

How leadership must change to meet the future*

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Globalization is rapidly redefining today's business environment. Significant strategic shifts are transforming the playing field. Vast opportunities for growth are emerging at the same time that the pool of high-performing talent capable of seizing those opportunities is shrinking. Those who can stay ahead of the rapid pace of change, anticipate talent needs, and take the lead in developing innovative strategies for the future will likely be tomorrow's winners.

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Successful business leaders must shape their organizations to be more nimble and flexible, less hierarchical, and more networked—in short, better organized to deliver value. The focus should be on key emerging business revolutions: agility, authenticity, talent, and sustainability. A distinctive leadership framework—one that defines success quotients—provides direction on what it will take to lead and shape organizations in the future.

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The fate of future business rests, in part, on how well business leaders can anticipate change, demonstrate authentic leadership, maximize the power of their talent, and embrace social responsibility.

Situation

Leaders will need to demonstrate a different set of behaviors.

Today's leaders are already facing challenges and changes that are rapidly transforming where, how, and with whom they do business. Leaders who are adapting their strategies are merely keeping pace with change. A more strategic view of agility is about leaders anticipating trends and proactively defining innovative strategies.

To anticipate and seize opportunities to drive business success, leaders will need to demonstrate a different set of behaviors. Organizations need to start now to build a strong leadership pipeline that demonstrates the right competencies. Because of the shrinking talent pool, organizations must build their own leadership pipeline from within.

Four key revolutions: Business leaders improve the way they do business through agility, authenticity, talent, and sustainability

Agility is emerging as an essential competency for leaders. The speed of change will require organizations to be more nimble and flexible. Those who have the foresight to spot change on the horizon, anticipate what comes next, and take the lead in developing future strategies to address evolving market demands will make it to the winner's circle.

Authenticity is a vital leadership competency in a changing business environment. Leaders need to create clarity—articulating a vision and painting a picture of the future. With so many changing variables, they must lead with confidence and have the courage to take a stand. To build trust and confidence with their teams, they need to be genuine in their communications. With change creating anxiety and confusion, leaders must bring a level of certainty about the path forward and foster a sense of purpose for their teams.

In 2004, 58.1% of management positions were filled internally. In 2006 that figure dropped to 50.0%.¹

¹ PricewaterhouseCoopers/Saratoga, 2007/2008 US Human Capital Effectiveness Report (2007).

Talent is about a leader's ability to leverage and maximize the impact of his or her people. To harness the power of their people assets, leaders must be committed to building a supportive culture and effective organizational structures and people processes. Organizations that have not proactively developed talent—who lack the right people skilled in the right areas, when and where they're likely to be needed—are more vulnerable to rapid change. Leaders need to attentively develop, engage, and motivate people. They must be mindful about embedding day-to-day coaching and mentoring into the culture.

Sustainability is about demonstrating social responsibility by balancing business results with concern for the greater good. Although much attention is being paid to how companies deal with environmental issues, social responsibility extends beyond just this one area. Focusing on sustainability means looking beyond short-term results to consider the longer-term implications of decisions as they relate not just to the environment, but also to health, safety, and other such areas of concern. It means taking actions that go beyond regulations to build controls into the business environment—embedding social responsibility into business processes and procedures and taking responsibility for the impact decisions might have on the workforce. Sustainability will be a major differentiator for a leader's success in the future. Ultimately, it may contribute to the long-term survival of an organization and serve to reshape the business climate.

Top executives agree on success factors

According to our research, top executives believe that these four revolutions are very important to future success. To bear this out, we have included throughout this document quotes from CEOs who responded to PricewaterhouseCoopers' *10th Annual Global CEO Survey*, as well as information obtained from the PricewaterhouseCoopers/ *Saratoga 2007/2008 US Human Capital Effectiveness Report*.

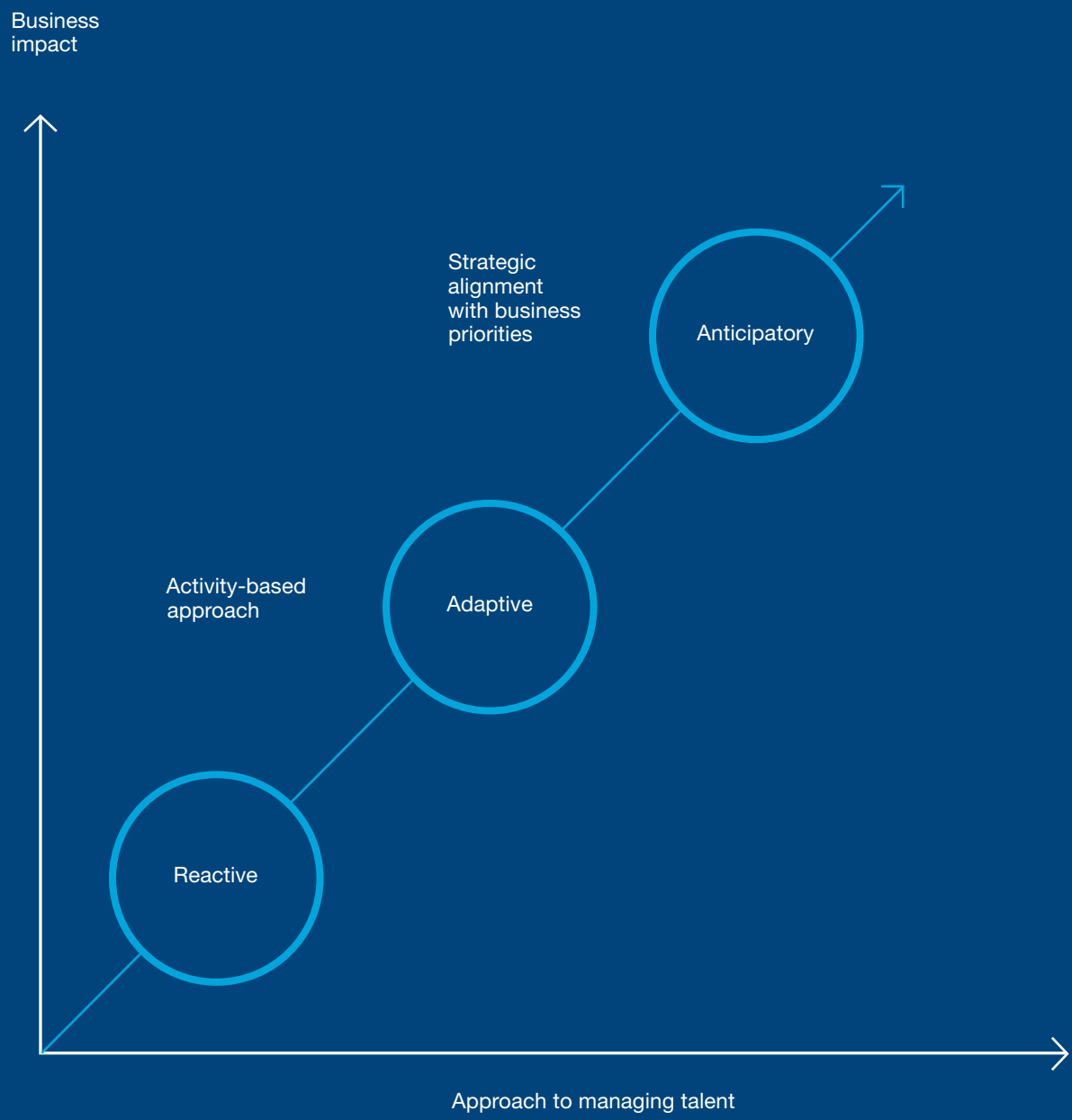
Our perspective
Business leaders must
shape their organizations
to better deliver value.

Successful business leaders must shape their organizations to be more nimble and flexible, less hierarchical, and more networked—in short, better organized to deliver value. The focus should be on four key emerging business revolutions: agility, authenticity, talent, and sustainability.

In this section we will address what leaders need to know about each of these revolutions and how they can be translated into success quotients to define a distinctive leadership framework—one that provides direction on what it will take to lead and shape organizations in the future.

Figure 1

Talent can be an organization's greatest asset or liability. The good news is that whether it is the former or the latter, it is entirely within management's control.



The agility revolution

According to “Revolutions in Our Midst: Three Ways Our World Is Being Remade,” an article that appeared in the September 2007 issue of the PricewaterhouseCoopers publication *View*, agility is a core competence for organizations operating in today’s high-speed and increasingly global business environment.

To maximize business impact in today’s increasingly competitive marketplace and drive future success, business leaders must position their organizations to be more nimble and flexible—poised to anticipate and drive change.

“Innovation and empowerment
are keys to flexibility.”

Respondent, PricewaterhouseCoopers’
10th Annual Global CEO Survey

An anticipatory workforce—one that thrives on innovation—will be an essential determinant of future success. To build such a workforce, leaders must themselves demonstrate agility and embed it into the way work is done throughout the organization. That means encouraging and appropriately rewarding innovation so that individuals are willing to test the status quo and take the risks that go hand in hand with defining new products and services. Respondents to our CEO survey stressed the importance of innovation in helping them shape the future of their organizations and adapt more effectively to the rapid pace of change.

Standardizing processes also contributes to an agile environment. For example, in today's dynamic environment, decisions must be made quickly. Therefore, it is critical that leaders demonstrate agility by empowering others to make decisions rather than limiting decision making to a select few at the top. To further expedite the process, decisions should be based on guiding principles rather than on a fixed set of rules.

Agility is a key factor in attracting the best talent and establishing a stronger employee value proposition. Those organizations that encourage and reward innovation and reinforce flexibility will enjoy a competitive edge in the quest for high-potential talent.

“We’ve created a corporate environment based on encouraging employee initiative, delegation of authority, and strong career development. These factors motivate.”

Respondent, PricewaterhouseCoopers’
10th Annual Global CEO Survey

The authenticity revolution

Being able to mobilize talent around business objectives is more critical these days than ever before. If leaders are to define and execute their business agenda in today's ever-changing environment, it is imperative that they be realistic about what it takes to make change happen, and have the courage to take a stand. Those who have the ability to articulate a vision and communicate with impact and empathy can help to create optimism, clarity, and certainty in uncertain times. As the business environment becomes increasingly global, cross-cultural, and networked, leaders will need to find ways to inspire their teams using creative and collaborative methods. Fostering collaboration in a cross-cultural environment will put leaders to the test, honing their ability to actively listen, to empathize, and to nurture innovation. The bottom line: A truly authentic leader relates well to others, is open to new ideas, and can inspire high levels of performance in tough times.

The talent revolution

The competitive quest for high-potential talent is redefining how organizations look at their people assets and, in particular, how they can best harness the power of that talent to pursue growth opportunities. According to one of the executives in our 2007 CEO survey, “Maximizing talent—attracting, retaining, developing, and promoting outstanding talent—is one of the critical capabilities that will distinguish a successful organization now and in the future.” Leaders must keep their eyes on the horizon to anticipate potential change and ensure that they have the right talent with the right skill sets in place when and where it is likely to be needed. Winning the “war for talent” today will determine whether an organization will be positioned to win in the dynamic business environment of tomorrow.

To attract and acquire the right talent, organizations will have to translate new market demands into skill requirements. As the talent playing field gets more and more competitive, it will become ever more difficult for companies to attract and retain the high-potential people they’ll need in order to win going forward. Rather than focusing only on tangibles like compensation and benefits in choosing where they want to work, today’s candidates are also taking a close look at intangibles such as flexibility in the workplace, development opportunities, greater autonomy, and an appreciation for diversity.

Given the rapid pace of change, it is no longer feasible for employees to learn by trial and error. A shorter time to competence is necessary, and leaders must explore new ways to share knowledge and embed learning into work. That means shifting investment dollars to build the infrastructure for knowledge management. Additionally, with increasing numbers of baby boomers exiting the workforce and further shrinking the talent pool, it will be essential to have mechanisms in place to transfer legacy knowledge going forward.

Moving talent to the top of the business agenda is critical to the survival of the organization. The turnover rate for high-performing employees increased by more than 7% in 2006—rising to 5.7%.² Leaders must become actively involved in harnessing and maximizing the power of their people to build competitive strength that will differentiate the organization in the marketplace of the future. That not only means going beyond defining career paths and development opportunities, but also taking an active mentoring role.

Organizations invest an average of \$513 on learning and development per employee.³

² Ibid.
³ Ibid.

The sustainability revolution

Recognizing that it will take more than just short-term results to drive future success, savvy leaders are striving to foster a business climate that balances bottom-line results with the public good, and to establish business practices focused on social as well as personal responsibility. For example, both consumers and employees are demanding a greater focus on green issues and taking active steps to help ensure environmental sustainability.

To minimize risk, and to do the right thing, top executives should demonstrate responsible leadership by assessing anticipated change in order to determine its potential impact on products, services, and investments.

The quest for sustainability provides an opportunity for companies to step up and take a leadership role in defining a new business climate and new strategies to drive a sustainable future. Since core responsibility is tied closely to the way an organization manages its people, the winners of tomorrow will weave sustainability into talent management today—enhancing how their organization attracts, acquires, develops, deploys, and rewards valued employees.

Research shows that sustainability is a key concern when candidates are deciding where they want to work, and that it's also one of the issues employees consider when deciding whether to remain with a company or move on. According to a recent study conducted by PricewaterhouseCoopers, 90% of US respondents said they would actively seek out employers whose corporate responsibility behavior reflects their own.⁴

⁴ PricewaterhouseCoopers, *Managing Tomorrow's People: The Future of Work to 2020* (2007).

Model future leadership behaviors on changing strategies

To succeed going forward, business leaders must go beyond anticipating trends on the horizon to actually model what success will look like in the workplace of the future. Doing that effectively requires a new leadership framework based on agility, authenticity, talent, and sustainability. These four revolutions are translated into four leadership success quotients, each of which embodies a set of clearly defined behaviors:

1. The agility quotient
2. The authenticity quotient
3. The talent quotient
4. The sustainability quotient

“I would like to leave behind a sustainable, workforce-centered culture.”

Respondent, PricewaterhouseCoopers'
10th Annual Global CEO Survey

A distinctive leadership framework is vital

A distinctive leadership framework will help organizations clarify what successful leadership looks like, build leadership capability for the future, and redefine measures of success. Leadership success quotients help to define the attributes that differentiate high-performance leadership. While the quotients may not encompass all possibilities, trends strongly suggest the need for a new set of leadership behaviors.

The agility quotient: To demonstrate agility and personal resiliency in the way they anticipate, adapt to, and lead change, successful leaders must create a culture conducive to change, one that encourages people to stretch their imaginations and innovate by rewarding forward thinking and risk taking.

The authenticity quotient: To mobilize the global workforce amid constant change, successful leaders must articulate a vision of how to be competitive in a complex work environment, then communicate that vision with impact, empathy, and optimism. It is important to demonstrate personal courage by taking a stand on critical issues regardless of what is popular.

The talent quotient: To harness and maximize the power of talent, successful leaders must drive connectivity by building alliances within and across organizations. To demonstrate a commitment to building talent capability, they should be actively involved in the development, succession, and mentorship of their people. Given the demographic and generational shifts we are witnessing, leaders should demonstrate and be role models for openness to different perspectives, ideas, and styles.

The sustainability quotient: To demonstrate their ability to create a new business climate that embeds a global mindset into decision making and the way they operate the business, successful leaders must balance their focus, working for bottom-line results while also focusing on the public good. Furthermore, they must take greater responsibility for the welfare of their employees.

Figure 2

A distinctive leadership framework



Embed
sustainability

Lead with
authenticity

Maximize
talent

Drive agility

Implications

Anticipate change,
maximize talent, embrace
social responsibility, and
demonstrate authenticity.

The strategic revolutions in today's rapidly changing business environment clearly mandate a new leadership framework. To capitalize on developing trends and drive future success, organizations must begin building leadership strength now in the four leadership success quotients: agility, authenticity, talent, and sustainability.

But the formula for achieving leadership success is a moving target. The leadership success quotients will evolve. Nevertheless, complacency is not an option. To quote an executive from our CEO survey, "Global trends are hitting faster, harder, and wider, with results that can be both exhilarating and devastating for companies, industries, and entire regions."

The winners of tomorrow will be those organizations with strong leaders who demonstrate agility, authenticity, connectivity to their talent, and sustainability. They will use their skills to remain at the ready, anticipate and harness the power of change, and stay ahead of the shifting business environment.

For further information, please contact:

Dolores Wilverding
703.762.7276
dolores.wilverding@us.pwc.com



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