieve and
2. giving orientation **HOW** the members of a company have to work together to achieve their goals and to be successful together.



THE ROBUST LEADERSHIP FRAMEWORK FOR ORGANIZATIONAL PERFORMANCE IN A VUCA-WORLD

2.1 WHAT – STRATEGY AND FORESIGHT

THE WHAT, STRATEGY AND FORESIGHT IS THE FIRST CENTRAL ELEMENT OF THE ROBUST LEADERSHIP FRAMEWORK.

Foresight is about identifying what is going to change in an organization's environment by identifying weak signals and trends. But it is also about understanding what alternative visions of the future could be. Foresight provides a framework by which an organization can decide which future is desirable.

This in turn enables the formulation of a meaningful vision, which can then be put into practice with a corresponding strategy.

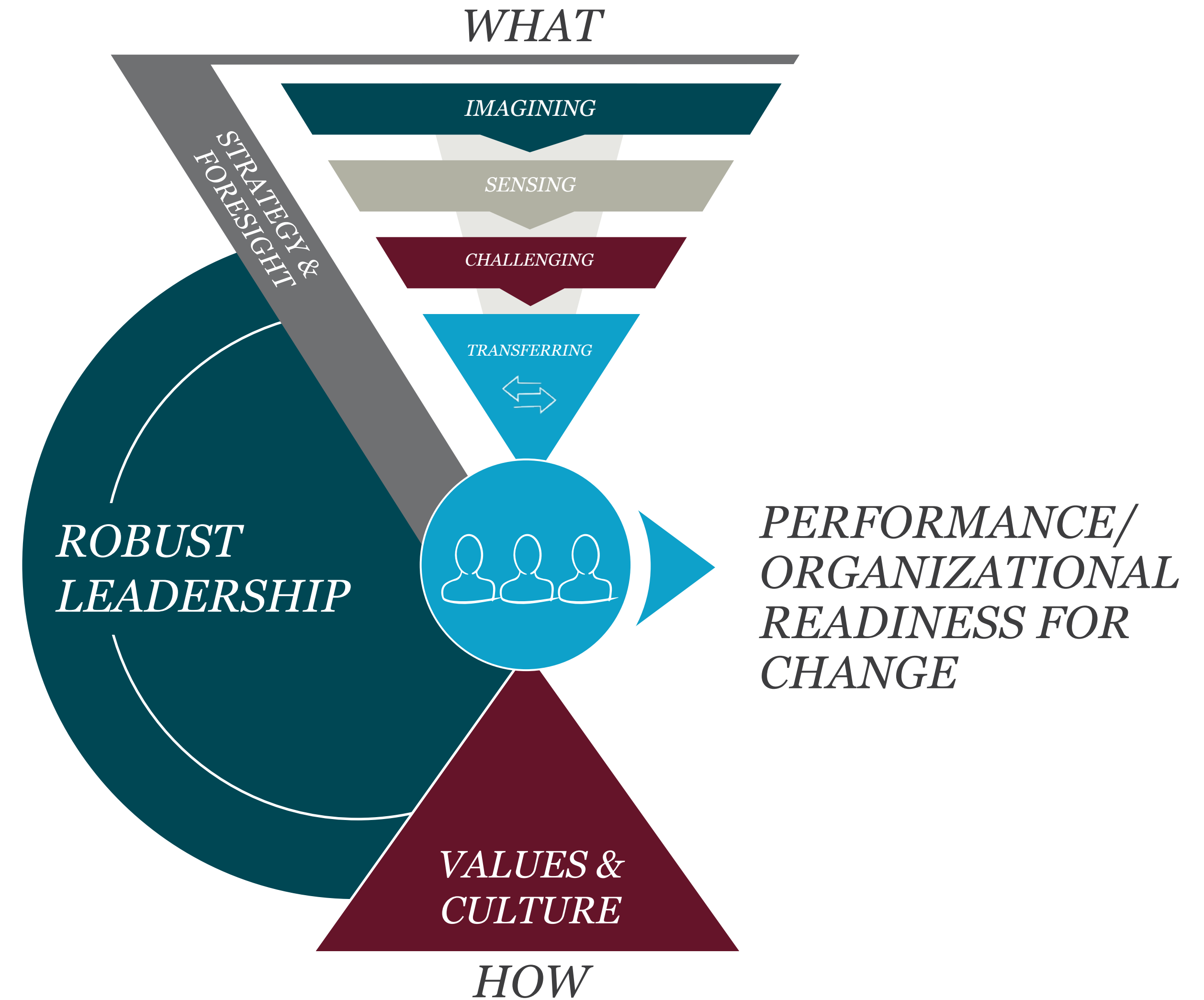
In order to provide orientation as to WHAT the organization wants to achieve, the following skills are critical for leaders:

Imagining: The ability to imagine how one's own industry, customers, and organization could look like. It is the ability to create a vision for the company and individual departments and to provide orientation and stability for the future.

Sensing: The ability to detect changes in the business environment based on weak signals and trends, to keep an eye on developments in the direct industry environment and to proactively adapt one's own organization to internal and external developments. Changes thus become an opportunity rather than a challenge.

Challenging: To be able to make clear and understandable assumptions about the development of the future and at the same time to be able to unlearn things, that have worked in the past but do no longer fit into the requirements of upcoming scenarios.

Transferring: The ability, to quickly regain a foothold after deciding on a new direction and to translate lessons learned into a strategy and concrete measures, thereby and thus enabling the organization to embark on a new path.



2.2 HOW – VALUES AND CULTURE

GIVING GUIDANCE ABOUT THE HOW IS THE SECOND ELEMENT OF OUR ROBUST LEADERSHIP FRAMEWORK. FOR US IT IS KEY THAT THE WHAT GOES HAND IN HAND WITH THE HOW, WITH CULTURE AND VALUES.

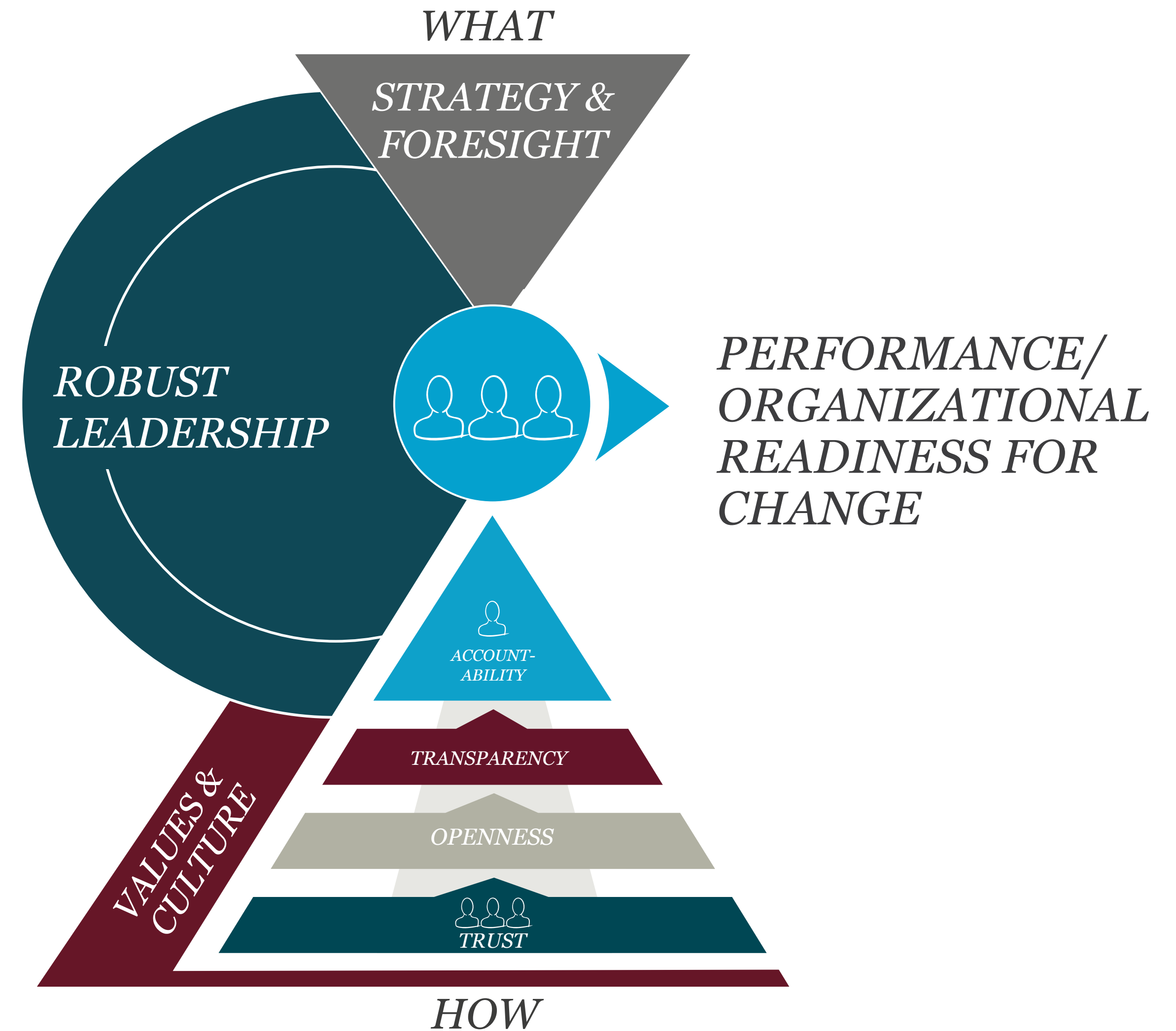
Our value pyramid as the second part of our Robust Leadership Framework includes the individual and team perspective as well as the organizational perspective. It identifies critical skills of teams and organizations for successfully navigating in a VUCA environment.

Trust: The basis of our value pyramid is trust. In organizations trust is crucial for building relationships between individuals, teams and the organization as a whole. Trust is an essential element in creating a positive corporate culture in which the employees feel safe and valued and are encouraged to work together.

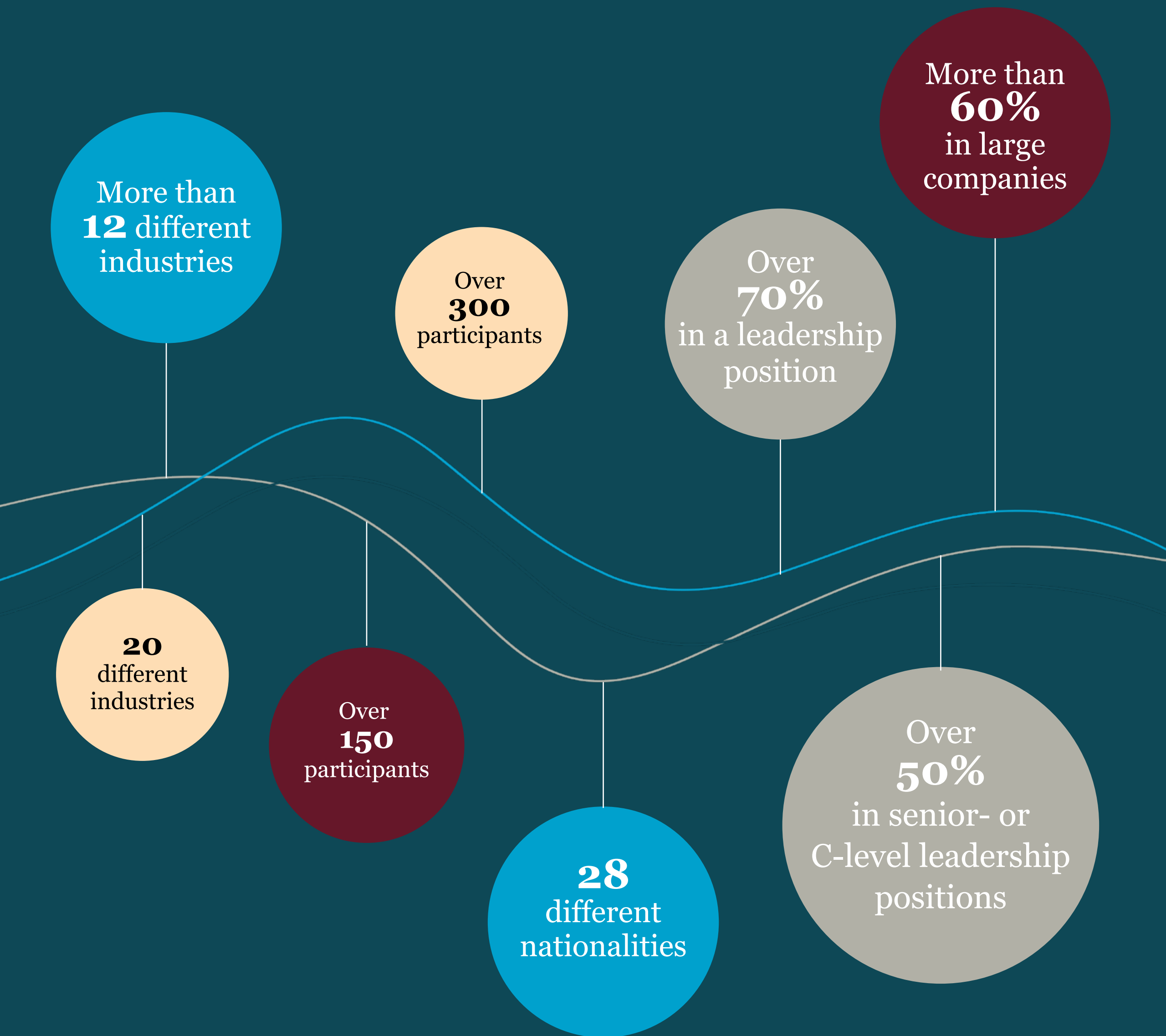
Openness: For us, openness means how we communicate with each other, how we share our insights and concerns. It is key, for example, to discuss new trends, the future, and of course, what needs to change in an organization.

Transparency: For us, transparency means the ability of individuals and organizations to provide clarity and address challenges. This creates the prerequisite for learning and development. At the organizational level, we also speak of a learning culture. This is essential for companies that want to remain competitive in today's dynamic business environment. By promoting continuous learning and development, companies become more innovative and adaptable. It also enables them to increase employee engagement, retention, and performance.

Accountability: Accountability builds on the previous elements. Leaders and employees in an organization should meet as equals and trust each other to fulfill their respective responsibilities. At the same time, leaders must create an awareness of the fact, that employees in an organization have specific roles and responsibilities that they need to fulfill.



KEY DATA FROM STUDY 1



KEY DATA FROM STUDY 2

3. ROBUST LEADERSHIP STUDY II: SOME FIGURES

In order to empirically test the structure of the Robust Leadership Framework and further develop it on the basis of feedback, two Robust Leadership studies were conducted.

In early to mid-2020, the Robust Leadership study was sent to executives from various industries and found over 300 participants.

In 2022, the study was repeated in a slightly adapted format, this time with 150 participants.

3.1 INSIGHTS INTO THE RESULTS OF THE STUDY

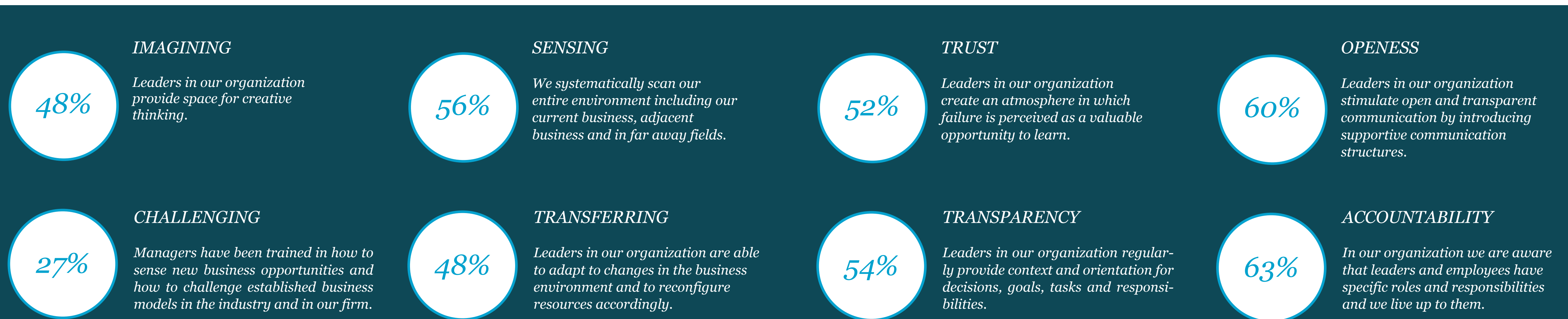
In our second study, we used questionnaires with items for all four "Strategy & Foresight" and "Values & Culture" elements. In the following, we provide insights into a selection of the results:

Strategy & Foresight Skills:

- Just under 50% of respondents feel that leaders in their organization provide space for creative thinking, an important basis for the ability to imagine alternative futures (Imagining).
- 56% of respondents state that their company systematically analyzes the business environment, a necessary prerequisite for being able to recognize changes in the business environment (Sensing).
- However, only just under 30% of respondents say that leaders in their organization are trained to recognize new business models and to challenge established ones (Challenging).
- Around 50% of respondents state that executives in their organization are able to adapt to changes in the business environment and to reallocate resources accordingly, important skills to be able to act again quickly after a change of direction as a leader and organization (Transferring).

Culture & Values Skills:

- Only just under half of the respondents have the impression that the leaders in their company succeed in creating an atmosphere in which failures can be seen as learning opportunities, an important basis for promoting trust (Trust).
- For 60% of respondents, leaders appear to promote open and transparent communication (Openness).
- 54% of respondents indicate that leaders regularly provide guidance on decisions, goals, tasks and responsibilities - aspects crucial for a transparent leadership and corporate culture (Transparency).
- Just over 60% of respondents experience clarity regarding the roles and responsibilities of leaders and employees and have the impression that the members of the organization also live up to their own responsibilities (Accountability).



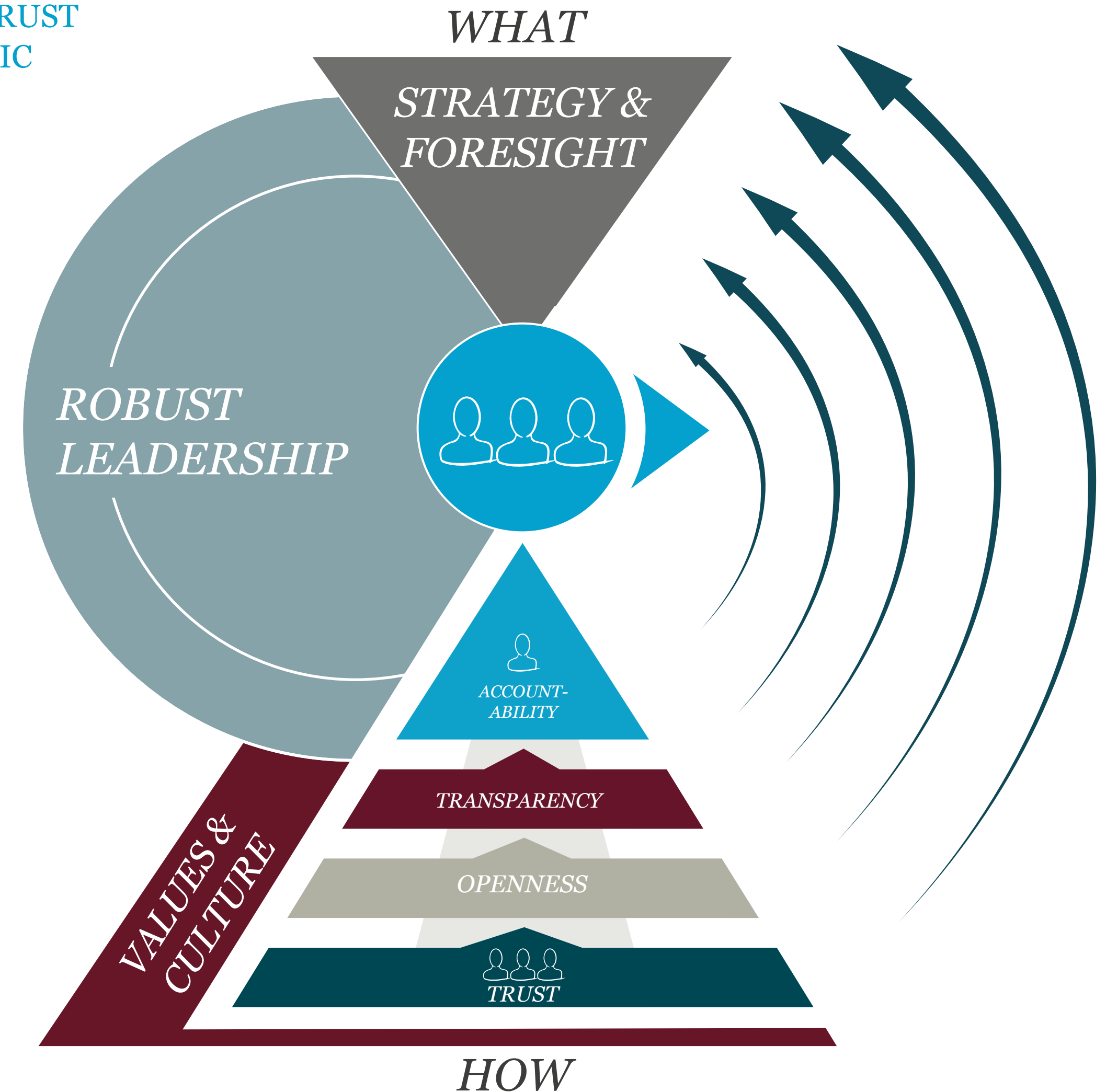
3.2 THE CONNECTION BETWEEN VALUES & CULTURE AND STRATEGY & FORESIGHT

THE LEVELS OF THE ROBUST LEADERSHIP FRAMEWORK ARE INTERCONNECTED – TRUST HAS A POSITIVE INFLUENCE ON STRATEGIC AND FORESIGHT THINKING

The first, like the second Robust Leadership study, confirms the value pyramid, the structure of the "HOW" that we are suggesting. We were able to establish a positive direct correlation of the individual value and culture components along the pyramid cascade: High trust in the organization has a positive effect on openness in the organization, high openness strengthens transparency in the organization and this in turn has a positive effect on the assumption of responsibility.

A culture of trust for example, promotes openness, transparency and acceptance of responsibility and thus an open discussion about strategy and assumptions.

These findings suggest the high importance of values and culture for the strategy of an organization. Each element of the values and culture pyramid is positively associated with the successful implementation of the objectives of the organization.



3.3 ROBUST LEADERSHIP ASSESSMENT

In the context of the first and second study we have analyzed the leadership style, reported by the participants, for its robustness.

Leadership that achieves high scores across all items, we refer to as "Robust Leadership." Low values lead to an assessment as "Fragile Leadership", and the corridor in between we understand as "Trapped in the Middle."

Only 7% of the respondents describe the leadership in their organization as "robust," but also only 6% describe leadership as "fragile". A full 87%, on the other hand, fall into the category of "Trapped in the Middle".

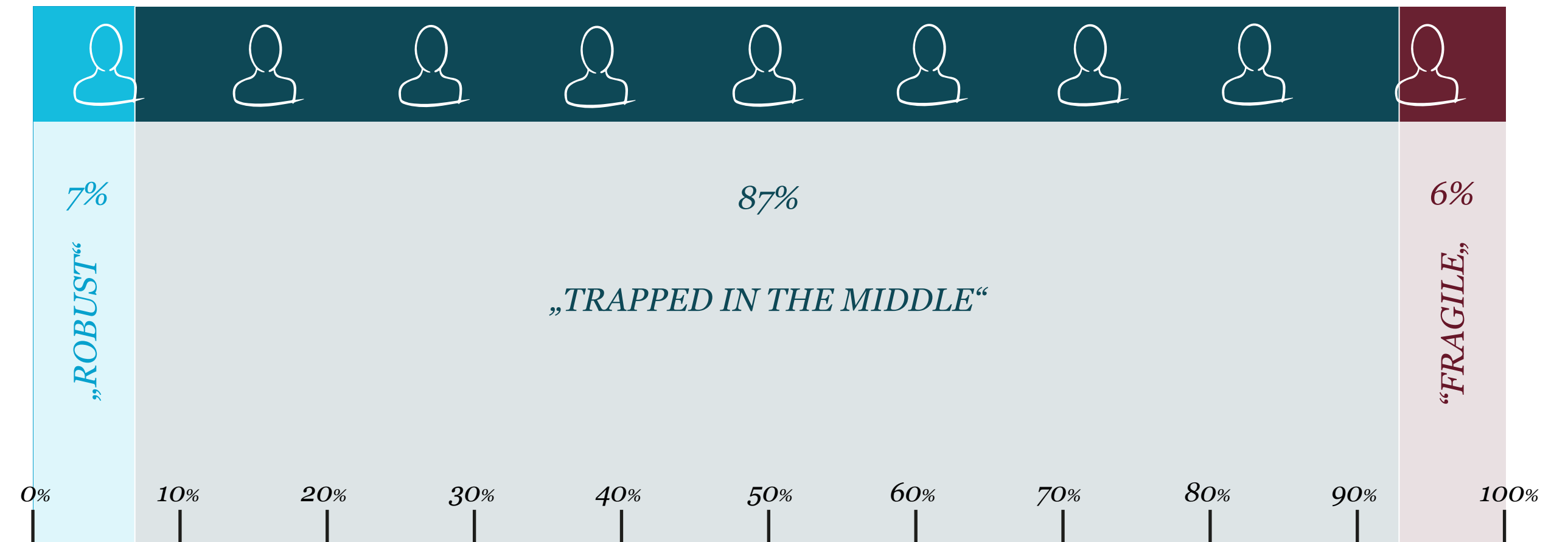
When you consider that companies fundamentally operate in a dynamic environment, any organization with "fragile" leadership absolutely needs to strengthen it.

However, companies that are "Trapped in the Middle" in terms of their leadership, are also in a critical range. If a leader only partially or occasionally fulfills the requirements of the organization and its environment, the organization may be mistakenly convinced that the leader is adequately responding to the challenges and problems that lie ahead.

If the organization's environment becomes more dynamic or even volatile, this false sense of security can prove particularly problematic.

KEY FINDINGS OF THE ROBUST LEADERSHIP STUDY:

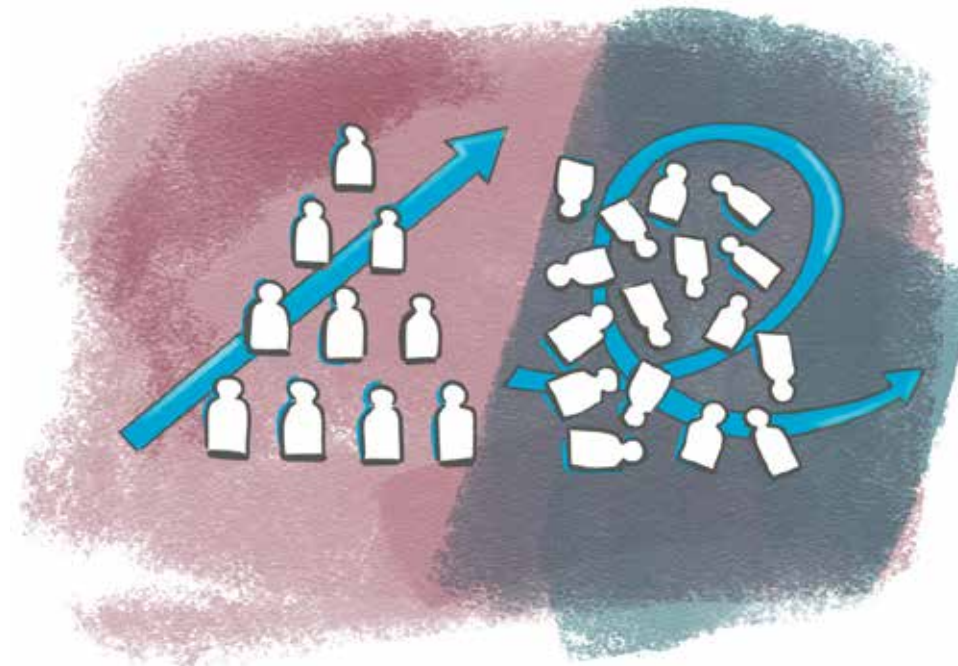
1. There is a strong positive correlation between "Strategy & Foresight" and "Culture & Values" of a company.
2. According to the assessment of the respondents only a small proportion of the companies in our two studies have a Robust Leadership Culture.



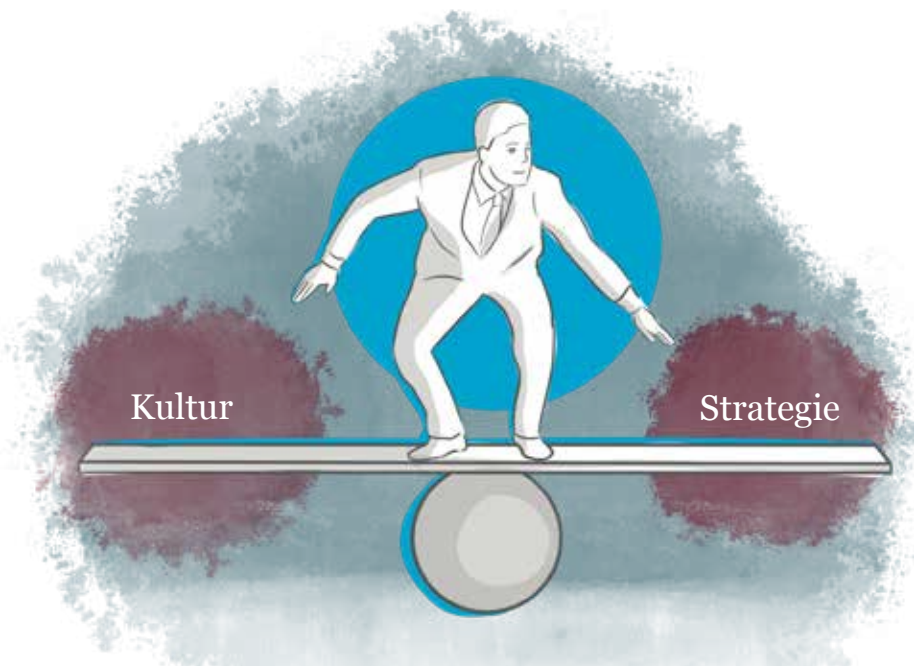
4. ORGANIZATIONAL TENSION & LEADERSHIP TENSION

ORGANIZATIONAL

LINEAR & STABLE VS. AGILE



CULTURE VS. STRATEGY



Under VUCA conditions, leaders are confronted with a high degree of ambiguity. This forces them to act in areas of tension, that bring about conflicts or contradictions that are difficult or impossible to resolve. These tensions can cause high levels of stress and create uncertainty in leadership behaviour.

Leaders who think conventionally in terms of "either - or" create false contradictions. "Ambidextrous" leaders can deal better with the challenges of a "VUCA" world. Often, leaders think, that two options are mutually exclusive, when in fact they are compatible and enable synergies.

Leaders must learn to navigate in this ambiguity, to bring opposites together, and to adapt their behaviour - in the sense of situational leadership - to the contextual conditions.

These types of tensions are found at the organizational level and at the individual leadership level. Organizational tensions, resulting from the structure of the organization or triggered by organizational changes, often have a direct impact on leaders and thus also represent leadership tensions.

Based on our studies, we have identified two particularly relevant organizational tensions and two specific leadership tensions as a starting point for the discussion on successful leadership:

- Linear & Stable vs. Agile
- Culture vs. Strategy
- Trust vs. Guidelines
- Authenticity vs. Conformity

On the background of the areas of tension: As a result of the first Robust Leadership study in 2021, the foundation for the tension areas presented in the following was created.

For the second report, we have revised these tensions on the basis of the results of the second study, an additional literature review, as well as current practical experience from the consulting context.

LEADERSHIP

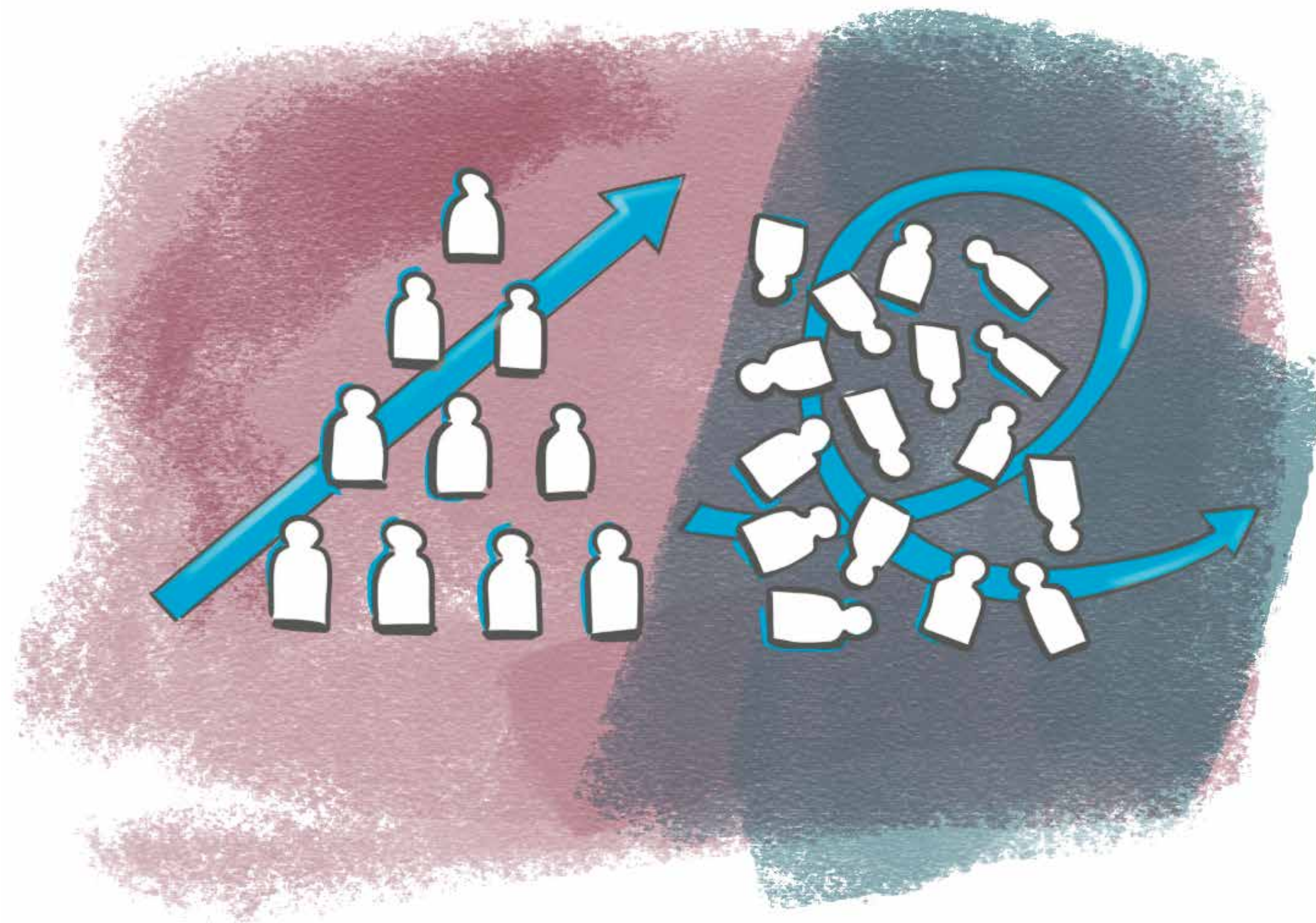
TRUST VS. GUIDELINES



AUTHENTICITY VS. CONFORMITY



4.1 LINEAR & STABLE VS. AGILE



LINEAR & STABLE VS. AGILE Organizational Tension 1

- Functioning organizations need stability, strategies and long-term perspectives. It is a matter of securing the existing business, to provide orientation and to build on previous successes.
- At the same time, organizations only can keep pace with their competitors if they can react agilely to rapidly changing environmental conditions. This means having permeable structures, acting creatively and innovatively, taking risks and adapting decisions and strategies.
- This tension has an impact on leaders. How can they provide orientation and clarity and at the same time be a driving force for change? Do they present themselves as constant or as an agile adaptor? Do they stick to their decisions and thus convey reliability and security, or do they adapt their decisions quickly and sometimes risk causing uncertainty in the team?

SELECTED QUOTES OF THE STUDY PARTICIPANTS

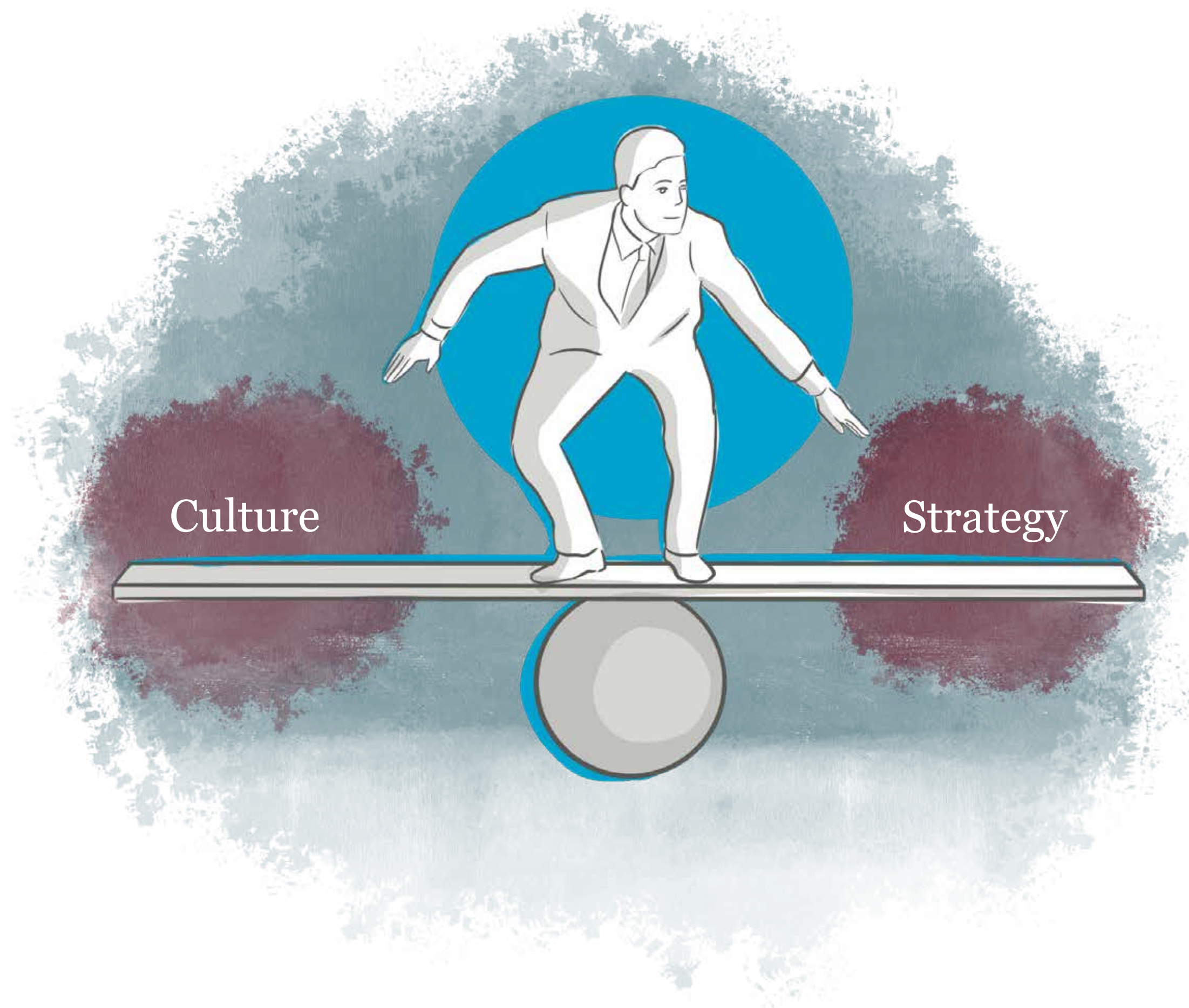
“Very few people are equally strong in creative & strategic thinking, normally it is either or.”



“In German tech companies there is a gap between the culture within business units (KPI-driven, micro-management, etc.) and more explorative departments (corporate innovation, venturing, etc.) which is in the nature of the respective job. The question is: where is the common ground of a cultural behavior and which common ground can “both” parties agree on?”



4.2 CULTURE VS. STRATEGY



CULTURE VS. STRATEGY Organizational Tension 2

- "Culture eats strategy for breakfast." The Peter F. Drucker quote is still relevant today. Organizational culture is central to the success of a company. Values in particular, as part of the corporate culture, are drivers for the development of a sense of belonging, create orientation in decision-making and reduce uncertainty and complexity.
- For change to succeed, its direction must be defined and a clear picture of the future is necessary, which is linked to corresponding strategies.
- The success of organizations is based on thinking strategy and culture together, coordinating and interweaving the "WHAT" and the "HOW". A clear separation no longer meets the demands placed on companies today.
- This tension is experienced by leaders as increasing complexity. The question arises: How can I, as a leader focus on the creation of a new strategic direction and at the same time work culturally with my team on its implementation?

SELECTED QUOTES OF THE STUDY PARTICIPANTS

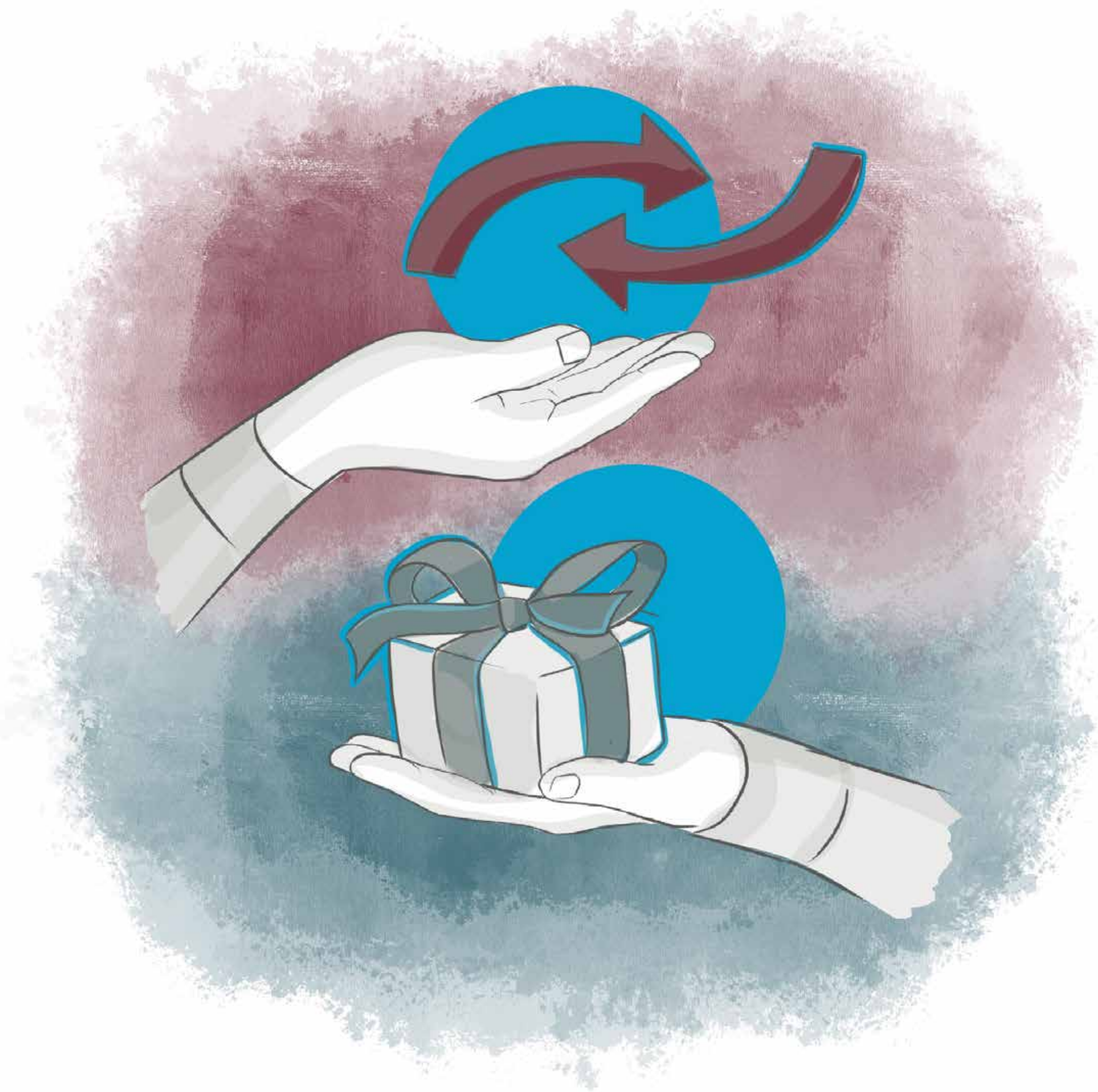


"Values create a common culture and ensure the striving toward a common goal."



"Values are the bedrock of any organization. Making them explicit helps to reinforce them and create a common language and identity. Thus, they are supporting a sustainable performance over time."

4.3 TRUST VS. GUIDELINES



TRUST VS. GUIDELINES Leadership Tension 1

- Trust and psychological safety play a fundamental role for companies, as do clear guidelines from leaders. How can a leader give trust and at the same time formulate requirements or assess the performance of the employees without this being perceived as mistrust?
- In a highly dynamic corporate environment a leap of faith is advantageous to enable responsibility, feedback and (personal) development. The "trust has to be earned"- approach does not do justice to the pressures of the "VUCA" world.
- However, in order for trust to lead to the right results and for everyone to pull together, the goals must be clear. It is the task of leaders, to provide orientation, formulate a clear direction and to set targets in order to ensure coordinated cooperation. This is also relevant in order to meet the requirements of their own superiors.
- How can leaders provide orientation and demand performance and objectives without demotivating and jeopardizing trust?

SELECTED QUOTES OF THE STUDY PARTICIPANTS



"Actively involve employees, share perspectives, give context, be open and honest, stand in for employees, respect them."



"It is about trust in the abilities of employees and leaders and trust in the appropriateness of the decisions made by both sides."

4.4 AUTHENTICITY VS. CONFORMITY




AUTHENTICITY VS. CONFORMITY Leadership Tension 2

- An important part of the role of leaders is to lead by example. This requires that the leader is aligned with the values and goals of the organization. Leaders must act in the interests of the organization, support its goals, and demonstrate and promote behaviours that are aligned with the culture and goals of the company.
- To be successful role models, however leaders must also act authentically. Being authentic as a leader means being genuine, honest, and sincere and standing by one's own convictions.
- In addition, vulnerability as a core aspect of contemporary leadership and of an authentic leadership style and in contrast to autocratic organizations is seen as relevant.
- For leaders, this can lead to considerable inner turmoil. What happens, when the culture in the organization changes over time and no longer matches the values and beliefs of the leader?
- What happens when the organization adopts a new cultural direction that replaces the learned self-image and the previously relevant values of the leader?

SELECTED QUOTES OF THE STUDY PARTICIPANTS

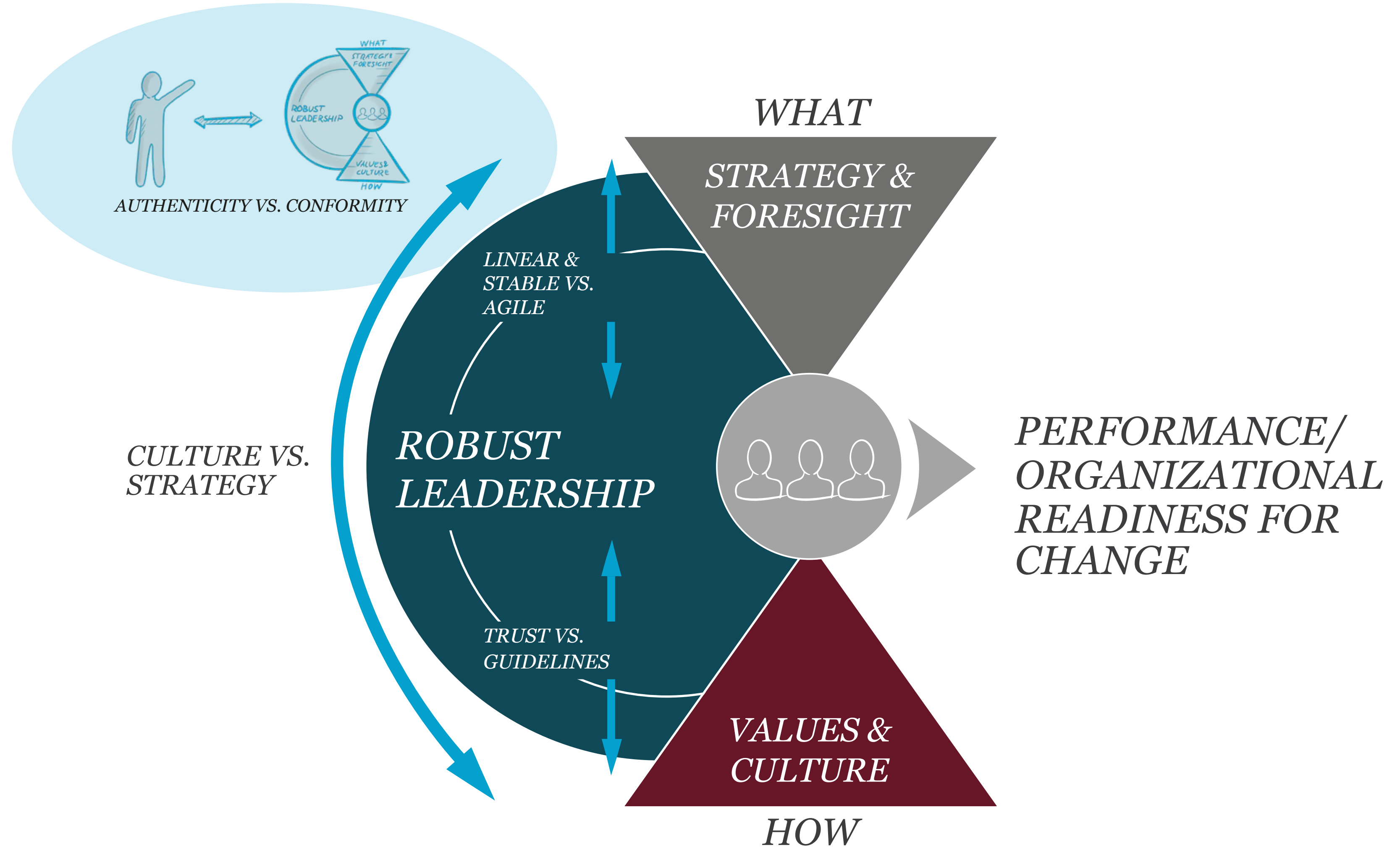


“Often there is a discrepancy between what leaders say and what they really think.”



“To foster trust, a key leadership behavior is to show vulnerability. Unfortunately, not something that is understood nor demonstrated where I work.”

4.5 AREAS OF TENSION IN THE ROBUST LEADERSHIP FRAMEWORK



The tensions described above are also evident in the Robust Leadership Framework:

Linear & Stable vs. Agile:

At the WHAT level, successful companies need stability and orientation, as well as adaptability.

Trust vs. Guidelines:

At the HOW level, clear adherence to responsibilities is just as important as a culture of trust.

Authenticity vs. Conformity:

This tension arises between the organization and the leader as an individual.

Culture vs. Strategy:

Runs through the Robust Leadership Framework as a central tension.

The Robust Leadership Framework can provide answers to the 4 areas of tension. It allows a self-positioning and reflection on the current condition of organizations or leaders.

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