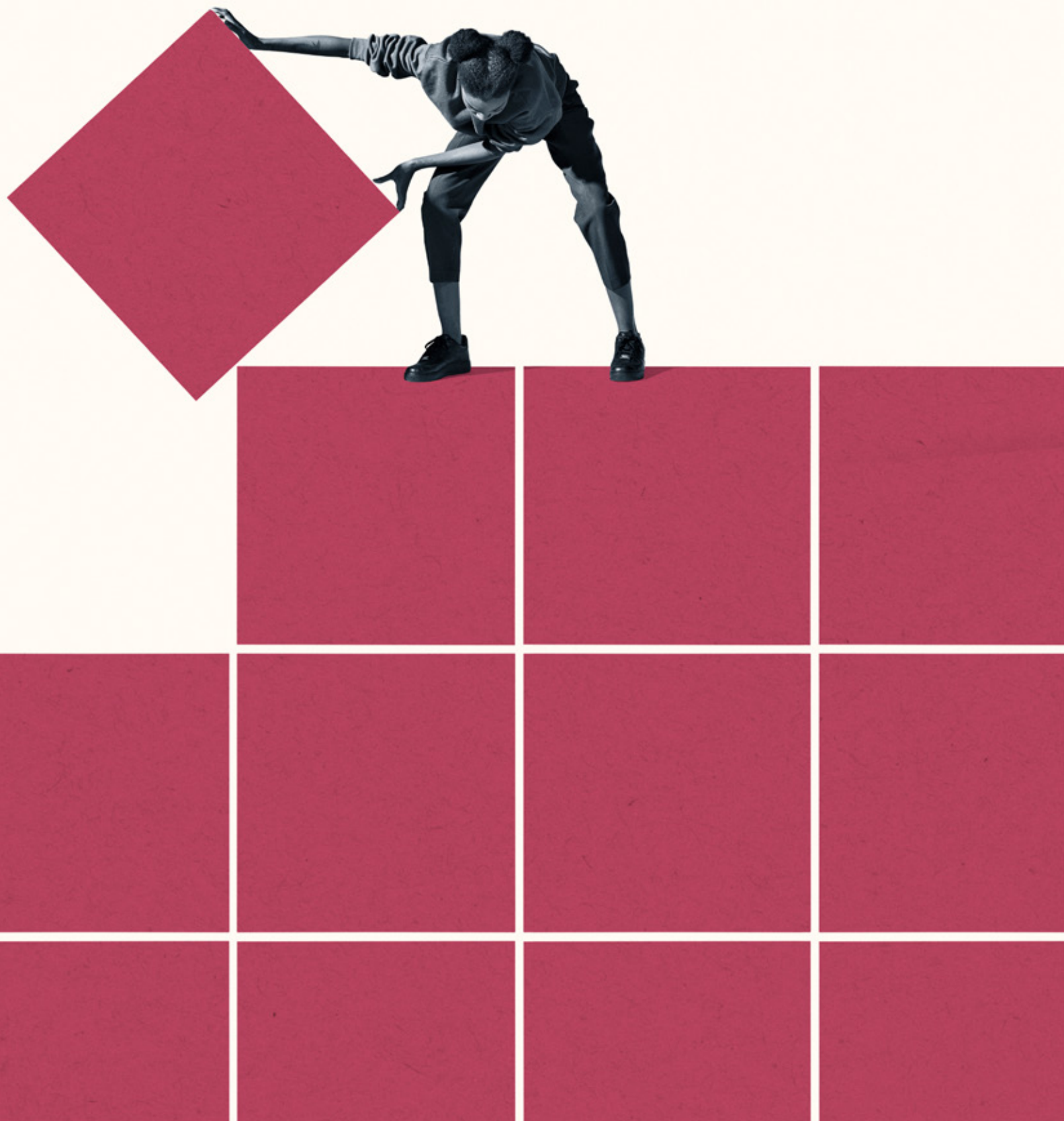# Going Deeper

Why the Future of Leadership is Beneath the Surface

A faster-paced and unpredictable world in which leaders have less direct control demands a new leadership mindset

SpencerStuart

The limits of traditional leadership approaches were becoming apparent even before the pandemic hit. With teams increasingly distributed, business cycles more rapid and strategies running their course faster, many leaders found that their organizations couldn't move quickly enough, and plans didn't produce expected outcomes. Meanwhile, people at all levels were working harder and feeling over-stretched, out of balance, and less engaged and inspired by their work than before.

The pandemic — an existential crisis endangering lives and livelihoods — has further tested leaders and profoundly altered the employee experience. An unprecedented, multiheaded storm for which there was no playbook, the pandemic has served as a sort of laboratory for leadership, with leaders, teams and organizations testing new ways of working and drawing on personal traits and organizational attributes that they might not have in the past.

Now, with a "new normal" on the horizon — one that promises even more rapid change, continued uncertainty, complexity and increased accountability to a broader set of stakeholders — the most effective organizations will embrace a leadership model that enables individuals and organizations to be more agile in sensing and responding to changes in the business context.

To do this, leaders increasingly will move away from classic leadership models relying on individual heroics and from-the-top directives that worked well when conditions were more stable and predictable. They will become comfortable having less control. Going forward, leaders will be less able to directly guide the activities of the organization by cascading strategy, information and goals through traditional hierarchies. Instead, the most effective leaders will focus on creating the conditions for people in their organization to respond agilely to change. They will do this by drawing on the human elements of leadership — strong relationships, empathy, trust, culture, fluid collaboration and information sharing.

Creating the conditions for success: A system view of leadership

A company's CEO and top leaders are the bridge between the organization's context — the external and internal forces affecting the business — and its outcomes — its growth, profitability, innovation, customer loyalty, sustainability. But in the complex, fast-paced environment in which we operate today, the most effective executives don't try to solve everything themselves. They set direction and work through levers like strategy, a unified leadership team, organizational structure, culture and employee engagement to multiply their impact and create the conditions of success. Those conditions are: Clarity, Alignment, Vitality and Coherence.

CONTEXT & OBJECTIVES —— LEADERSHIP ----- OUTCOMES

Clarity

Alignment

Vitality

Coherence
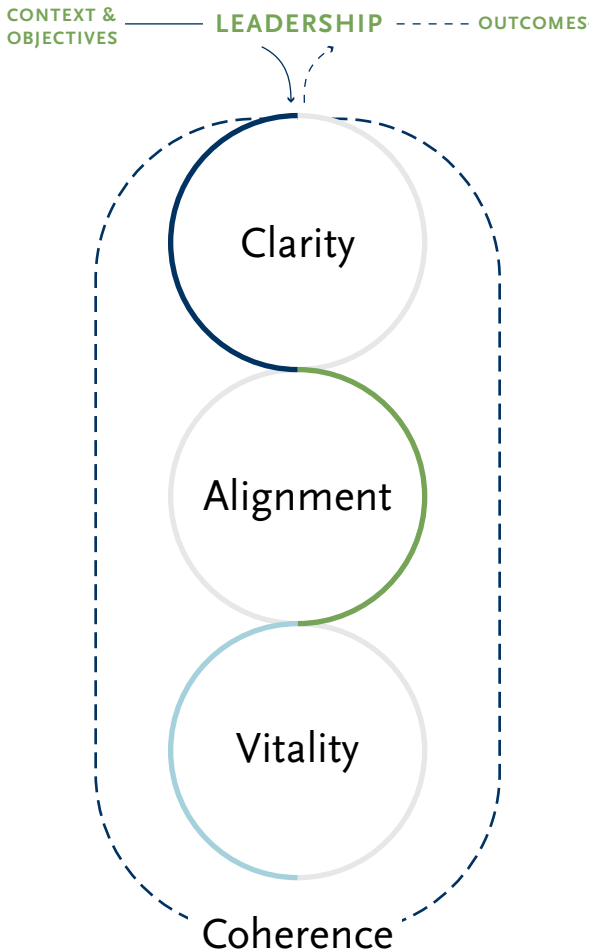
» **Clarity**: a clearly articulated mission and destination, expressed through purpose, vision, strategy and a target culture

» **Alignment**: the most critical resources of the organization are available, organized and strategically deployed to maximize performance

» **Vitality**: people throughout the organization are motivated and inspired with a sense of energy and purpose so they go the extra mile and do extraordinary things together

» **Coherence**: continually monitor the context, ensuring the other conditions remain aligned with one another and with the needs of the business in a highly dynamic and fast-paced environment

When these conditions are in place, organizations operate like a highly tuned system. Leaders set a strategy, communicate it effectively, align people and resources around the strategy, and engage and energize the organization so all the parts are moving as one. Individuals, teams and business units know what to do. They know how to work together. To keep the system running effectively, leaders and others maintain coherence by sensing changing patterns in the internal or external environment and adjusting. The system relies on multiple feedback loops about the outcomes the organization is achieving to continuously adapt based on the changing information.

When the business context is more stable and predict-able, leaders can rely on **more visible and traditional levers** of leadership — such as **strategy**, **team composition** and **organizational structure** — to maintain the high performance of the system. But these more formal and explicit leadership tools can create rigidity. As the speed of change accelerates and challenges become less predictable, the organization needs to be more fluid and adaptable. "Agility is going to be one of the things that arises in terms of differentiation and a competitive posi-tion for a company," a board director explains. "It's also a quality that will differentiate in terms of leadership — the ability to anticipate and adapt, the ability to prioritize the right things in the moment and reprioritize."

As they move to a more fluid, adaptable leadership model, leaders will increasingly leverage the **less visible elements of leadership**, such as **culture**, **trusting relationships** and **organizational engagement**, and personal traits such as empathy and humility. These "beneath-the-surface" attributes like intuition, instincts, feelings and values are naturally more flexible and can be powerful drivers of out-comes, but they also are harder to see and manage.

More visible

» **Strategy**

» **Team composition**

» **Organizational structure**

Less visible

» **Culture**

» **Trusting relationships**

» **Organizational engagement**

Leaders naturally embraced many of these under-the-surface traits and leadership approaches during the pandemic. Many individual leaders discovered that empathy and humility helped them connect better with people in a time of crisis and keep the organization engaged and aligned amid disruption — even as they had to rely on vir-tual communication tools. Top leadership teams found that they could move faster when they shared information more freely and proactively and developed more trust-ing relationships with their peers. Organizations adopted more agile processes on the fly to respond to the challenges of the pandemic, increasing collaboration across disciplines, empowering teams closest to customers, decentralizing decision-making and aligning a dispersed workforce through purpose and values. "There is no question that a lot of the things that we learned are going to stay because they showed us that we can be more productive, more agile and more flexible in terms of where and how people work," one CEO tells us.
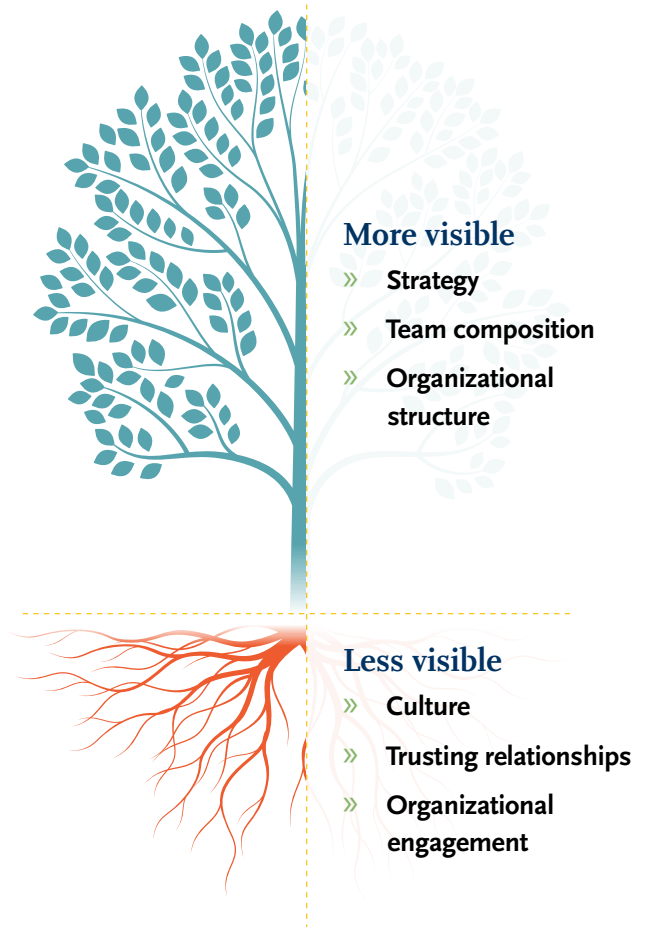
Individual leaders:
Looking deeper to character and capacity
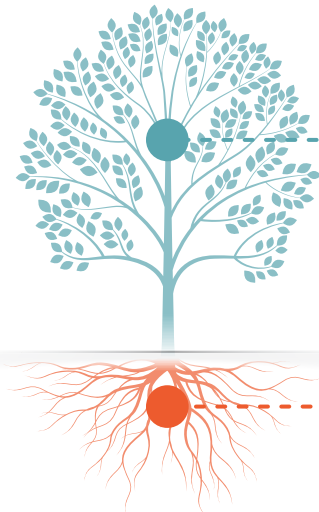
MORE VISIBLE

A leader's **career** experience and the **capabilities** they have developed are traditional factors for determining success.

GOING DEEPER

However, attributes such as agility, ethics, motivations and personal style that speak to a person's **character** and **capacity** are more important factors for predicting a leader's potential for success in the future.

When the conditions are predictable and the near-term objectives of a role are clear, a leader's career experience and the capabilities he or she has developed are good predictors of how they will perform in a given role. These more easily quantifiable, "above-the-surface" qualities — the specific jobs a person has held, their industry knowledge, functional expertise and skills developed, etc. — reveal how a leader gets results and are more directly related to the expected outcomes of the position.

When market conditions are more dynamic and unpredictable, leaders have to let go of the urge to control and direct and, instead, focus on creating the conditions for success. Leaders can't direct thousands of people in an organization to feel trust, but they can build trust by exhibiting humility, empathy and authenticity in their interactions and communications. That's why looking below the surface to an individual's capacity and character — the more general patterns of behavior, character traits and style preferences — has become more important.

A leader's capacity predicts how far and fast he or she can adapt and grow, reflecting attributes such as social intelligence, self-awareness, ability to operate in ambiguous situations and problem-solving ability. Character — representing deeply held preferences, motivations, resilience and style — speaks to why people do what they do and informs how a leader will work with a team, align with a culture and respond to development needs.

The pandemic highlighted the importance of these beneath-the-surface leadership traits — humility, empathy, resilience, adaptability, authenticity, transparency. Leaders with these traits have been better able to engage and support their teams and the broader organization to respond to the challenges of the crisis. They had the humility to admit that they didn't have all the answers and empathy for those who had lost family or friends, were caring for sick family members, had spouses who lost jobs or were just overwhelmed by their work and home obligations. As one CEO explains, "The great leaders in our business who have displayed empathy, support and care have fared better and had more support for whatever changes have been required. And we know that some of the 'soft' values, interpersonal skills, empathy, authenticity are even more important than they were perceived to be prior to the pandemic."

# Senior leadership teams:
Aligned, collaborative and trusting
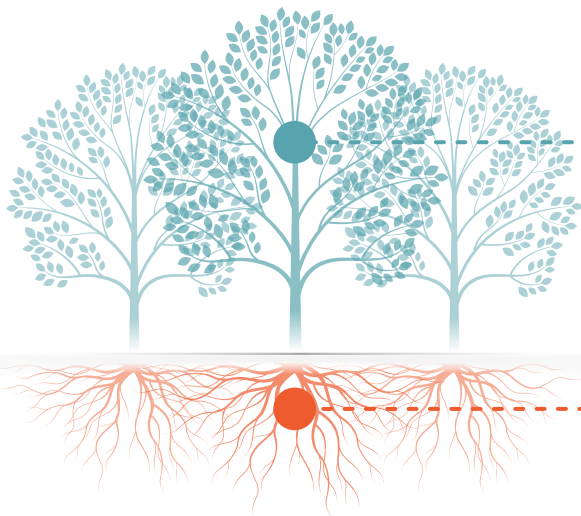
MORE VISIBLE

Team **composition**, **formal agendas** and well-defined areas of responsibility are prioritized.

GOING DEEPER

Strong relationships, **trust** and **healthy team dynamics** equip organizations to be more adaptable and successful over time.

Before the pandemic, many leaders would have described their teams more like a collection of talented individuals than a high-performing, highly effective team. Traditionally, leaders' attention to their team focused on above-the-surface attributes such as composition — having strong individual players — and team structure — having clear lanes of responsibility.
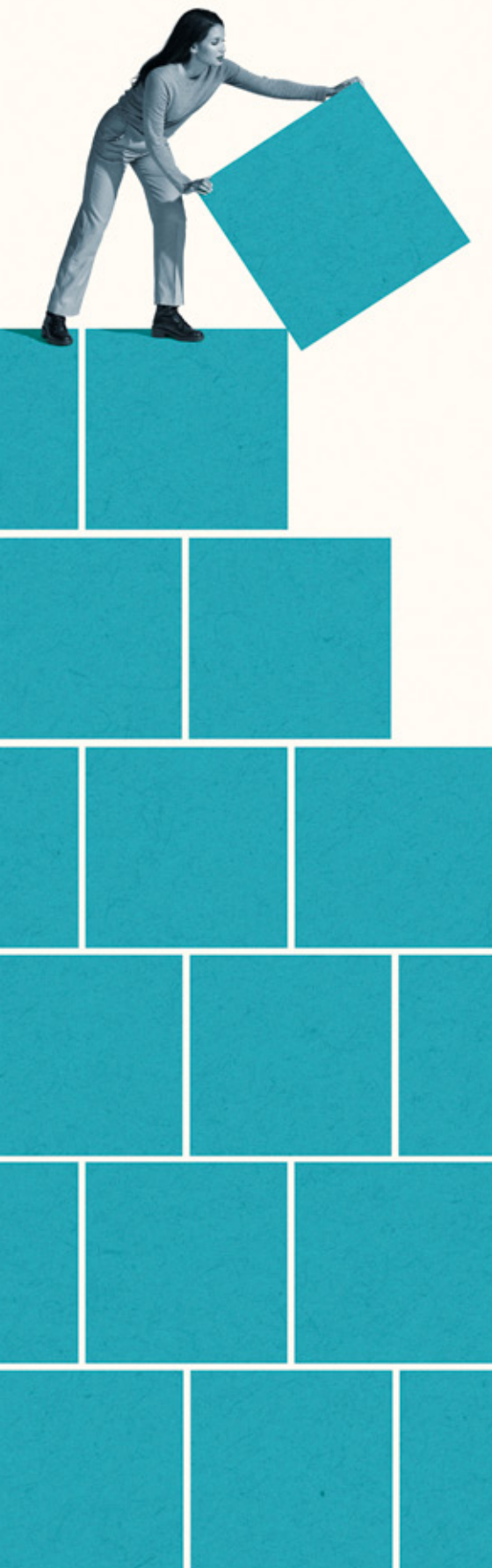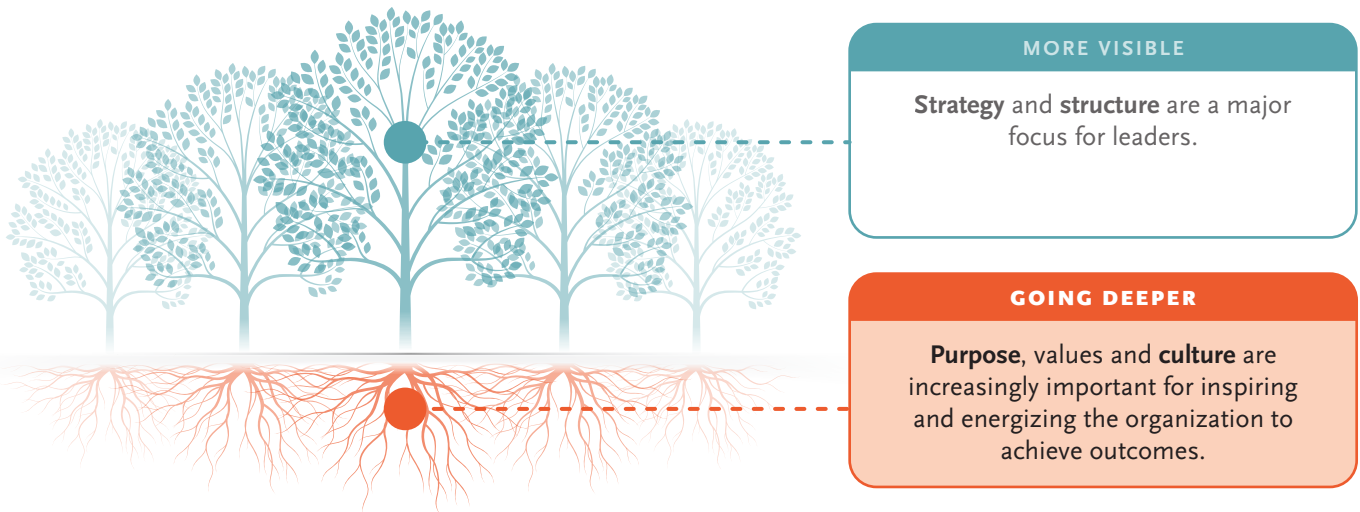
Focusing on these team elements was enough when business and functional units could operate relatively independently, and conditions were stable. But now, top teams have to operate more fluidly and interdependently to continually respond to change. Individual leaders on the top team can no longer think in terms of "staying in their lane" — they have to do what it takes in the moment with other people on the team. The most adaptable and resilient teams are aligned on the big picture and collaborate closely so they can make progress on key objectives even as problems arise or conditions change. This requires strong relationships, trust and healthy team dynamics.

"I think the human side of business is not fully appreciated," another CEO tells us. "Of course, you have to have the right strategy. You have to have the right team and the right culture — that human element. It starts with an authentic empathy for people, and that leads to trust. You have to be willing to be vulnerable to yourself in front of your team. If you can build that connection with your team, in an authentic, genuine manner, it pays dividends in terms of how your company performs."

Many top teams learned the value of these beneath-the-surface qualities during the pandemic. With leaders having to act quickly without a playbook on a range of critical issues — related to employee well-being, cash management and costs, supply chain challenges and other strategic and operational issues — many teams changed how they operated. They met more often, shared information more freely and collaborated in ways they hadn't in the past. Closer, more proactive communication helped drive alignment and build trust. It increased the chances that the implications of decisions were raised and thought through, and eliminated some of the process and bureaucracy that can impede decision-making. "Candor was very important," one CEO explains. "There was no time for, 'I'll try and work this on the side and not let you know about it.' There was a huge premium on getting the issues on the table quickly so we can work together and solve them, versus trying to do it on your own."

While executive teams may not continue meeting at the pace they were during the height of the crisis, many leaders have told us that they won't go back to monthly meetings with highly orchestrated presentations or a more hierarchical, hub-and-spoke style of leadership. As one CEO says, "The team needs to work without everything going through the CEO. When every team member goes his or her way, the team is still working together because we have aligned the mental models and aligned the aspirations." This approach creates a sort of collective intelligence at the top, enabling leaders to better respond to the rapid pace of change and the incredible amount of information they have to process.

Organization:
Leaning into purpose, values and culture to energize and inspire

MORE VISIBLE

Strategy and **structure** are a major focus for leaders.

GOING DEEPER

Purpose, values and **culture** are increasingly important for inspiring and energizing the organization to achieve outcomes.

Leaders have traditionally relied on strategy, organizational structure and hierarchies, and top-down communication to focus their workforce on the priorities for the business and help individuals understand their place in executing those priorities. But amid greater uncertainty and constant change, these tools are less flexible and limit the organization's ability to respond. Leaders can build the adaptive power of their organizations by inspiring and engaging their people through purpose, values and culture, which serve as the backbone for creating the conditions for success without direct intervention and control.

Purpose communicates the "why" of the organization, helping individuals understand why they are doing what they do. Values provide a sense of how to get things done — what are the right and wrong ways of behaving — and culture signals how individuals work with one another. The right culture can capture the imagination and energy of people in the organization and ignite their potential — make them more or less collaborative, more creative and open-minded or more cautious and planful — without even realizing it. Together, purpose, values and culture tell people what to spend time on and why they're spending time on it to guide their decision-making, but in a way that is more flexible and responsive to change.

By contrast, strict hierarchies and business and functional silos make organizations more rigid and inflexible. They can encourage people in the organization to see themselves in terms of their place in the hierarchy, contributing to an "above my pay grade" mentality that discourages individual agency and problem-solving. In fact, one company we work with intentionally does not share its organizational structure with internal teams to discourage rigid hierarchies and to signal to employees that they have the flexibility and responsibility — wherever they are in the organization — to serve customers effectively.

Leaders saw the power of purpose and values in keeping their organizations aligned and focused — having a true north amid the disruption — as they responded to the challenges of the pandemic. "Our associates were on a mission. They felt like they were making a difference by helping our customers stay healthy. Our purpose brought out the best in people during COVID," the CEO of a major US retailer tells us. Many leaders reinforced their shared mission and the sense that "we're all in this together" by holding regular virtual town hall sessions where they listened to employees' concerns and took on the tough questions about the company's response.

People also found that their organizations could move faster and be more adaptable than they previously thought possible. Teams and organizations embraced new ways of working, including more frequent and fluid communication that helped break down long-standing silos and bureaucratic processes. Agile, multifunctional work groups, product development "sprints" and new platforms to bring together teams with the right skill sets emerged as key tools enabling companies to scale their COVID response.

A system of leadership
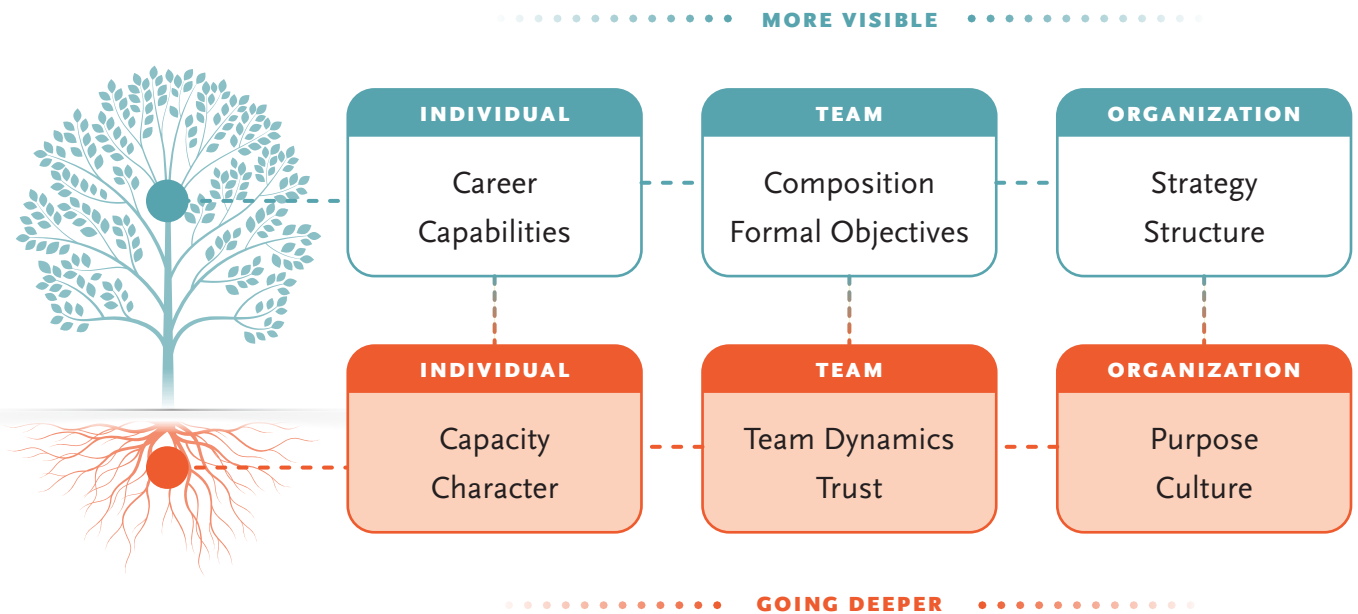
Finally, it is important to recognize that, as a system, decisions about individuals, teams and the organizational environments in which they operate are interconnected and dynamic. In high-performing organizations, this system of leadership levers is linked by a cohesive purpose and the individual elements reinforce and support one another in achieving desired outcomes. They remain in sync even in an evolving context.

Without the ability to directly control the activities of the organization through traditional hierarchies, leaders will create the conditions for success by bringing heightened focus on the less visible elements of leadership. They will select, develop and enable leaders based on a deeper assessment of individuals' capacity and character. They will ensure their teams are more than a collection of talented individuals who stay in their lanes, and instead focus on building alignment and developing strong, trusting relationships and healthy team dynamics. And they will bring more precision to how they measure and manage culture and engagement to energize the organization.

• • •

As leaders make important decisions about the right business strategy and structure for the future, they also should consider whether their leadership model supports business performance. The crisis has demonstrated unequivocally that leadership matters. Culture, engagement, individual character and the ability of top teams to work together effectively have distinguished the companies that are responding best to the crisis. These levers of leadership are less visible than those that leaders traditionally have relied on; they also tend to be harder to activate and manage. We believe these less visible levers will be increasingly critical for leaders to manage if their organizations are going to thrive going forward.

SpencerStuart

Authors

Christie Coplen (Chicago), **Patrick Hynes** (London), **Jeremiah Lee** (Boston), **Jerry Noonan** (Boston) and **Malini Vaidya** (Singapore)

About Spencer Stuart

At Spencer Stuart, we know how much leadership matters. We are trusted by organizations around the world to help them make the senior-level leadership decisions that have a lasting impact on their enterprises. Through our executive search, board and leadership advisory services, we help build and enhance high-performing teams for select clients ranging from major multinationals to emerging companies to nonprofit institutions.

Privately held since 1956, we focus on delivering knowledge, insight and results through the collaborative efforts of a team of experts — now spanning more than 70 offices, over 30 countries and more than 50 practice specialties. Boards and leaders consistently turn to Spencer Stuart to help address their evolving leadership needs in areas such as senior-level executive search, board recruitment, board effectiveness, succession planning, in-depth senior management assessment, employee engagement and many other facets of culture and organizational effectiveness. For more information on Spencer Stuart, please visit **www.spencerstuart.com**.

The Future of Leadership ▸

Our Future of Leadership series looks at the highly complex and dynamic world organizations are operating in today and highlights the attributes and ways of working that enable individuals, teams and organizations to respond faster and more effectively to this challenging and fast-paced environment.

Social Media @ Spencer Stuart

Stay up to date on the trends and topics that are relevant to your business and career.

 @Spencer Stuart