



KMF 2011

Leadership and Uncertainty

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We are operating in a new and challenging world when it comes to developing leadership talent

- Rapidly changing business conditions and strategies require **different leadership capabilities**
- Many organizations **lack a strong leadership bench** and are ill-equipped to develop strong successors for key roles...as a result they must “go outside” to fill leadership gaps
- The market hates surprises, including the increasing number of **CEO changes**

81% of investors surveyed are troubled by the perceived failure of companies to properly groom internal CEO candidates.

Russell Reynolds Survey

70% of HR leaders believe “developing existing talent” is their #1 priority — yet only 31% believe HR has “significant ability/skill to help managers identify and develop talent”

Towers Perrin Talent Management Survey

64% of new senior hires won't succeed in their roles; 40% will derail in their first 18 months.

Corporate Leadership Council

Corporate boards are quicker than ever to replace underperforming CEOs, as they focus more on grooming in-house leaders and turn to outsider and interim CEOs less often as outsider results continue to disappoint.

Booz Allen Hamilton survey

From 1995 to 2006, annual CEO turnover has grown 59%; in that same period, performance-related turnover increased by 318%

Booz Allen Hamilton survey

Selection of an outsider produces a big downtick in stock price, while selection of an insider triggers an uptick.

Booz Allen Hamilton survey

Recent Towers Watson research reveals that the competencies required to deal with uncertainty require leaders to deal more than ever with....

Speed

Complexity

Accuracy

Scope

- The leaders who responded to our interviews think that the context will remain the same for years to come...
- Therefore the same competencies needed to deal with the changing context will be needed in the future as well
- Some of what made leaders successful in the past will help in the future...
But not everything

What is the same?

Strategic Visioning
Knowing the Business
Global Perspective

Change Leadership
Adaptability
Creativity & Innovation

Communication
Customer Focus
Integrity
Collaboration

Leadership competencies needed today and tomorrow

What is different and new?

Competent **vaulters** leap past the competition

Vaulting is...

- About strategic positioning skills required in the new world of work
- Rapidly taking bold and novel steps to solving challenging problems and create new strategies
- About making connections, identifying complex trends, and nimbly changing course of action in response

It is important to know when things are **perfect enough**

Perfect Enough is...

- The ability to identify when situations don't require perfect outcomes and when continuing additional work would result in diminishing returns
- Perfect Enough describes how leaders judge time investment in work

Managing uncertainty through risk leverage

- Transforming the traditional mindset that risk is bad
- Risk leverage involves asking and answering two key questions
 - Has the organization identified risk management “pivot points” – “where is it that risk-taking is going to help us vs. hurt us?” (e.g. further investments to reduce risk are not a good idea)
 - Has the organization planned for “multiple future states” (e.g., developed leadership competencies that consider alternative business environments)?
- Risk leverage is about making distinct choices about how risk will be managed
 - Accept, prevent, mitigate or embrace

Risk is merely a deviation from an expected outcome. It can be analyzed, planned for, managed and exploited to the economic benefit of the organization. Taking the right risks is often as vital as avoiding the wrong ones