

Leadership 4.0

A review of the thinking

RESEARCH REPORT

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An aerial photograph of a city at sunset, with a network of white lines and dots overlaid on the image. The sky is a mix of orange, yellow, and blue, with some clouds. The city below is densely packed with buildings, and a river or canal winds through the center. A large, white, sail-like structure is visible in the foreground near the water.

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**Probably 40% of
the world's leading
companies will not exist
in a meaningful way ten
years from now.**

John Chambers
Former CEO - Cisco

Preamble

This review of the thinking on Leadership for the Fourth Industrial Revolution, or Leadership 4.0, is part of the Oxford Leadership Living Research project.

It is intended as a working document whose purpose is to provide “food for thought” and surface some of the key questions on this exciting topic. It draws on multiple sources - books, articles, Ted Talks, Youtube videos, presentations, interviews, conversations and our own thinking – but does not pretend to be exhaustive. It is the Executive Summary of a much larger review we have carried out and which you can access on the Oxford Leadership online platform. As a member of the learning community we are building around the topic of Leadership 4.0, we hope you will later be enthusiastic to enrich that larger resource document with your own favourite and useful references. As a participant in the Oxford Leadership Global Leadership Conference in October 2017, we invite you to engage with this Executive Summary as preparation for the conversations and debates that will take place during the conference. Building on the conference discussions and the interviews carried out to date, further work will be carried out on the thinking and research as our project moves forward.

Technology is neither good nor bad – it’s what you do with it that makes the difference.

Some of the open questions we suggest you might be thinking about as you read this document are:

1. How can we act to ensure the digital revolution is a force for good? What is the place for human values and ethics?

“Technology is neither good nor bad – it’s what you do with it that makes the difference. As in previous eras, new technologies also carry negative consequences. AI and genetic engineering in the wrong hands could alter our future in undesirable ways. For too long we have done our work in isolation, unaware of the effects our innovations have on societies and environment as a whole. As business leaders, government officials, educators and citizens, we need to create a common set of principles and values that take us to the future that we all want together” (World Economic Forum, 2016).

“Together we all have the power to learn from nature, create things of beauty and live a life of purpose. We all have the power to change our world” (Christian Kromme, 2017)

2. How do inner leadership practices such as embodiment, aikido, mindfulness, coherence, ... contribute to resourcing our 'inner state of being' as leaders in a 4IR world?

"Mastery of oneself is more about removal than addition. It's about stripping off the masks and pretences that keep us feeling isolated; about dissolving the inner judge and re-discovering the innate love and wisdom within. As we let go, we become real and authentic. As the parts of us that we want to hide from ourselves and the world are revealed, we are empowered to fully embrace our whole selves" (Michael Bunting, 2016)

"Our research showed that how you develop your inner state antecedes the practices which lead to successful outer change. The quality of all of your action comes from this inner place" (Deborah Rowland, 2017)

3. How can leaders, wherever they are in organizations, instil a sense of purpose and foster true collaboration in teams, networks and other collective endeavours?

"As human beings, we are not problems waiting to be solved, but potential waiting to unfold" (Frédéric Laloux, 2014)

"This whole purpose and the brighter future is why I do this job. It's why I'm here on Earth. It is my passion. I couldn't work – I don't want to work – for shareholders only. I don't want to work for profit, or have my life personally to myself without purpose. Before I go upstairs – I hope it's still some time away – I want to do something meaningful here".

4. Is it one size fits all for the operating models of the future? To what extent can agile principles and self-management apply to large, mature, asset-heavy organizations?

"Our organization is in squads, tribes, guilds. But there is always a point where the traditional hierarchy comes in. Interesting to explore how far you want/need/can go fully agile".

"The dilemma for big organisations is how to become agile and fast; nobody seems to have the answer. Being large means being structured and standardised. This agile approach isn't possible in the big ships. Do you move away from control in leadership: we struggle with it. I'm not sure whether a non-controlled approach will be able to manage such an operational setup."

5. What are the consequences of the new modes of organising for recruitment? Are organization charts and permanent jobs things of the past, replaced by temporary missions, and ad-hoc project teams or networks? What then are we actually recruiting people into and how to support them in those fluctuating roles?

"I think the Hollywood model is even more agile than agile: this is organising around a project (making a movie) and dissolving it when it's over. Everything is specific for the project".

6. Given different possible scenarios about how the 4IR might play out, what exactly are the necessary competences and qualities of the leaders of the future? How to develop those?

"The complexity of what we have in front of us is so new to the managers. The toolbox they are equipped with doesn't really fit this"

Defining Leadership for the 4th Industrial Revolution

“Unprecedented and simultaneous advances in artificial intelligence (AI), robotics, the internet of things, autonomous vehicles, 3D printing, nanotechnology, biotechnology, materials science, energy storage, quantum computing and others are redefining industries, blurring traditional boundaries, and creating new opportunities”

(Klaus Schwab, Chairman of the World Economic Forum).

Schwab goes on to propose four implications for a new leadership paradigm:

“Firstly, we must focus on systems rather than technologies, because the important considerations will be on the wide-reaching changes to business, society and politics rather than technologies for their own sake.

Secondly, we must empower our societies to master technologies and act to counter a fatalistic and deterministic view of progress. Otherwise, there is no room for optimism and positive transformation, and society’s agency is nullified.

Thirdly, we need to prioritize futures by design rather than default. Collaboration between all stakeholders must play a central role in how we integrate these transformative technologies. Otherwise, our future will be delivered by default.

And lastly, we must focus on key values as a feature of new technologies, rather than as a bug. Technologies used in a way that increase disparity, poverty, discrimination and environmental damage work against the future we seek. For the investment in these technologies to be justifiable, they must bring us a better world, not one of increased insecurity and dislocation”.

We must focus on key values as a feature of new technologies, rather than as a bug.

The objectives of this project are:

Understand how organizations are adapting their leadership and ways of organizing and working in the face of current contextual changes and turbulence, particularly as related to the disruptive influence of digitalization (impact on business models, society, organization, work practices and employment models, consumption, and so forth).

Engage people working with and intervening on leadership in organizations in an immersive, collective learning experience aimed at redefining leadership in this new environment

Build new knowledge and insights on leadership and ways of organizing, so as to describe the new 'principles' of leadership in the 4IR, and also open up the possibility of redefining the notion of 'leadership' itself in this environment.

Create a learning community from a diverse network of professionals to share new knowledge and thinking and grow together in finding solutions and seizing the opportunities that this evolving world opens up to us.

Context

The 4th Industrial Revolution is bringing unprecedented changes to societies and organizations throughout the world. The multiple ramifications of digitalization and the accompanying acceleration and increased complexity of work activity, makes it urgent to revisit the assumptions and practices that have defined our ways of leading and organizing until the present day and to propose possible ways forward.

'We are living in a time of extraordinary change. In this Fourth Industrial Revolution, every individual, business, industry

and government is being impacted by breakthroughs in computing power, connectivity, artificial intelligence (AI), biotechnology and other innovative technologies. This is a revolution without boundaries spreading across the world with incredible velocity' (Klaus Schwab, *Chairman of the World Economic Forum*, 2016).

These quotes reflect conversations we have had with people about lived experience of this VUCA world:

"You have far less time than you used to have, to make informed decisions, so speed of decision-making has changed. The second big change is that everything you do as a leader right now is magnified by a thousand because of the speed of communication. Fifty years ago, when you had a fire at a refinery, somebody from the village showed up, made a picture and it had to be developed and might end up in a newspaper the next day. That gave you 24 hours to prepare a response, and then it was a local newspaper before it hit anything outside the area - that could take days. Nowadays, there's a fire in a refinery, and within two minutes, someone takes a picture and you're on the front page of a website and you're asked for a reaction. Whether you like it or not, you have to do that."

"Five years ago, I would have laughed in your face if you'd have said to me I'd have a team of 25 people whose role was to talk to our customers using social media. But that's exactly what I've got"

In their book "Machine, Platform, Crowd, Harnessing our Digital Future" (2017), MIT professors, McAfee and Brynjolfsson suggest that digitalisation of the workplace means re-thinking the balance between minds and machines, between products and platforms, and between the core and the crowd. Given the increased capabilities of the latter of each of these pairs, "**understanding when,**

where, how and why these machines, platform and crowds can be effective is the key to success in the economy today". According to the authors it is the successful incumbents that find it hardest to see the possibilities of new technologies that depart greatly from the status quo. The tension between what the human mind can and should be doing and what machines can and should be doing is a key issue. Then there are the platforms that are fundamentally reconfiguring business models. "Platforms are online environments that take advantage of the economics of free, perfect and instant" i.e. they have virtually no costs of access, reproduction or distribution. Well-known examples are Uber and Airbnb. Running platforms requires certain ethics and one could wonder about the misuse of platforms in a way that is destructive to humanity. Not only in the sense of building monopolies, but also when platforms are used for harming others. As Schwab puts it:

"The fourth industrial revolution will generate great benefits and big challenges in equal measure. A particular concern is exacerbated inequality. ... The consequence of the platform effect is a concentration of few but powerful platforms that dominate their markets. ... To prevent the concentration of value and power in just a few hands, we have to find ways to balance the benefits and risks of digital platforms (including industry platforms) by ensuring openness and opportunities for collaborative innovation".

There is a lot of uncertainty today about how these different tensions are going to play out. Scenarios for the future vary widely – even working from the same data. Christian Kromme, in "Humanification: Go Digital, Stay Human" (2017), offers an optimistic scenario for healthcare where in 2030 "People are now able to fulfil most of their basic human needs by themselves, by using technology

that is becoming exponentially better and cheaper. Able to generate and store their own energy and grow their own food ... (Thanks to technological devices) we stay more healthy and reduce the need for health services... our home medical dispensers print 3D pills! You can scan your own DNA and print your own personal medicines. There's a new kind of robot and he/she/it dispenses your medicine for you and for all the other people in your town or village. ... All in all, despite our ageing populations, computing power, artificial intelligence, and robotics are all going to help to reduce the strains on our global medical system." He sees humanity standing on at the evolutionary equivalent of what nature created when she gave organisms a neocortex, poised at the edge of an explosion of creativity, a wave that heralds a creative revolution.

Whereas Martin Ford in *The Rise of the Robots*, (2015) predicts a future that (in the absence of societal debate and intervention) is terrifying. He systematically outlines the achievements of artificial intelligence and uses a wealth of economic data to illustrate the societal implications. From health and education to finance and technology. His warning is stark – all jobs that are on some level routine are likely to eventually be automated, resulting in the death of traditional careers and a hollowed-out middle class. The WEF predicts job losses of 5 million jobs in the next 20 years. A 2013 report (University of Oxford's Martin School) showed that 50% of US jobs are susceptible to full machine automation. A 2015 parliamentary report estimated that 35% of UK jobs will be lost to automation in the next 20 years.

What is not disputed:

- » Google purchases YouTube for \$1.65 billion. It employs 65 people
- » Facebook purchased Instagram for \$1 billion in 2012. It employed 13 people.

That same year, Kodak went bankrupt. It employed 17,000 people. In its heyday in 1996 it had a market capitalisation of \$28 billion and provided jobs for 140,000 people

- » Facebook purchased WhatsApp for \$19 billion. WhatsApp employed 55 people
- » Apple invested billions of dollars in a data centre in the town of Maiden North Carolina. Number of full-time jobs created? – 55!

The argument that genuine artistic creativity is not possible for machines is being eroded:

- » In 2012 the London Symphony Orchestra performed *Transit – Into the Abyss*. The score is composed entirely by a machine:
- » In 2016 a robot wrote a short novel (ironically entitled, “The Day a computer writes a novel”) that almost won a literary prize in Japan
- » IBM’s Watson created a movie trailer for the SciFi thriller *Morgan*

Indeed, some experts believe that artificial intelligence is only in its infancy.

According to one conversation we had:

“I’m in a lot of conversations with Apple, Google, I go to San Francisco as a sanity check two or three times a year. A sanity check in terms of: are we still hungry enough. They say only the paranoid survive – I’m a bit paranoid. I’m paranoid thinking about who’s in an old garage somewhere coming up with an idea to transport people in cities 10 times smarter than we do it right now.”

According to some experts, we are at a fork in the road:

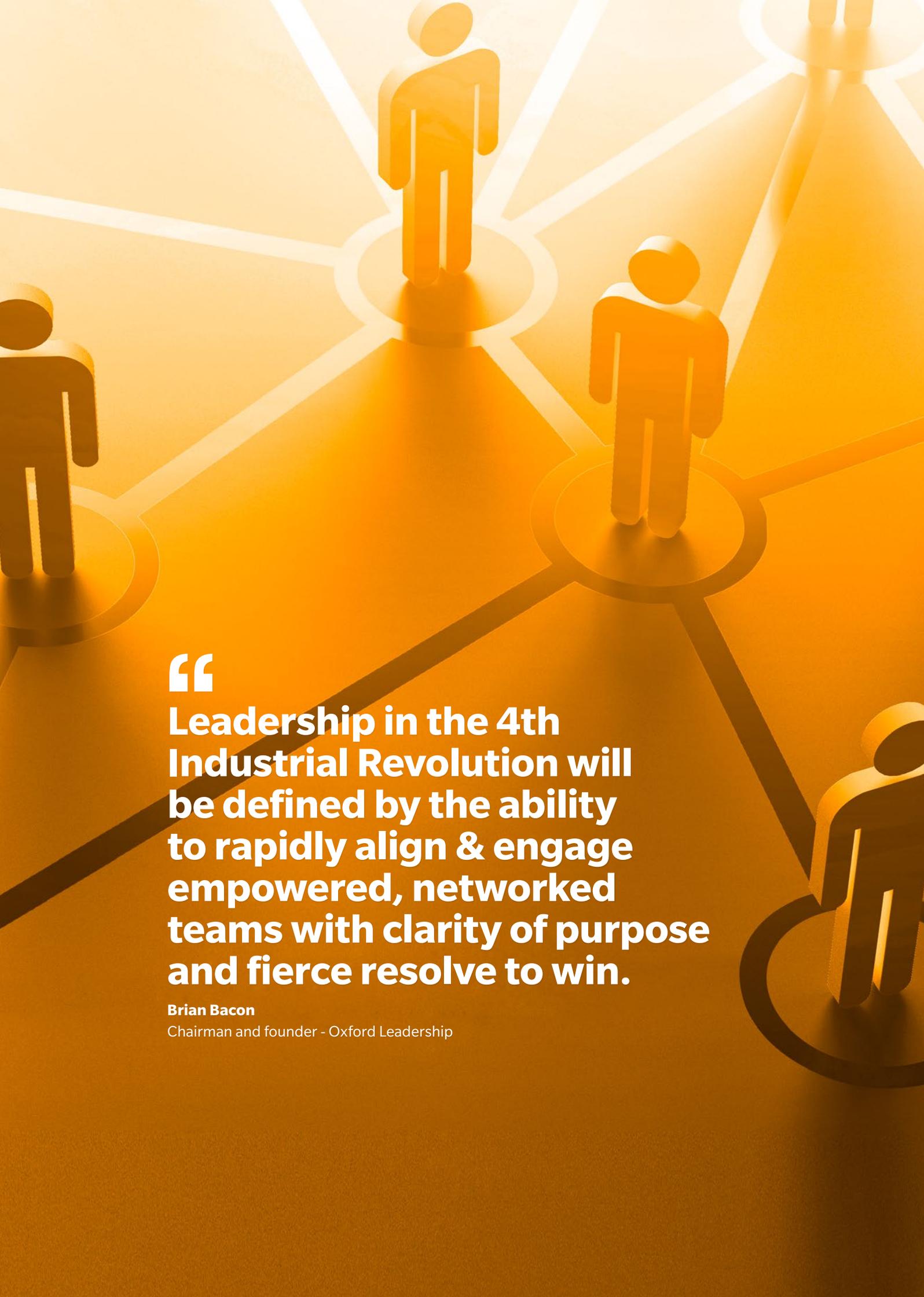
“The Fourth Industrial Revolution can compromise humanity’s traditional sources of meaning – work, community, family, and identity – or it can lift humanity into a new collective and moral consciousness based on a sense of shared destiny. The choice is ours” (Marc Benioff, Chairman & CEO, Salesforce).

“The world lacks a consistent, positive and common narrative that outlines the opportunities and challenges of the fourth industrial revolution, a narrative that is essential if we are to empower a diverse set of individuals and communities and avoid a popular backlash against the fundamental changes underway” (Klaus Schwab, Chairman of the World Economic Forum).

One person we talked to stated:

“We will not use as much labour as we have been doing. So how do we create some sort of *social contract* with everything from communities to countries to unions globally..... This social contract, seeing that as part of a sustainability process, because it’s sustainable for the whole society. We can bring the people along with us on this journey”.

Martin Nowak, a professor of mathematics and biology at Harvard University states that if humanity has “the courage to take collective responsibility for the changes underway, and the ability to work together to raise awareness and shape new narratives, we can embark on restructuring our economic, social and political systems to take full advantage of emerging technologies”. (Source: Nicholas Davis, Head of Society and Innovation, Member of the Executive Committee, World Economic Forum Geneva, 2016)

The background features a network diagram with stylized human figures at nodes, set against a warm orange background. The figures are connected by lines, and the overall aesthetic is modern and professional.

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Leadership in the 4th Industrial Revolution will be defined by the ability to rapidly align & engage empowered, networked teams with clarity of purpose and fierce resolve to win.

Brian Bacon

Chairman and founder - Oxford Leadership

Implications for Inner Leadership

We need a new way. C Kromme considers that, ‘We stand at the evolutionary equivalent of what nature created when she gave organisms a neocortex, poised at the edge of an explosion of creativity, a wave that heralds a creative revolution.’

Humanity shouldn't look at technology as something that is happening to us which we don't have under control, but embrace it as part of us.

One response is to raise human consciousness, evolve our leadership so that we are able to navigate complexity, tolerate uncertainty & ambiguity, harness inner (re)sources of creativity and wisdom, connect with a higher purpose and ultimately create the conditions for self and others to flourish.

According to one conversation we had:

“The way to deal with complexity is to be not afraid to make a mistake. When it comes to decision making, the incremental time needed to get from 80% to 100% is enormous. And I've seen this real struggle to get that 20% precision. The best way to deal with real complexity is to navigate a path which is sort of 80% in the right direction. And then you're prepared to steer while you're on the move. It's bloody scary for many CEOs. People will claim otherwise, but most hate uncertainty”.

However, Yuval Noah Harari in “Homo Deus” (2016) provides very much a counter force to the belief that raising human consciousness will be the recipe for dealing with the 4th Industrial Revolution. Harari foresees a new human agenda which is all about: immortality, happiness and becoming more godlike. He argues that the current timeframe, dominated by Humanism (the primacy of inner feelings and belief in free will and authenticity) is just one more algorithm produced by nature that will be overtaken by new algorithms produced by Artificial Intelligence. The system will know you better than yourself (so the concept of self-knowledge is challenged!). Humans will no longer be autonomous entities directed by the stories of their “Narrating Self”. **The intention of this provocative book is to give humanity a choice for the future by understanding the past.**

For some, technological advancement is not sci-fi, it's a fact. Seen from that perspective Christian Kromme's book is not telling something new, what is new is the way of thinking about it. Humanity shouldn't look at technology as something that is happening to us which we don't have under control, but embrace it as part of us. He frames it as a Creative revolution that holds the promise to deliver new technology that will meet our need for self-actualization and transcendence. This point of view, supported by plenty of proofpoints, makes technology feel less 'sci-fi' and something to be scared of. 'Together we all have the power to learn from nature, create things of beauty and live a life of purpose. We all have the power to change our world. It's this core message of optimism that I wanted to share by writing this book'. Read this book, relax your mind and get ready for the future by embracing it. What is utterly certain is that the future is now here. What we used to think of as SciFis is becoming reality.

So, the question becomes: how are we going to embrace this future and what does it require of our inner leadership practice?

A McAfee & E Brynjolfsson "Machine, Platform, Crowd, Harnessing our Digital Future" (2017) state that humans will have an advantage over machines "where social attributes are required, such as caring, compassion, empathy" and "when high creativity and high social intelligence are required".

"There's going to be a premium on design thinking [...] as well as empathy—the ability to motivate and engage with humans on an emotional level. Qualities that computers are not very good at." (Professor Øystein D. Fjeldstad at BI Norwegian Business School).

In the literature, we find frameworks that support the journey to a more evolved state of leadership and practices for developing a 'state of being', a self-aware leadership that enables leaders to create an environment in which well-being, performance and creativity flourish.

The leadership frameworks and models of Kegan, Barrett, Anderson & Adams link the development of emotional maturity and wisdom to the evolution of consciousness (the 'vertical development' of leaders). In simple terms, a leader operating at a higher level of consciousness has developed his/her own internal compass AND is able to listen to, be open to the views of others to come up with a solution/decision/direction that is serving the whole. Their assessment is that some 15-25% of the population operates at this level of consciousness. The framework of Anderson & Adams (Mastering Leadership 2016) focusses on the transformation of the Reactive Self (which draws recognition/self-esteem from the outside world ("outside-in") to the Creative Self (which draws self-esteem from within ("inside-out") as this transition is most needed in the current timeframe. Reactive strategies are anxiety-driven and aimed at restoring the status quo, whilst Creative strategies are driven by vision and passion to create what matters most.

Much is written about the inner 'state of being' of leadership, directing our attention to the importance of being able to transform our (emotional) state. Much of the research is on how to create the conditions for well-being and flow and conversely: how to deal with stress. Under stress or when emotionally triggered, we become less effective as our mid brain (limbic system) takes over and closes down the neo-cortex (the well-known "amygdala hijack"). We release cortisol which impacts

negatively on our ability to think and reason; our ability to see the whole picture and our ability to access creative thought or innovative thinking. And as we succumb to the hijack we tense and constrict our bodies, releasing more cortisol. Mastering the ability to quickly regain well-being is a key leadership quality. Recent developments in neuroscience are converging with ancient wisdom traditions, enhancing insight and practice.

According to some of our conversations:

“I do believe the heart of all action comes from knowing yourself and forming an intention. If you don’t know yourself, you can’t form an intention. There’s no guiding. At the heart of it, is the most important, is to make humans really human, to make people...actually, now that I’m talking about it, I think one of the best things we can do as the human race, is to admit, what are the really important skills and start teaching that more intensively. Things like Listening, Connecting, Building upon ideas, bringing out everyone’s voice. So, the sort of things that schools don’t teach, at least not much. They’re starting to”.

“So speed is important. But that doesn’t make any of these things I just talked about less relevant. Authenticity, your capability to listen – all these kinds of things. Because of the issue of speed, all these traditional leadership capabilities become more important, not less. Self-awareness is not less relevant when you have to act in a split-second – it becomes more important”

In “Still Moving: How to Lead Mindful Change” (2017) Rowland weaves together the “being” and “doing” of states of leading change and emphasises the importance of a mindful stance and deep systemic perception within a leader. Her research data (research enquiry

across multiple global industries with senior leaders) shows that it’s the inner state of the leader that makes the most difference in terms of impact and performance: the ability to create safe space for self and team; the ability to stay non-judgementally present; the capacity to consciously choose how to respond to experience and not to impulsively react; an empathic capacity to be able to tune into systemic dynamics and a capacity to acknowledge all that happens (even tough bits) as being necessary for change.

In “Coherence the Secret Science of Brilliant Leadership” (2016), Watkins explores the science behind performance, bringing together research from the fields of: quantum physics, neurophysiology, medicine, cardiology, organisational performance and emotional intelligence. He shares frameworks, models and simple techniques that allow leaders to enquire into, experience and create the conditions for high performance (coherence) in themselves and their teams. The author shows that we can access limitless potential through (quite literally), going to the heart of who we are and how we function successfully.

In “Science of the Heart”, the HeartMath Institute Research Center shows how the heart and brain communicate and how and why heart activity affects mental clarity, creativity, emotional balance, intuition and personal effectiveness via the heart brain, that communicates with and influences the cranial brain via the nervous system, hormonal system and other pathways. HeartMath extend the concept of physiological coherence to coherence in the context of families, workplaces and communities concluding with the perspective that being responsible for and increasing our personal coherence not only improves personal health and happiness, but also feeds into and influences a global field environment.



There is a compelling case for the link between happiness, performance and a life of purpose. A meta study “The Benefits of Frequent Positive Affect: Does Happiness Lead to Success?” (Psychological Bulletin 2005, Vol. 131) showed that when happy the brain performs significantly better: intelligence rises, creativity rises, energy levels rise. At positive the brain is 31% more productive than your brain at negative, neutral or stressed. ‘Life is too short to be unhappy at work’ is the opening sentence to Annie McKee’s book:

How to be Happy at work (2017). Based on a lifetime of advising leaders and studying cultures of major corporations and NGO’s across the globe it provides leaders with evidence-based insights, practices and tools that help develop a mindset and behaviours that bring their work life into line with their values and infuses meaning and purpose. She links emotional intelligence to happiness through: self-awareness; self-management & emotional self-control and empathy.

In “The Mindful Leader”, Michael Bunting (2016) writes that “mastery of oneself is more about removal than addition. It’s about stripping off the masks and pretences that keep us feeling isolated; about dissolving the inner judge and re-discovering the innate love and wisdom within. As we let go, we become real and authentic. As the parts of us that we want to hide from ourselves and the world are revealed, we are empowered to fully embrace our whole selves”. Research findings throughout the book (from the perspectives of brain science, psychology and leadership) illustrate the impact of mindfulness. International case studies from a variety of industries illustrate the everyday implementation of mindful leadership.

We want also to draw your attention to something that is often forgotten in leadership development – the body. Leadership Embodiment Wendy Palmer and Janet Crawford 2013 is based on more than 20 years of research and practice within the Strozzi Institute. The practice is based on the principles of Aikido, mindfulness, and posture awareness. The practice allows us tap into our bodies’ wisdom to create an expansive presence, an inclusive atmosphere for collaboration and team work and the capacity for centered listening – the ability to receive feedback and listen, from a place of open curiosity. It also develops the capacity to stand our ground and speak truth with clarity, precision and compassion.

One fascinating concept that Palmer works with is the Aikido ‘Art of Falling’. The allowing of our whole being to fall: physically, emotionally and psychologically – and then adapt and recover. It strikes us that this is the body’s equivalent to the Silicon Valley adage to: ‘fail fast, fail often’ and Agile’s fast prototyping. Perhaps embodying this art in our inner leadership practice will help us embody it

in our outer leadership practice and ways of organising. There is also a startling connection to the parallels between nature and technological development drawn by Christian Kromme and his challenge to us to look to nature, to understand how the 10 trillion cells of our body communicate, organise and form social, coherent and efficient communities.

We would like to conclude this section with the work of Joseph Jaworski and his quest to understand our capacity to sense and actualise emerging futures and to shape the future instead of simply responding to the forces at large (Source the Inner Path of Knowledge Creation 2012). He opens the possibility that Inner leadership is more about our capacity to connect with Source and challenges us to assume that: 1. There is an open and emergent quality to the Universe. 2. The universe is a domain of undivided wholeness. The material world and consciousness are parts of the same undivided whole. 3. There is a creative Source of infinite potential enfolded in the universe. Connection to Source leads to the emergence of new realities – discovery, creation, renewal and transformation. We are partners in this unfolding universe and 4. It is generative in nature. There is a creative life force. There is always something wanting to blossom, wanting to unfold in each moment.

We are partners in this unfolding universe.

Implications for Outer Leadership

The challenge for teams and wider systems of partnerships or collaborative networks in a disruptive environment is to truly become more than the sum of their parts. This means overcoming silos, leveraging diversity for the common goal and unlocking collective intelligence for the good of the whole and in the name of their contribution to the world or their greater sense of purpose. Outer leadership, from whatever place in the system, plays a significant role in that.

We suggest in accordance with many, that in the 4th IR context, we are not just looking at team leadership in the traditional sense of intact teams, but also leadership of remote teams, networks, alliances, and so forth. Experts on leadership in the 21st century claim that we have come to the end of the paradigm of the “leader-hero”, that leadership is distributed throughout organizations, and that in order to survive and flourish in today’s environment, organizations must allow leaders at the ground level – the ones that are in contact with the customer and the realities of the wider environment - the necessary freedom and resources to be able to act autonomously.

As Responsive.Org states:

“The people with the best insight and decision-making ability are often people closest to the customers, on the front line, or even ‘outside’ the typical organizational boundaries. Rather than controlling through process and hierarchy, you achieve better results by inspiring and empowering people at the edges to pursue the work as they see fit – strategically, structurally, and tactically”.

Rather than controlling through process and hierarchy, you achieve better results by inspiring and empowering.

Indeed:

“In the past, information was the currency of power: hard to come by and hard to spread. In the industrial-era environment, organizations (and leaders?¹) guarded this scarce information carefully, and leveraged their information as a competitive advantage. Today, we have access to so much information that it’s become impossible to predict which information might be useful, or who might use that information in a productive way. In this world of abundant information and connectedness the potential benefits of trusting people who share the organization’s purpose to act on information as they see fit often outweighs the potential risks of open information being used in counter-productive ways” (Responsive.Org)

Together with autonomous action, one of the things 4IR leaders need to foster is a learning culture. In the words of one person we talked to is the “capability to create an environment where people are not afraid to make mistakes and are prepared to learn from them. I still believe that the most effective way of learning is stepping on a bicycle, falling of it, hurting yourself and doing it again and after a while, you get better”.

This new paradigm of leadership is founded on systemic intelligence. Peter Hawkins himself suggests that tomorrow’s leaders need to make some major transitions:

- » From ‘leading my people’ to ‘orchestrating business ecosystems’
- » From ‘heroic’ to ‘collective and collaborative’ leadership

- » Towards purpose and values driven leadership that creates value for all the stakeholders

In other words, the transition Outer Leadership needs to make is from an approach based on Command & Control, centralization, top-down decision-making, hierarchical prerogatives, everything driven and validated from the top or by experts, towards an approach that fosters collaboration, shared or distributed leadership, self-organization, autonomy, empowerment, local decision-making, local interaction, trust and transparency, ...

Increased reliance on virtual and networked organisations brings into question the dominant paradigm of vertical leadership, generally associated with a visible “hero” or status leader. Models of active followership and shared leadership recognise that these “hero” leaders are, in fact, supported by a network of leadership practices distributed throughout the organisation. They also recognise the interdependency of co-workers, as well as the need for generative dialogue and mutual, collective learning.

Current leadership thinking includes such notions as collaborative leadership, authentic leadership, servant leadership, and quiet or humble leadership (David Rock, Edgar Schein), among others. In many of today’s leading-edge organizations, particularly those based on knowledge work, we are seeing new forms of organization based on collaboration, a

¹ Our commentary

prerequisite for agility, innovation, efficiency, and scalability. Indeed, according to Heckscher and colleagues (“Building a Collaborative Enterprise”, HBR July August 2011), “Few would argue that today’s market imperative— to innovate fast enough to keep up with the competition and with customer needs while simultaneously improving cost and efficiency— can be met without the active engagement of employees in different functions and at multiple levels of responsibility. To undertake that endeavour, businesses need a lot more than minimal cooperation and mere compliance. They need everyone’s ideas on how to do things better and more cheaply. They need true collaboration”. In other words, the assumption is that doing things together is more productive than doing them alone. According to Tom Hurley (Oxford Leadership White Paper, 2011), collaborative leadership is “a process of engaging collective intelligence to deliver results across organizational boundaries when ordinary mechanisms of control are absent. It’s grounded in a belief that all of us together can be smarter, more creative, and more competent than any of us alone, especially when it comes to addressing the kinds of novel, complex, and multi-faceted problems that organizations face today.”

There is a natural link between distributed or shared leadership and collaborative leadership. Shared leadership is associated with self-managed or empowered teams, which, as they do not rely on vertical leadership, will tend rather to have recourse to collaborative processes to function effectively. One way in which they collaborate is to share the different roles of leadership between members of the team. Collaborative leaders are responsible for generating a collaborative culture in organizations. This, according to Beyerlein and colleagues (Beyerlein, M., Freedman, McGee, C., & Moran, L. (2003). Beyond Teams; building the Collaborative Organization) consists of

the following elements: trust and respect in everyday interactions, egalitarian attitudes among members at all ranks, power based on expertise and accountability, shared leadership where all members take initiative, valuing of diverse perspectives, commitment to the success of others, rather than just one’s own, commitment to continuous improvement of the whole organisation, active learning. **This is even more important in today’s remote teams, as one of the people we talked to stated:**

“We need to create a sense of belonging. You might have team members all over the globe, and how do you build culture when people don’t meet? I think you need new techniques for creating engagement”

Authentic leadership is described in a pragmatic way by Goffee and Jones in their book, “Why Should Anyone be Led by You?” (2006). They share with many contemporary leadership thinkers the convictions that leadership is situational (there is no one best way to lead, leadership style must be adapted to the circumstances), that it is non-hierarchical (in other words distributed throughout the organisation), and that it is relational (in other words, it involves relationships with followers). Beyond those fundamental assumptions, authentic leaders are said by the authors to display several key qualities:

- » Consistency between words and deeds. In other words, leaders who practice what they preach are likely to be considered more genuine.
- » Coherence in role performance. That means that such leaders, despite having to play different roles with different audiences, show a consistent, common thread, based on a “real self”.

- » Comfort with self. This perhaps the most difficult to achieve. It requires emotional and situational intelligence, and relies on strong groundedness, an anchorage in your origins, a sense of the journey you have accomplished and how you have become who you are. This translates into an awareness of what are the individual differences within you that help you to attract followers and be more effective in a leadership role. It involves both self-knowledge and self-disclosure: of course, some people may know themselves well, but not be able to explain to others who they are and what they value.

According to one leadership thinker,

George (2003), “authentic leaders genuinely desire to serve others through their leadership, are more interested in empowering the people they lead to make a difference, and are as guided by the qualities of the heart, passion, and compassion as they are by qualities of the mind”.

According to one of our conversations:

“Let’s start with authenticity. So, leaders who understand who they are, what they stand for and believe in, which then creates an environment where the behaviour is consistent every day because that’s who they are. They’re not playing a role – that’s just who they are. So authenticity I think is really important, perhaps maybe more than ever in a world with fake news. People like to know where you stand and people appreciate it”.

Related to authentic leadership, the term “servant leadership” was first introduced by Robert K. Greenleaf in his 1970 essay “The Servant as a Leader.” When describing servant leadership, he states, “The servant-leader is servant first... It begins with the natural feeling that one wants to serve, to serve first.

Then conscious choice brings one to aspire to lead. That person is sharply different from one who is leader first...” According to Greenleaf servant leaders intend to help followers “grow healthier, wiser, freer, more autonomous, and more likely themselves to become servants”. Since Greenleaf’s seminal work, this leadership style has been adopted by many successful leaders in a variety of organizations. Many of Fortune Magazine’s 100 Best Companies to Work for in the US name servant leadership as a core company value. It is coming to the fore in the current context in which people are seeking leadership that is more meaningful and genuine, and serves the interests of the community and the environment.

According to one conversation:

“A spirit of service, we phrase that under the umbrella of: it starts with me. That’s actually the brand for us. It starts with me”

“We are working a lot on how we develop a culture where you keep the curiosity. So, what we call the go and see, a lot of benchmarking, a lot of how can I help? We look at how many times a day we say thank you. And how many times a day have we said, how can I help”

In addition to the above, particular qualities of Outer Leadership are systemic awareness, including emotional intelligence, social intelligence, as well as the capacity to map, understand and work with the stakeholder ecosystem.

According to some of our conversations:

“One of the ways to deal with complexity is the capability of asking the right questions, which is a highly intuitive process. Coming back to awareness, and then experience and being curious about people. Over time, good leaders develop something that helps them



ask the right question. And even if you are talking to government officials or whatever, if you frame the right question in a good way, it's amazing how much information you can extract about what people say, and sometimes even more about what they don't".

"As a leader, you need to be more like a helicopter pilot. You have people going into their projects - you need to see the whole picture, where people interact etc. We have to move into influencing – you have to always see that and give people the freedom to act. If you see the progress but you don't see how it's achieved, that doesn't matter. Give people the freedom to do it the best possible way. I don't have to give them a structure. They work to their own structure. This is a big change in leadership – looking for the progress. If you see interaction isn't really working, you have to intervene."

Organisation and Relationship Systems Coaching (ORSC) offers an interesting perspective on this, that is very powerful for teams (and organisations) in a disruptive, digital world. The core belief is that the competitive advantage for teams and organisations wanting to succeed in the 21st century is to lead

in ways that optimise the collective intelligence and creativity alive in any human system. This unique perspective holds the system to be creative, intelligent and whole, and considers that we need to be able to get information directly from it in order to make effective change. It holds that everybody's experience is not only personal but also belongs to the system and is expressed by individuals as a Voice of the System. This ability is coined as **Relationship System Intelligence (RSI)**. It is the ability to reinterpret an individual's own experience (and that of others), as an expression of the human relationship system. When we apply this ability we can see, read, understand and act with a team, releasing and utilising its inherent insights and creativity. We shift the focus from the individuals in the human relationship system to the system itself and enable collective intelligence. In order to access the full collective intelligence, we need to hear all the voices in the team system, even the unpopular ones as they also carry wisdom. In this way, the team can leverage its diversity, deal with complexity and access productivity, creativity and high performance. Of course, this requires vertical development and inner state that has been described in the section on Inner Leadership.

New Ways of Organizing

“The tension between organizations optimized for predictability and the unpredictable world they inhabit has reached a breaking point. Organizations are struggling to keep up with their customers. Workers caught between dissatisfied customers and uninspiring leaders are becoming disillusioned and disengaged. Executives caught between discontented investors and disruptive competitors are struggling to find a path forward. And people who want a better world for themselves and their communities are looking to new ambitious organizations to shape our collective future”

(Responsive.Org).

In a globalised world, you have to create entrepreneurship in your company

Many large, mature and asset-heavy organizations will be employing less people in the future, and needing to partner effectively with far more stakeholders to be successful. The impact of digitalisation, robotics and outsourcing is going to ‘hollow out the middle of the organisational structure’. At the same time, organisations need to partner with a growing number of suppliers, distributors, customers, investors, as well as with civil society, making leadership less vertical and more horizontal.

Organizations can be seen as living systems or organisms, constantly adapting to changing conditions. In the words of some people we have talked to:

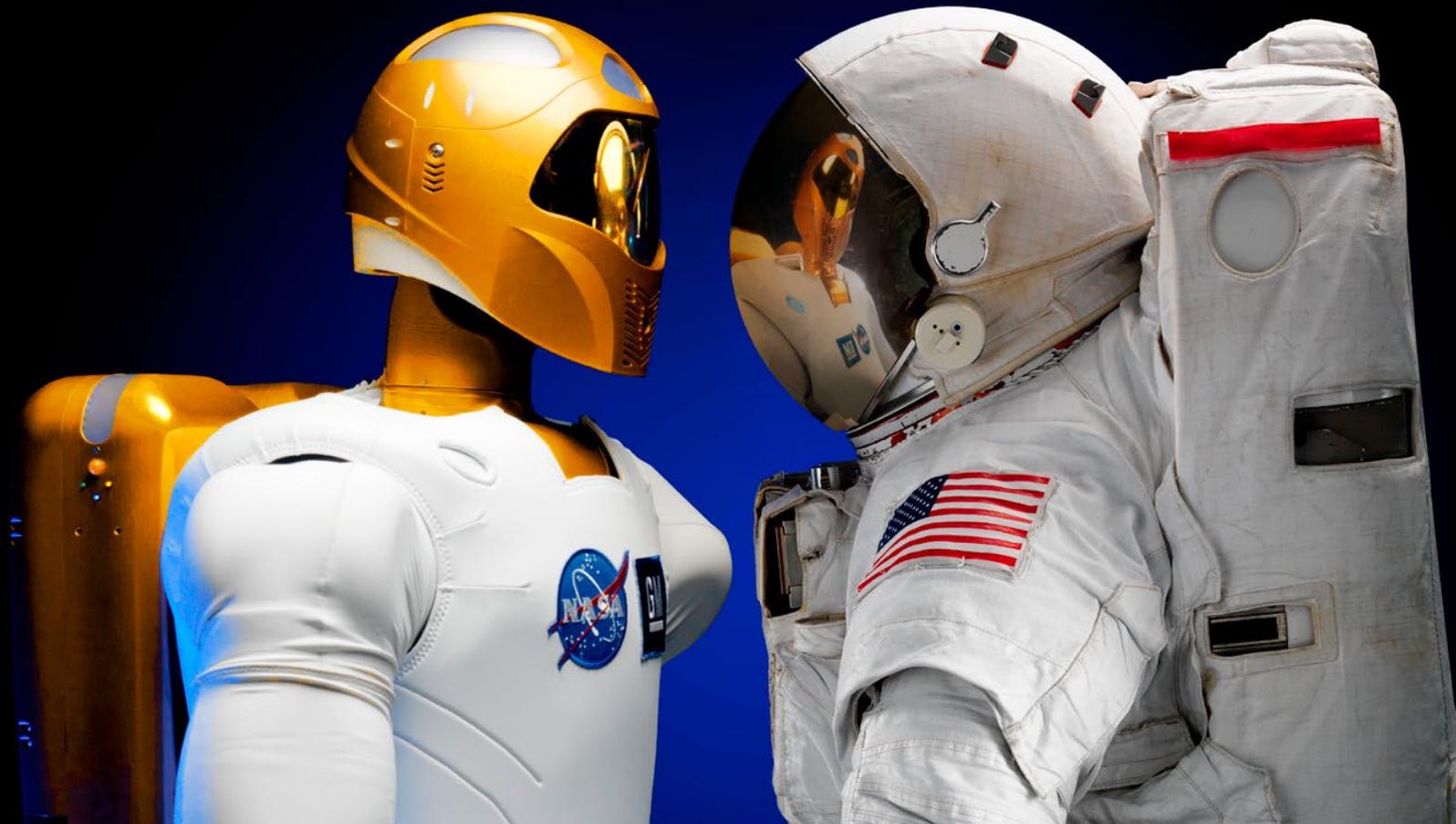
“So, I see an organisation as a kind of person with a consciousness (living organism). The best organisations balance flexibility with direction/strategy

“

We must develop a comprehensive and globally shared view of how technology is affecting our lives and reshaping our economic, social, cultural and human environments. There has never been a time of greater promise, or greater peril.

Klaus Schwab

Founder and Executive Chairman - World Economic Forum



(rudder), they become the “migrating geese” where everyone is leading and following. The organisation needs to emerge based on its purpose. And the most important is how people relate to each other, and less how the boxes are drawn. The dynamics are more important than the structure. The 50% rule: the tipping point that affects how a whole group behaves”.

“Our view of our organization is Influenced by molecular biology. Origins of Species of Darwin: survival of the fittest, living systems have the ability to adapt themselves. In practice, it underlines Importance of feedback: to be open to the external world. Also in innovation (open innovation: proudly found elsewhere). Courage to ask questions which fundamentally challenge ‘business as usual’ business model”.

The last century has seen pendulum swings between workplace democracy and authoritarian practices. The world of the 4th Industrial Revolution requires revisiting what works in the light of the new constraints and opportunities afforded by digitalisation and volatility.

We appear to be seeing today a re-emergence of some of the more democratic ideas on leadership and ways of organising that have been around for a long time. These reached their culmination in the 60s and 70s: industrial democracy, human relations, quality of work life, the sociotechnical systems approach, semi-autonomous teams, organization development... The more democratic and participative

approaches then gave way to the Business Process Reengineering of the 90s. Considered the new “scientific management”, Business Process Reengineering undoubtedly contributed to enhancing organizational efficiency, but is also said to have had the effect of dehumanizing the workforce and leading to downsizings. Further to that trend, the crisis that started in the late 2000s has seen some organizations regress into authoritarian, hierarchical leadership and cost-cutting measures carried out in ways that can be seen as disrespectful of employees’ humanity and dignity.

However, in recent years, new organisational forms have been emerging that can better deal with high levels of change and complexity, while also fostering quality of work life. They are extremely adaptable and able to change fast. They focus on the true purpose of the organization, on engaging the workforce, and involve the “devolution”² of authority and the development of agile work practices, among others.

In Society 3.0 the world becomes more human centred. Individuals take back the central position they had before Society 2.0. In a way, this is “going forward to the past”. Jan Rotmans in “Verandering van Tijdperk” (2014) refers to this as “glocalisation”: going back to the local roots but in a modern innovative way. People break through the existing order, organize things themselves in collective relationships, driven by passion and inspiration. Examples are local energy, health care, and insurance initiatives.

² “Devolution of authority” is not a term we are particularly comfortable with, we would prefer the notions of fostering autonomy or giving freedom.

According to one of the people we talked to:

“In a globalised world, you have to create entrepreneurship in your company. People must be empowered. My view is that you can have maybe 20 start-ups within your company. They can’t be stopped by the legal department or accounting department. What we’re doing here is challenging ourselves on that. We have 5 lighthouse start-ups here. This is the new generation – we give them the environment to do it. If they want advice from us, they can knock on our door. One lighthouse is on “how do we really get to innovation? We want to challenge ourselves on that.”

Frédéric Laloux has carried out one of the major studies on this topic, described in his book, “Reinventing Organizations” (2014). In it he defines the kind of organization needed for the complex, networked context of the future, that is the Teal Organization.

Teal organizations share three major characteristics:

- » **Self-management** – a system based on peer relationships without the need for hierarchy or consensus;
- » **Wholeness** – people reclaim their inner wholeness and can bring their whole selves to work (instead of hiding doubts and vulnerability, and suppressing their emotional, intuitive and spiritual parts);
- » **Evolutionary purpose** – the organization has a sense of direction, what purpose it wants to serve, what it wants to become.

The companies studied are from different sectors and are of quite different sizes. One common feature is that they have managed

to survive and even thrive and grow in today’s complex world, while at the same time fostering much healthier working environments. Interestingly, these organizations have consistently outperformed their competitors, despite some quite difficult markets and economic downturns.

They share practices related to self-management, such as:

- » They are based on a philosophy of **trust as opposed to control**. According to the author, “Traditional hierarchies and their plethora of built-in control systems are, at their core, formidable machines that breed fear and distrust.” However, “When trust is extended, it breeds responsibility in return. Emulation and peer pressure regulates the system better than hierarchy ever could.”
- » **They no longer have managers, superiors or bosses**. Individuals report to everyone else in the team, and the teams monitor each other.
- » **There is no organization chart, no job description, no job titles**. People’s jobs “emerge from a multitude of roles and responsibilities they pick up based on their interests, talents and the needs of the organization”. People move in a fluid fashion from one role to another
- » **Recruitment is often made by team members**, not by HR. People are recruited for “fit” in terms of values and behaviours, and not so much for their CV. It is considered that they can learn the technical skills on the job.
- » **Support functions are kept to a bare minimum**. Wherever possible, the work that such functions would do has been absorbed into the team. Where there is a

need for specialist support, they can have no budget or other authority over the team, and intervene only when asked to do so.

- » **Information flows freely**, all employees are trusted with access to finance and other information.
- » **Teams function as autonomous units**, able to decide on their own budgets and define their own work organization. Decision-making is entrusted to the collective intelligence.
- » **Responsibility is fully devolved** to the front-line staff, based on a principle of reverse delegation. The front-line staff do everything, in principle, but may choose to delegate certain things upwards where intermediate “coach” roles can be useful.

Some of their processes are particularly noteworthy:

- » **Decision making and the advice process:** In principle, anyone in the organization can make a decision. But before doing so they have to seek the advice of all affected parties and people with relevant expertise.
- » **Purchasing and investments:** There are no authorization limits and no procurement departments. Expenditure decisions are made as close to the front line as possible, with the use of the advice process.
- » **Conflict resolution:** Conflicts are solved using a formal conflict resolution process, involving mediation by colleagues.
- » **Governance, role definition and performance management:** These are all peer-driven.

Further to this account of self-management practices, Laloux describes the multitude of different practices that foster wholeness, caring, learning and safety in organizations. In such organizations people experience a better quality of work life, naturally take responsibility for the decisions within their remit, admit to mistakes, go the extra mile, and come to work more energised than in most organizations.

Given that many of the organizations studied by Laloux started as small to medium sized organizations - from several hundred to several thousand employees -, the question posed to Laloux is often: how can large, complex incumbent organizations achieve the transition from their bureaucratic, top-heavy, control-based functioning to the agile, empowered, autonomous, transparent ways of working he describes? One of his cases is AES, a global energy provider with forty thousand employees scattered around the globe. This organization functions in much the same way as the others, so it would seem to disprove the point.

Laloux believes that organisations will only change when there is support from the top (CEO and Board). He states: “the founder or top leader... must have integrated a worldview and psychological development consistent with the Teal developmental level”. This resonates with our chapter on Inner Leadership where we discuss vertical development. Such leaders must be able to “hold the space” for Teal practices, and not resort to command and control practices as soon as the going gets rough. They should be able to role-model Teal practices, related to both self-management and wholeness, and also show a firm commitment to the organization’s evolutionary purpose. They should be sufficiently humble to be able to function as a colleague, and participate in the advice process with others, not as a top-down decision-maker.

However, Laloux does not pretend that the transition to a Teal organization will necessarily be smooth. He states: “an organization cannot evolve beyond its leadership’s stage of development.” For some top leaders, still focused on tweaking the organization to optimise profit, relinquishing control is likely to be beyond what they can take on board. Laloux also points to a broader hurdle: “The central question you are likely to face when adopting self-management practices is how to deal with resistance from middle and senior management, as well as staff functions”. The suggestion is to learn by doing “with good intentions, common sense, and in good faith”.

One of the cases studied by Laloux is Brian Robertson’s Holacracy. He developed a new model of organization having realised that what was preventing engagement and creating dissonance in many organizations was the “social technology” of how we organize.

As he puts it:

“Our organizations today are simply not designed to rapidly evolve on the basis of inputs from many sensors. Most modern organizations are built on a basic blueprint that matured in the early 1900s and hasn’t changed much since. This industrial-age paradigm operates on a principle I call “predict and control”: they seek to achieve stability and success through up-front planning, centralized control, and preventing deviation. Rather than continually evolving an organization’s design on the basis of real tensions sensed by real people, the predict-and-control approach focuses on designing the “perfect” system up front to prevent tensions (and then on reorganizing once those at the top realize they didn’t quite get it right)”.

In today’s world this kind of approach is simply not working anymore”.

“...to really transform an organization, we must move beyond bolting on changes and instead focus on upgrading the most foundational aspects of the way the organization functions. For example, consider the way power and authority are formally defined and exercised, the way the organization is structured, and the way we establish who can expect what, and from whom—or who can make which decisions, and within what limits. When we change things at this level, we are effectively installing a new organizational operating system ...”

As a CEO, Robertson was able to engineer a new social technology, starting by eliminating hierarchy and replacing it with what he calls “holacracy”. This type of organization is intended to be more agile and responsive, thanks to self-organization. This means that power is devolved to the front line, but within the boundaries of a clearly defined process and governance principles. These allow for autonomous decision-making but also hold people to account.

Holacracy has the following characteristics:

- » a constitution, which sets out the “rules of the game” and redistributes authority
- » a new way to structure an organization and define people’s roles and spheres of authority within it
- » a unique decision-making process for updating those roles and authorities.
- » a meeting process for keeping teams in sync and getting work done together.

Robertson now has a consultancy that helps other organizations implement this kind of functioning.

However not everyone agrees with this as an ideal model. According to one conversation we have had:

“I hate it when people say, we’re throwing away the concept of managers, because I don’t believe that will work. For example, Holacracy will not work, see the huge manifesto they need, to me it’s the ultimate bureaucracy”.

There are a significant number of other cases, in different kinds of organization, where new models of organization based on many similar principles of leadership and social organization have been successful. In their book, *Freedom. Inc.* Brian Carney and Stan Getz describe the story of the transformation of FAVI, the French automobile parts supplier from a traditional, bureaucratic manufacturing facility, or a “how” structure, to a “why” company in which the meaning of the work is paramount, in which decisions are made and initiatives taken in real time by workers, where people are treated as equals, and in which leadership is “nourishing”. This work has been the inspiration for a whole movement in France called “L’entreprise libérée”, which brings together people from different organizations interested in working out how to “liberate” their organizations.

Another case in point is Semco, the Brazilian based engineering company. Maverick (1993) describes Ricardo’s Semler’s journey from 1980-1991 in which he pioneered a radically democratized organization (what we would call a Teal organization). A range of organizational ideas, similar to those described above, were implemented with astonishing results. In their brochure Semco write:

“Semco has five pivotal principles on which they base some 30 management programs and more than 100 powerful practices. These pivotal principles — **trust, minimal control, self-sufficient teams, extreme stakeholder alignment, and creative innovation** — go well beyond the notion of self-governance, and work in an intricate framework, with layers each dependent on the other. If you eliminated one, the others would be meaningless or at least (much) less meaningful. Semco Style’s corporate structure, employee freedoms, stakeholder relations, factory size limitations — all are products of a commitment to these five principles”.

In addition to the approaches described above, many organizations today are experimenting with introducing agile methodologies. As the HBR article by Takeuchi et al (2016) states:

“Agile innovation has revolutionized the software industry, which has arguably undergone more rapid and profound change than any other area of business over the past 30 years. Now it is poised to transform nearly every other function in every industry. At this point, the greatest impediment is not the need for better methodologies, empirical evidence of significant benefits, or proof that agile can work outside IT. It is the behaviour of executives. Those who learn to lead Agile’s extension into a broader range of business activities will accelerate profitable growth”. Agile methodologies, involving the transformation of values, principles and work practices, are proving to be a strikingly effective alternative to the command and control leadership style that prevails in many large organizations. They are even being used to improve the functioning of C-suite leadership teams, and in many other situations.

According to one of our conversations:

“I think the Hollywood model is even more agile than agile: this is organising around a project (making a movie) and dissolving when it’s over. Everything is specific for the project, including remuneration. Pixar is also fascinating organisation. Big and loose, very innovative, high tech. The role of leaders is to bring out the collective genius and multiply it.”

The authors go on to say that, “agile offers a number of major benefits, all of which have been studied and documented. It increases team productivity and employee satisfaction. It minimizes the waste inherent in redundant meetings, repetitive planning, excessive documentation, quality defects, and low-value product features. By improving visibility and continually adapting to customers’ changing priorities it reduces risk. By engaging team members from multiple disciplines as collaborative peers, it broadens organizational experience and builds mutual trust and respect. Finally, by dramatically reducing the time squandered on micromanaging functional projects, it allows senior managers to devote themselves more fully to higher-value work that only they can do: creating and adjusting the corporate vision; prioritizing strategic initiatives; simplifying and focusing work; assigning the right people to tasks; increasing cross-functional collaboration; and removing impediments to progress”.

In their Organizational Dynamics article (Vol. 39, 2010), “Agility and Organization Design: A Diagnostic Framework”, Worley and Lawler describe the transition to agile as a, ‘transformation process... becoming an agile organization is a real case of organization development. All organizations have some agile features, and the assessment tends to drive a conversation

about what are the next, best, right features to address and how? The most likely reason that there are not more agile organizations is that changing existing organizations is so difficult. It is much easier to create new adaptable organizations than to change an existing organization to be adaptable. Yet it is not impossible. Diagnosis is the first step—understanding what features of the organization are and are not supportive of agility.” The diagnostic tool measures 4 ‘agility factors’ all of which are needed for sustained performance:

- » **Factor 1** Shared purpose. Robust Intent. Strong Future Focus
- » **Factor 2** Structural flexibility. Resource flexibility. Shared power. Information transparency. Development Orientation. Flexible rewards
- » **Factor 3** Shared Leadership. Change-friendly identity
- » **Factor 4** Change capability. Learning Capability. Innovation capability

It is often underestimated that agile transformations are in fact organizational transformations and thus many don’t make the necessary arrangements or put in the right amount of effort to enable such a change. As a result, they are not equipped to jump the chasm between the command and control paradigm and the agile paradigm and return to their old and known practices.

“Companies must wrestle with both organizational and structural changes from the outset. Switching to agile requires significant process, mindset and culture change” (Harvard Business Review Analytic Services Report 2015)

“Adopting agile ways of working requires cultural change, well-balanced teams and buy-in across the organisation” (Scott Richardson, Chief Data Officer Fannie Mae)

According to some people we talked to:

“You can’t launch a radically different business strategy without an equally radical culture change strategy”

“There is no set approach to agile; you need to figure out what agile means for your business and work it out that way. In our organization, people are in in squads, tribes, guilds. But there is always a point where the traditional hierarchy comes in. Interesting to explore how far you want/need/can go fully agile”

Finally, we are increasingly seeing organizations taking inspiration from **design thinking** to foster innovation and agile adaptation. Rapid prototyping, involving small experiments and “rapid failure” for agile adjustment, is a component of this. It can be applied the design of products, services, spaces and systems.

A good example of this approach is from IDEO. They state:

“Human-centred design is a creative approach to problem solving and the backbone of our work at IDEO.org. It’s a process that starts with the people you’re designing for and ends with new solutions that are tailor-made to suit their needs. Human-centred design is all about building a deep empathy with the people you’re designing for; generating tons of ideas; building a bunch of prototypes; sharing what you’ve made with the people you’re designing for; and eventually putting your innovative new solution out in the world”.

Importantly for the 4IR context, a human-centred approach **balances the perspectives of users, technology and organizations.**

In the words of one person we talked to:

“Our brand line is always about surprising the consumer with something he wasn’t imagining was possible. That is creating a lot of energy. It’s part of our DNA. It has grown out of our identity and now it’s growing in the market. Brands are more important now than ever – people can feel whether a brand is fake or not. You have to be transparent with all these digital communications and social communities, you have to be open and transparent. The way you communicate isn’t by making a smart commercial anymore; you have to be part of the people – invite them, grow something with them.”

The principles of human-centred design are:

- » Learn from Failure - “Don’t think of it as failure, think of it as designing experiments through which you’re going to learn.”
- » Make It - “You’re taking risk out of the process by making something simple first. And you always learn lessons from it.”
- » Creative Confidence - “Creative confidence is the notion that you have big ideas, and that you have the ability to act on them.”
- » Empathy - “I can’t come up with any new ideas if all I do is exist in my own life.”
- » Embrace Ambiguity - “We may not know what that answer is, but we know that we have to give ourselves permission to explore.”



- » Be Optimistic - “Optimism is the thing that drives you forward.”
- » Iterate, Iterate, Iterate - “What an iterative approach affords us is that we gain validation along the way...because we’re hearing from the people we’re actually designing for.”

We can take inspiration from this approach for 4th IR leadership and ways of organizing. It applies both to how organizations could function on a day-to-day basis to remain relevant and agile, and also to how they could make the transition to Teal-type organizations. Tim Brown, CEO of IDEO, opens up avenues for reflection on this in his book “Change by Design: How Design Thinking Transforms Organizations and Inspires Innovation” (2009). This experimental and emergent approach to designing social organization links to leadership embodiment and the capacity to fall down, described in the section on Inner Leadership. Some organizations rely on start-ups for this organizational prototyping,

so that the large organization does not stifle the experiments.

According to some of our conversations:

“In the coming years, you will see us getting away gradually from a centrally steered organisation to more of a holding structure with distributed responsibilities. We start (not buy!) the ventures ourselves (we hire the people) and let them operate separate from the big organisation. My hypothesis is we’ll keep it separate from our day to day and won’t waste time trying to transfer it into what we’re doing”.

“The dilemma for big organisations is to become agile and fast; nobody seems to have the answer. Being large means being structured and standardised. This agile approach isn’t possible in the big ships. Do you move away from control in leadership: we struggle with it. I’m not sure whether a non-controlled approach will be able to manage such an operational setup.”

Conclusion

We have seen how the 4th Industrial Revolution will have potentially huge consequences for individual leaders, teams and other forms of collective endeavour, and for our organizational models. The question is how can we as actors in this universe help to foster the inner leadership, the systemically intelligent collaborative processes and empowerment of teams and networks, and the self-managed, agile organizations that will enable firms to thrive and contribute to the common good? We really look forward to engaging with you to deepen this inquiry.

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We cannot wait until there are massive dislocations in our society to prepare for the 4th Industrial Revolution.

Robert J. Shiller

Nobel laureate in economics
Yale University

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