

New Leadership Competencies to Lead Companies Sustainably in a Complex World

Authors

Anita Hoffmann, Executiva Ltd
Adam Faruk, Changing Consciousness

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Background

The environment that business leaders are operating in is changing rapidly. The speed of communications, the complexity of stakeholder relations, the need to understand the socio-economic and environmental impact of business decisions, and the consequent risks requires leaders to develop a broader palette of competencies.

The authors found that although studies have been done on the general need for new competencies, there was a lack of definition and specificity around what leaders do who are skilled at these competencies.

Aims

This paper aims to describe the new environment leaders operate in, the consequent new or expanded leadership competencies, describe what highly competent leaders do and how they do it for a set of competencies deemed as very important by our respondents.

The research reported here seeks to provide practically useful insights for HR Directors, Board Directors, Senior Leaders and all those interested in improving the way corporate leaders respond to shifting societal expectations of companies.

In other words, the focus of this research is less on filling gaps in the extant academic research, and more on drawing immediately useful lessons from leading-edge practice.

This focus on producing actionable recommendations for those engaged in culture change, leadership development, succession planning, recruitment, new director training, Board development and so on informed the research from the start.

Methods

In order to ensure the research will meet the interests of those who will ultimately use the results, desk research was supplemented with a limited number of scoping interviews with corporate leaders and experts (about 10 in total). The interviewees were selected for their expertise, corporate experience, and to represent a range of industries and cultures. All were given advance notice of the issues to be investigated during the interview and given assurances of confidentiality.

From this Scoping Phase it became clear there was a great appetite to learn more about the attitudes, thinking, experience and practices of leaders themselves – both corporate leaders and opinion leaders. As a consequence it was decided that Phase 2 of the research effort would center around semi-structured interviews with about 30 experts, opinion leaders and business leaders.

The outputs from the Scoping Phase were:

- A pilot Executive Assessment Framework with competency descriptions and scales to inform and enliven the semi-structured interviews.
- An Interview Protocol for the more extensive, formal semi-structured interviews to follow (Phase 2). This was constructed according to best practice in social research

The Scoping Phase drew to a close mid-January 2012 and it is the findings from this phase that is reported here. The full research results will be made available early summer 2012 and highlights will be presented at the WGC 2012.

Wider involvement is actively welcomed for those interested in participating. This interest in collaborating throughout the research process is to ensure the research does not become an end in itself but rather the start of doing something practical and useful.

Results

A changing business world

Most companies use leadership competency frameworks of some form when recruiting, developing and promoting their leaders and managers. Since these frameworks were developed a decade or more ago, the world business leaders have to operate in has radically changed and with it the leadership competencies leaders need to develop.

The way it used to be

Business leaders used to operate in a reasonably predictable environment where they could set their strategies and plans and execute them on a timeline more or less determined by themselves, their customers and competitor positioning. From the perspective of many

leaders, a company's key stakeholders were limited to its shareholders, employees and the local community.

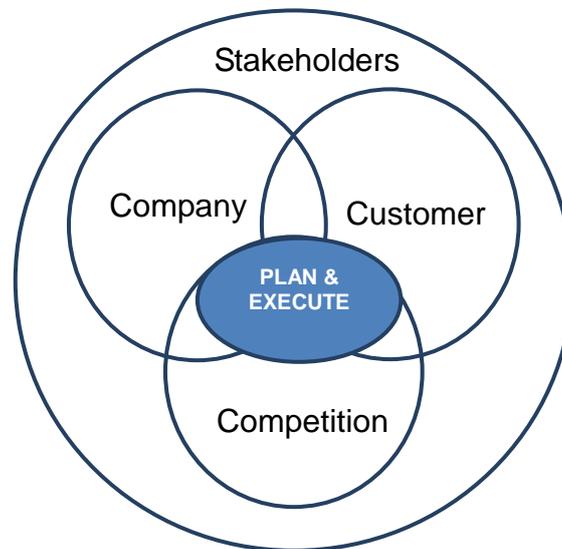


Fig.1 – 'The 3 C's' a decade ago

The new business context

A number of well-known events such as Shells' experience in disposing of Brent Spar, Union Carbide and the Bhopal disaster, and more recently the collapse of Enron have all signalled an evolving social contract between business, particularly big business, and the societies of which they are a part.

At various points employee rights have come to the fore, at other times community relations, and on other occasions environmental damage has made the headlines prompting regulators to step in. Where the regulators were seen as not effective or fast enough in their actions, NGO's stepped in to highlight the issues.

The issues surrounding climate change continue to rise in prominence and the financial crisis has prompted politicians, governments, regulators, NGOs and the media to scrutinise, regulate and change the way business operates. New communications and social technologies makes news and the exchange of information instantaneous on a global basis with anyone.

So the role of business in society has always been a matter of debate and is in a constant state of flux. Phrases such as "compassionate capitalism", "corporate social responsibility" and the currently in vogue "responsible capitalism" are of course reflections of this debate that periodically bubbles to the surface of public consciousness and finds new voice. But at times these debates coalesce into some fundamental rethinking about the proper rights and responsibilities of business – and in many societies now is one of those times. .

It is becoming increasingly apparent that what used to be the 'outside world' is now very much an integral part of modern business. The world has gone 'Outside –In' and created whole clusters of challenges beyond those associated with a few well defined constituencies. Over the coming years these challenges will become more and more pressing for companies and those who lead them.

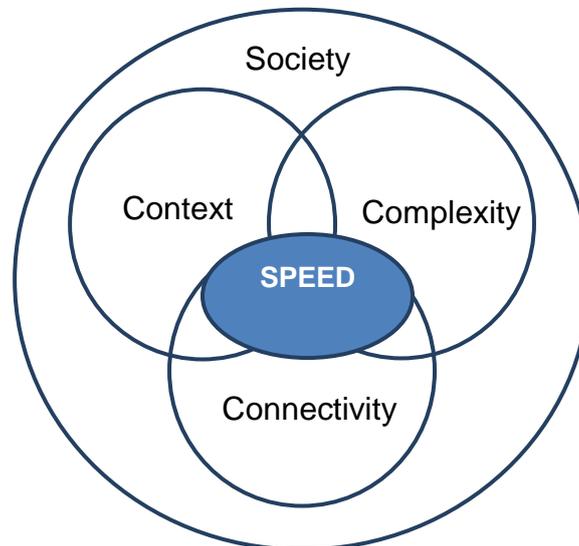


Fig. 2 – The 'New 3 C's'

Source: Tomorrow's Company, adapted by Executiva and Changing Consciousness.

This means that the classic leadership competencies focused on the classic stakeholders and operationally weighted needs complementing and updating.

Definition of Sustainable Leadership Competencies

There are many and not always complementary definitions of sustainability and sustainable leadership. For this paper, confirmed by our research, Sustainable Leadership is defined as the leadership competencies needed to lead companies in order to thrive over the long-term, delivering value to all stakeholders including investors, local communities, suppliers, government and its agencies, employees, the environment and wider society.

Towards a balance between strategic and operational competencies

In the DUET-framework in Figure 3 both the classic leadership competencies (in black font) and the new or extended competencies (in red font) can be seen.

This framework contains 27 competencies, with 13 new or expanded competencies, grouped under four headings: **U**nderstanding, **E**ngaging, **D**elivering and **O**perating **T**enets, or re-arranged; **DUET**.

Traditionally the leadership competencies are weighted toward the more operational and execution oriented competencies on the right side of the framework. The new competencies are clustered around the front end of the framework, at the 'input, strategy, communications and collaboration' type competencies.

DUET - Competencies for Sustainable Business Leadership

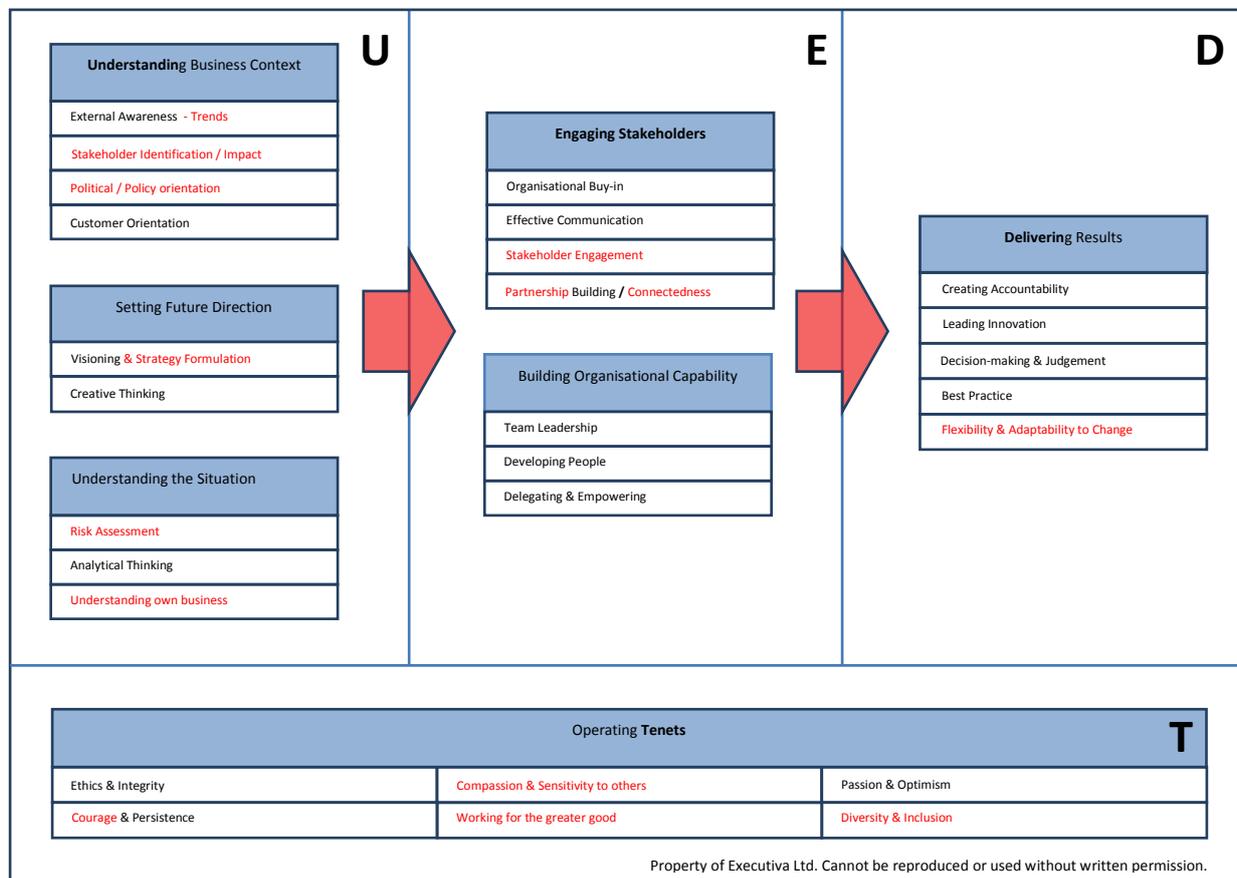


Fig. 3. DUET – The Sustainable Leadership Competency Framework

Externally oriented competencies are increasing in importance

As can be seen from the number of red marked competencies, externally oriented competencies are becoming more important as part of a leaders make-up. In total 9 competencies have a largely external orientation in their definitions:

- External awareness *
- Stakeholder Identification / Impact
- Political / Policy Orientation
- Customer Orientation
- Visioning & Strategy Formulation *
- Risk Assessment
- Stakeholder Engagement
- Effective Communications / Dialogue *
- Partnership Building / Connectedness

* denotes significantly expanded definition versus classic frameworks

Operating Tenets

The Operating Tenets represent a group of competencies without which an executive can be competent but low-performing. That is, someone who executes all the tasks right but creates a fearful environment or a dysfunctional organisation. Few of us would find it acceptable to work for a leader who did not have a strong sense of Ethics & Integrity. We will take a closer look at this particular competency later as part of the 'non-negotiables'.

Several new Operating Tenets were uncovered during our scoping phase and will be further developed during the next research phase, and highlighted at the WGC 2012 if amendments are needed.

Are the new competencies really important?

To test that the new competencies are of real importance, we asked a cross section of respondents (CEO's, Sustainability Advisors to boards, Group HR directors, Advisors to Investors and Experts) from a variety of industries (Logistics, Technology, Banking, Investing, Renewable Energy, Consulting, Chemical Industry, Oil & Gas e.g.) to;

- Choose their top 5 competencies from the entire framework
- Choose their top 5 new competencies
- Define what top performing executives would be able to do at the top of that competency.

The results of this initial ranking showed that the new competencies are indeed deemed critical across industries and types of respondent.

The top 8 competencies as identified by these respondents, where:

- | | |
|---|-----------------|
| 1. External Awareness & Trends (U) | - New / Updated |
| 2. Flexibility & Adaptability to Change (D) | - New |
| 3. Creating Accountability (D) | |
| 4. Stakeholder Engagement (E) | - New |
| 5. Decision Making & Judgement (T) | |
| 6. Visioning & Strategy Formulation (U) | - New / Updated |
| 7. Risk Assessment (U) | - New |
| 8. Courage & Persistence (T) | - New / Updated |

As can be seen from this, six out of the eight top competencies are either completely new or updated classic competencies. There was also a high degree of consistency amongst the new competencies picked.

This tells us that we do indeed need to assess our leaders for an expanded set of competencies to ensure they have capabilities needed to be effective in this new business environment. This needs to be done whether we are recruiting, performance appraising or planning the development and succession of our leaders in our organisations.

Anchored scales

We used a seven point anchored scale, where one is the lowest and seven the highest score and four as the level of proficiency all senior leaders should normally reach. Acceptable scores in each category may of course vary according to role and seniority.

These scales take into account the frequency a leader uses the competency, how far-reaching the impact is the nature of the impact is (e.g. Never to Always, Self to Industry & Society and Hinders progress to Transforms business and Impacts Society).

Each step on the scale has definitions of the behaviours and skills displayed at each level.. A significant part of our research is focused around what and how leaders achieve excellence, particularly with regard to the new and updated competencies.

To assess a leader’s level of proficiency, a deep and involved interview process should be conducted to gather concrete evidence for the various competencies.

Competency Scores and Profiles

An example of what a set of scores for all the categories could look like can be seen in Fig 4.

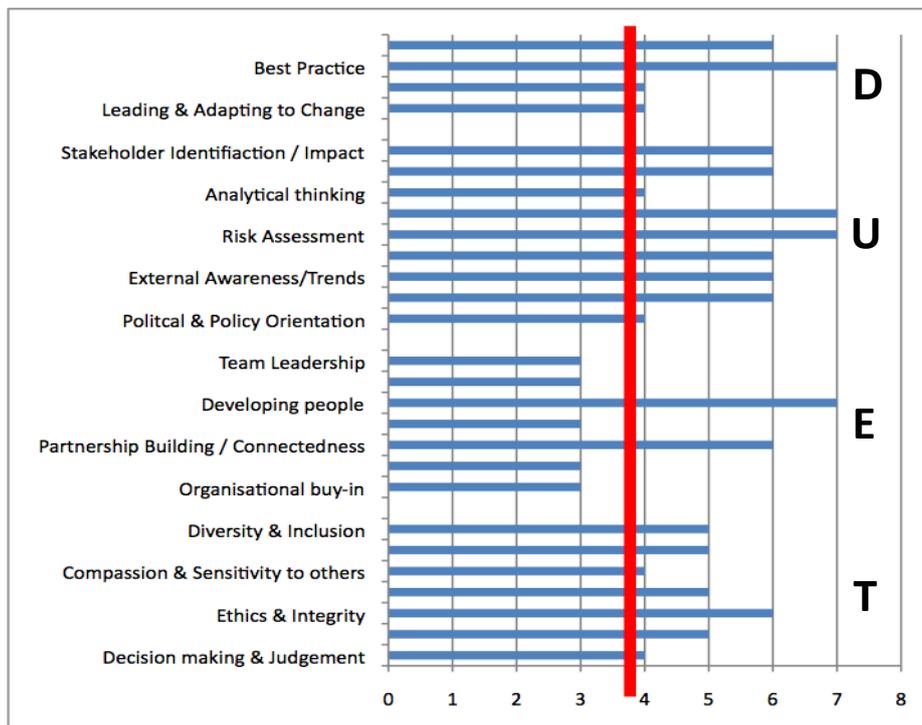


Fig 4. Example on scores on all DUET competencies

Such an assessment provides a rich and detailed picture about the proficiency of a leader and where they perform well and where there are gaps. This information is essential for both the leaders themselves and their organisations.

Understanding leaders strengths and weaknesses is vital, whether we are looking at company culture, planning a new strategic direction (do my leaders have the capability to deliver the new strategy?), succession planning, recruiting, developing or promoting leaders.

Other ways of using the profiles

By grouping the competencies into the seven sections in the DUET framework, another useful way of looking at a profile emerges.

Figure 5 shows that this particular leader is strong on the Understanding part of the competency framework, but weaker at the E = Engaging the organisation into action part. If your aim as an organisation is to be excellent at Stakeholder Engagement, there is work to be done for both the organisation and this particular leader, who is good at the strategizing part, but not so good at getting things implemented in the organisation.

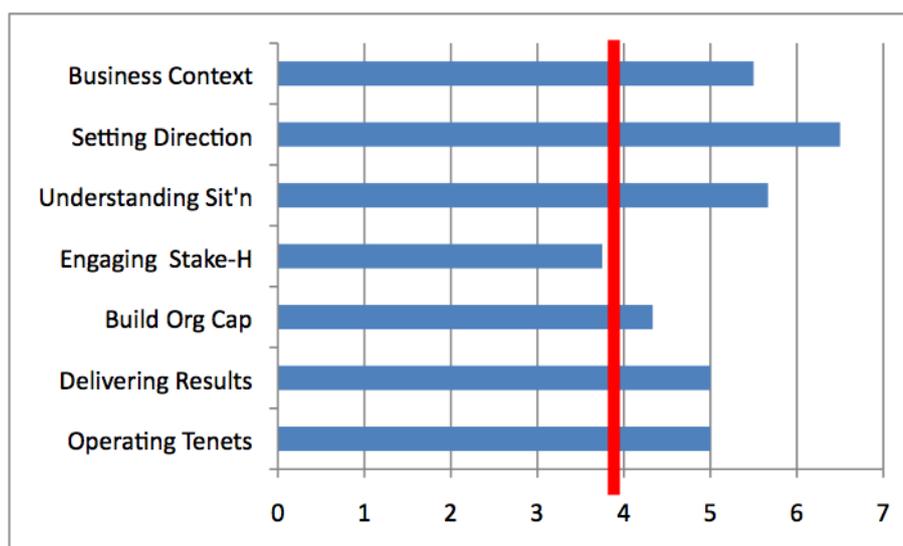


Fig 5. Example of scores grouped into DUET main headings

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These scores can be compiled for the entire organisation and a gap analysis be made vis-à-vis the profile you need for your organisation going forward.

Profiling the organisation

Just like individual leaders need to grow and develop new competencies as their roles and the environment they operate in change, organisations need to do the same.

Assessing the senior cadre of leaders and looking at the resulting profile can be revealing. Critical competency gaps can be identified and succession plans, development and recruitment plans can be put in place.

The profile can also assist in helping define, plan and implement the kind of culture, leadership style and competence an organisation wishes to develop to be successful for the long term as can be seen in Figure 6.

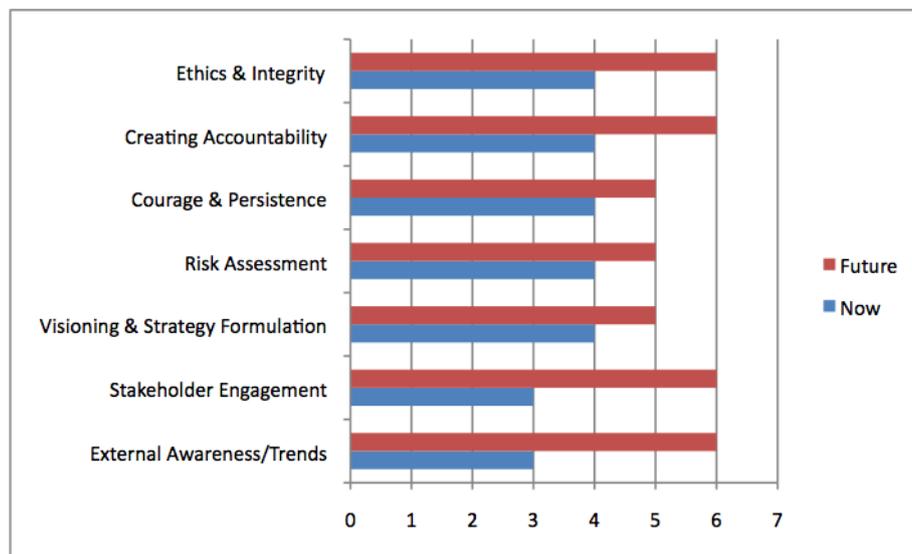


Fig 6. Example of Gap analysis for 'Top 7'

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There are many other ways to look at the data depending on the particular issues an organisation wishes to address. For example...

- Externally vs. Internally oriented competencies,
- Individual vs. Team, Organisation and Industry/Society oriented competencies
- Thinking vs. Communicating, Doing and Being oriented competencies

All of these groupings reveal different aspects of a leader's or organisation's competency profile.

Boards and the new competencies.

We have so far spoken about leaders in general. This is often understood as executives. However, as non-executives should not be ignored given their pivotal role in corporate governance strategy making and risk management. They too often do not have a high level of proficiency and/or insight into some of the new strategic competencies under discussion here, potentially hampering a leadership team and company.

The new competencies - what does “good” look like?

One of the main reasons for conducting our research is to practically define the new competencies and the anchored proficiency scales associated with each.

In this section we will share some insights gained to date. Further refinements will be highlighted at the WGC 2012 presentation after completion of Phase 2 of the research.

Of the top rated competencies we will discuss the following in some detail:

- External Awareness & Trends (U) - New / Updated
- Visioning & Strategy Formulation (U) - New / Updated
- Risk Assessment (U) - New
- Stakeholder Engagement (E) - New

We will also provide insights into three further competencies:

- Creating Accountability (D)
- Courage & Persistence (T) - New / Updated
- Ethics & Integrity (T)

For each competency we will provide;

- Definition
- Why this competency is deemed important
- What has changed from the classic frameworks
- What highly proficient leaders do and not so proficient leaders do/don't do.

External Awareness & Trends

Definition: *Recognises trends and events outside the organisation and focuses the organisation's financial, operational and human capital on the issues that affect performance short, medium and long term. Converts this into insights that the organisation can understand and act on.*

This includes Social, Environmental, Political, Financial and Cultural trends as well as trends within Technology, Customers, Competitors, Regulators and Influencers etc.

Why is this important? Seeing patterns and understanding what is happening allows the organisation to influence their future, e.g. around regulations, reputation etc.

Development: This competency has risen from a 'nice to have' in classic management assessments, to a vital, "must have" competency for the long-term survival and health of the organisation according to our respondents regardless of industry or position. That is, those

organisations that fail to recognise critical trends and act, put their longer term future in jeopardy.

This definition has developed from, in the classic frameworks, an assurance item that leaders kept up with developments in their individual markets (staying current in their jobs) to the need for a deep understanding of how the outside world impacts their organisation.

It has become a “must have” competency to be able to gather the information, make it digestible for the organisation and lead teams or organisations in putting such processes in place.

High proficiency leaders:

- Have developed an almost uncanny **antennae** for ‘what is about to arrive just over the horizon’ and lead their organisations in preparing for both the threats and opportunities this gives.
- They look to the medium and long term and can convert the information into **insights** that show the impact on the business, so that the organisation can take well-informed decisions.
- They develop informal and formal ‘**listening systems**’. The informal listening systems are both internal and external and include filtering systems for how to analyse and deal with information. They also put in place formal market research systems around customers changing buying decisions and competition.
- Exceptional leaders also do the same on a **cross industry basis or across the value chain**.

An example of this last point is the well-known Global Mining Initiative (now transformed into ICMM – International Council on Mining and Metals) established in 2000/2001 by 18 mining companies. It was initiated by Rio Tinto’s CEO and passionately pursued by him and the then Chairman of Anglo American. They both understood the increased social and societal pressure on their operations and drove a cross-industry initiative.

Low proficiency leaders:

- Often know that a threat is on its way, but as long as it is small in comparison with the current business, seems complicated, and is not an immediate threat they tend to ignore it, move jobs and then the organisation finds itself in a difficult situation a few years later. We have all seen this happen...

Visioning & Strategy Formulation

Definition: *Leads the development of and communicates a compelling future for the business with a clear, simple picture of where they aim the business to be and what time frame (with concrete targets and milestones).*



Visioning and Strategy are often confused. By Visioning we mean setting the direction and describing 'Where we want to end up and What it is going to look like when we have arrived'. Strategy is the 'How we intend to get there'.

Why is this important? We all need a '**North Star**' to guide our decisions or the organisation will need micro-management - a state of affairs we can ill afford in these fast moving times. With such a beacon the organisation can 'self-organise' on the ground to achieve the long-term goal. Further, if analysts and other stakeholders do not know what to expect from an organisation they may force them into a short-term response pattern.

Development: This competency has gone from a competency that Strategy, M&A or Marketing departments need to a core competency for all leaders. New ideas and directions are needed to change the way we do business and the traditional way of incremental change will not keep our organisations successful or sustainable.

High proficiency leaders:

- Start with or includes **considering the highest social responsibility and purpose** of the organisation. This also drives the development of new products and services.
- Create and communicate a strategy that is '**clear, simple and transparent**'. No one can execute a complicated strategy and if you don't know where you are heading it does not matter what you do.
- Insist on **simplicity** to the point of being fanatical and if the executives reporting to them cannot produce simple coherent strategies they might even insist on their replacement.
- Build strategies that are **long term** and built from trends and risks.
- '**Put a flag in the ground**' and describe to stakeholders and the markets why this route will be good for the company in the long term and to assess them on the progress versus 1-3-5 years milestones, not quarterly results.
- Seek out **new processes and techniques** to vision quest, develop new strategies and new solutions to problems. One new method mentioned by respondents is 'The U-Process for Heuristic Discovery' a co-discovery and co-creation process going beyond logic, by J.Jaworski & K. Gozdz.

Low proficiency leaders:

- Produce what is really three to five year budgeting processes or M&A plans instead of long term Visions and Strategy.
- Over-complicate it so that the organisation is paralysed
- Call in consultants to take the decisions for them (using consultants is good, but it is the leaders' job to make the decisions) or
- Think they need to get it 100% right instead of 80% and cannot act before they feel they have all the answers.

Risk Awareness, Assessment & Management

Definition: *Identifies and quantifies the likelihood, importance and impact of potential risks to the business and focuses the organisation on preparing for business critical risks.*

This includes sector response, and the response of other actors (regulators, customers, suppliers, investors, NGOs). It includes crisis scenarios both inside and outside the organisation.

Why is this important? With the much increased focus on organisations and how they prepare for, avoid or handle risk it was clear from the respondents that this now is a vital competency for leaders to be highly competent at.

Development: This competency did not make its appearance as a discrete competency on any of the classic competency frameworks we studied, yet it was picked by most respondents as a top competency. Risk is of course part of what every leader has to deal with but was previously a sub category in another competency.

High proficiency leaders:

- Understand how to define and identify the **low probability/high impact risks** that could cause a real crisis / loose them the business.
- Know how to segment the risks they are in control of (**Risk**) and the ones they are not (**Uncertainties**).
- **Lead the organisation to actively manage** the risks and put a crisis response plan in place for the uncertainties. Included here are Climate Risk, Disasters, Accidents, Political Risk, Financial Trends, Regulatory Trends, Labour unrest, Critical Components and Raw Materials etc.
- **Understand where the risk process is weak** and addresses the deficiencies;
 - Limited knowledge of risk processes
 - Limited information (risk information and how it interrelates in the business)
 - Limited experience in managing risk
 - Lack of decision making ability (*Competency: Decision-making & Judgement*)
- Have **risk management tools knowledge** e.g. horizon scanning, scenario building etc.
- Know how to develop and manage '**Risk Ropes**', the intertwined strands of risk that is part of the route to deliver their vision and strategy. This has pre-defined tolerable variances that require no action as long as the indicators are tracking within the agreed range. It has pre-defined plans and actions should the indicators get too close to the outer limits. This allows the organisation to focus on business critical items instead of fire-fighting small changes. It also makes them able to be flexible and 'turn on a dime' as everyone knows what to do if an indicator is heading for the danger-zone.
- Adept at **quantifying** all major risks and make transparent provisions for them on their balance sheet.as % of profit..

Low proficiency leaders:

- Segment risks down to smaller components and delegate to different parts of the organisation to deal with.
- Engage in complex, detailed risk management processes focusing on what are mainly operational problems, rather than on the risks that could lose them the entire business.
- Might focus so much on risk that the wrong decisions are made.
- Have qualitative risk statements with no corresponding provisions on the balance sheet.

Respondents report they have not really seen any organisations or leaders that are outstanding at Risk but likewise that their organisations view this as a top priority to develop.

We interviewed some risk experts as part of our research and will continue to refine our definitions of outstanding Risk Awareness, Assessment & Management as this is clearly one of the new key leadership competencies.

Stakeholder Engagement

Definition: *Demonstrates knowledge and insights about the organisations role vis-à-vis internal and external stakeholders and acts to fulfil their needs and exceeds their expectations. Understands how to read the political and opinion landscape and how to build coalitions that bring the organisation's voice to the appropriate decision makers.*

This includes Customers, Suppliers, Investors, Employees, Regulators, Politicians, Local Communities, NGOs, Influencers, Media, etc.

Why is this important? Stakeholder engagement is not new, but the number and variety of stakeholders an organisation has to interact with is rapidly increasing. Communications technology means that we have an 'instant news cycle' and a slow, clumsy or uncoordinated response to any one stakeholder group can have major consequences as we have all witnessed live on TV several times the past couple of years.

Development: Classically this competency has been defined as Relationship Building, assessing if executives were capable of forming and maintaining business relationships inside and outside the organisation. Stakeholder Engagement for a wide range of stakeholder was not included. The rapid rise of Social Media as stake holders is recent and vital .

High proficiency leaders:

- Have a **thorough and serious process** in place to identify key stakeholders (we have chosen to treat this as a separate competency), what their needs are and what the impact could be on the organisation of not satisfying these needs.



- **Listen wisely** to minority views and know how to perform due diligence to check the veracity of the information. Minority voices can be loud, but there might be bigger issues hiding out there that needs addressing with priority.
- **Strategise** with their teams and put engagement plans in place.
- **Decide** exactly what they are going to do/ not do for these stakeholder and **communicate** this to them.
- Makes sure there is an appropriate engagement process in place to **ensure they deliver** on whatever the promise was.
- **Align** the stakeholder strategies **with internal goals and incentives**. It is no good finding you have lost your one supplier of a key raw material because Procurement has been incentivised to lower cost over so many years that your key supplier could no longer afford to invest in their production facilities...
- Have a **social media strategy** in place so that everyone from the board down are aware of and know how to react to. They;
 - Know who the top 10 bloggers are that influence the 100 who write about you or your organisation and the 1000 taking their cue from them. They have strategies in place for how to engage with and influence them.
 - They have in place Facebook pages, where more and more consumers go for live up to date information from companies.
 - They have in place 'Twitter handles' to monitor and respond instantaneously to Twitter traffic about the company. If you are not convinced about this item, read the coverage of a well-known Australian airline and the presumed exploded Airbus 360 (not true) flying around on Twitter in 2010 and how they managed to handle it.

Low proficiency leaders:

- Show little interest in listening to any voices except their own as 'they know better'.
- Or they listen to everyone, and try to create something that pleases everyone. This often means that it satisfies no one.
- Promise a certain level of engagement with a stakeholder group, but does not follow through.
- Think Facebook, Twitter and blogs don't or won't affect them or their industry...

Creating Accountability

Definition: *Defines ambitious goals and establishes priorities with clear responsibilities to ensure results. Puts in place targets and incentives across the organisation to ensure leaders understand why they are working on a goal for the whole organisation beyond their own unit.*

Why is this important? The increased speed of market change and pressure on organisations to deliver results, take greater responsibility for their impact on wider society, change their culture (such as bonus culture) etc. makes creating accountability a vital competency for organisations and individual leaders.

Development: We favour the Creating Accountability definition over some other classic definitions we have encountered like Delivering Results as Creating Accountability is sharply personal and a clear contractual agreement of what a leader undertakes to deliver and how to behave. There is no room for ambiguity.

High proficiency leaders:

- Set clear goals and targets for individuals across the organisation to create accountability beyond self and his or her immediate unit. I.e. for the greater good.
- Make clear what behaviour and actions are consistent with the direction they want to take.
- Describe clear and public consequences for complying or breaking the agreed rules of engagement.
- Take action immediately if the agreed rules are broken. If not, the new direction will lose credibility immediately. The organisation then knows that the leader is not prepared to enforce consequences, so they will duck long enough for the new ideas to go away.
- Take action even if it is a star performer that 'goes rogue'. This is vital to create real accountability.

Low proficiency leaders:

- Does the opposite of the above.

The 'Non-Negotiables'

Instead of describing some of the competencies like Ethics & Integrity, Courage & Persistence etc., it is probably more useful to expand on what we call the 'Non-Negotiables'.

In our research we were a bit surprised that e.g. Ethics & Integrity did not come out higher on the Top 5 list, however our respondents explained that some competencies are seen as 'must haves' or 'a leader would not be hired, promoted or retained without performing at least at an average level on them. I.e. they are non-negotiable leadership competencies.

We have grouped a number of them under what we call Operating Tenets (T). They assess how leaders do things through value systems more than proficiency in performing a particular 'action competency'. They are;

- | | |
|--------------------------------------|----------------|
| • Ethics & Integrity | - Updated |
| • Courage & Persistence | - New/Updated |
| • Compassion & Sensitivity to others | - New |
| • Passion & Optimism | |
| • Diversity & Inclusion | - New /Updated |
| • Working for the greater good | - New |

In the case of organisations, many of these Operating Tenets are at the centre of discussions around culture change. This to ensure organisations will be around for the long term and deliver value for employees, customers and society at large.

Our Phase 2 research will delve into these competencies further as they are a vital component in Sustainable Leadership.

Summary / Conclusions

Our research confirmed that new competencies are vital if leaders are to manage to companies sustainably. These competencies have been described and come both from our own practice and experience, but more important from our research building on previous studies.

In the DUET (**D**elivering, **U**nderstanding, **E**ngaging and **O**perating **T**enets) competency framework we identified 27 competencies. Thirteen of them, i.e. almost half, are new or with significantly expanded definitions versus the classic competency frameworks that most companies are familiar with.

Conventionally frameworks are also weighted toward operational competencies. Most of the new competencies are in the strategic and engagement part of the framework, the result being a more balanced competency leadership profile.

Many of the new competencies are externally focused, corresponding to the changed business environment where leaders have to deal with many new stakeholders wishing to influence the future of their organisations.

The competencies rated as most important out of the entire framework were;

- | | |
|---|-----------------|
| 1. External Awareness & Trends (U) | - New / Updated |
| 2. Flexibility & Adaptability to Change (D) | - New |
| 3. Creating Accountability (D) | |
| 4. Stakeholder Engagement (E) | - New |
| 5. Decision Making & Judgement (T) | |
| 6. Visioning & Strategy Formulation (U) | - New / Updated |
| 7. Risk Assessment (U) | - New |
| 8. Courage & Persistence (T) | - New / Updated |

That is, six of the top eight are either completely new or significantly expanded competencies.

Implications for organisations

With so many stakeholders and unknowables lurking on the horizon, and the speed and complexity of modern business, organisations need to assess what leadership competencies will be important for them now and in the future. They need to understand whether their

cadre of leaders possess them, whether they can be developed, or indeed whether new leaders need to be recruited.

In our view, if organisations find themselves with leaders who are not proficient in the new competencies they will find it increasingly difficult to respond to a fast-changing, more socially accountable business environment. Eventually such companies will get left behind replaced by the more adept and agile.

Implications for selecting and promoting new leaders

In many organisations, particularly in asset heavy industries, the route to the top has conventionally been via the heavy operational roles. With the need for leaders and organisations to possess or develop a more balanced leadership competency profile between the strategic and operational, and between the external versus internal competencies, we should start to see leadership teams develop with a mix of operational and strategic/stakeholder competencies. That is, we should see more leaders emerge with experience built in other parts of the organisations.

This could help level the playing field for women for example, who often have had career routes via more strategy or stakeholder engagement focused roles, or for other leaders who for various reasons did not choose to pursue an operational leadership role, but are nevertheless highly skilled in their fields.

Implications for boards

As the role of non-executives on the board is to give strategic and corporate governance input and oversight, it is important that they also are proficient in and in tune with the new leadership competencies. But of course many of these competencies have come to prominence since many non-executive directors left their own executive positions. Hence, we see it as key for these new competencies to form part of the selection process for future non-executive directors. Without developing the non-executives as well as the executives on boards the discussion around strategy and governance could prove difficult. The executives could literally be 'speaking a different language' to the non-executives.

As alluded to above, this might also allow more women and candidates with different backgrounds to gain board positions and particularly their first board-positions. Today there is a Catch-22 in becoming a non-executive director: it is extremely difficult to obtain a non-executive director position if you have not already held one.

The assessment framework means that the nominations committee will have evidence on which to base their selection decision and minimize the perceived risk of nominating candidates with no previous non-executive director experience.