Want to lead? Then tear up the rulebook

Nik Gowing and Chris Langdon reveal disturbing details from their research project into how people at the top struggle to clear a path in a digital age which throws up surprises.
In the United Kingdom a majority could vote in June to leave the European Union. In the United States, the presumptive Republican presidential candidate is Donald Trump. Britain out of the EU? President Trump? To express incredulity is not a political judgment. Until a few weeks ago, what many viewed as outlandish ‘unthinkables’ were not even being considered or investigated as part of corporate or political risk assessments. Now they have to be.

The challenge from such unforeseen developments fits a new and threatening pattern for leaders at the highest levels. Little over a year ago, even the possibility of a massive humanitarian surge to challenge the EU’s borders and Europe’s governing elite seemed inconceivable.

The EU was focusing on saving the euro. Political leaders and their officials dismissed warnings from the United Nations High Commissioner for Refugees and the International Organization for Migration as too extreme to be taken seriously.

The highest levels of leadership must now assume that a rapid-fire succession of abnormal, disruptive events is the new reality. Yet the scale and frequency of policy failings shows that the established ways of major companies, civil servants or ministerial private offices are no longer configured appropriately. Many at the top level are in denial.

Public confirmation of this from the insiders whose careers would suffer by admitting failure is almost unheard of. Only when he stepped down after 11 years at the top did Sir Nicholas Macpherson, the British Treasury’s most senior civil servant, reveal the ‘monumental, collective intellectual error’ by him and colleagues in Britain and the United States before the 2008 financial crisis. In an interview in April 2016, he said that they ‘failed to see the crisis coming’ and ‘failed to see the build-up of risk’. It was further corroboration of what Andy Haldane, chief economist at the Bank of England, described to us as a ‘disaster in myopia’.

Martin Taylor, co-founder of the Nevsky Capital hedge fund, announced to investors in December that he was returning their money because the new environment ruled out defensible risk assessment. ‘The laws of economics will never be repealed – but for now they are suspended and may be for some time.’

These are not headline-grabbing exceptions. They confirm a direction of travel with implications that are deeply troubling. Behind closed doors, executive leadership at the highest levels faces new vulnerabilities that almost none is willing to admit to publicly. But they are greater than at any time in recent history.

Inspired by the Churchill 21st Century Global Leaders Programme, set up to mark 50 years since Sir Winston’s death, we wanted to hear from today’s top leaders about their difficulties in grappling with an unpredictable and fast-changing world. Our interim report, Thinking the Unthinkable – the New Imperative for Leadership in the Digital Age, is based on off-the-record conversations with more than 60 highest-level executives from business and finance, government, the military and the humanitarian sector, plus members of the coming generation of leaders, the millennials.

History is marked by the impact of the unexpected. The financial sector faced a huge shock in 2008. Were the ‘unthinkables’ that unfolded globally from early 2014 of a quantitatively different scale?

Several unexpected events in early 2014 had provoked the question. Why had so many at the very highest levels in western leadership roles failed to anticipate President Putin’s seizing of Crimea from Ukraine, or the precipitous 60 per cent fall in oil prices, or the brutal rise of so-called Islamic State with the capacity to seize Mosul in northern Iraq? Why had the World Health Organization rejected warnings of the lethal threat of Ebola in West Africa? And why did Sony Pictures leave itself so vulnerable to a damaging cyber-attack?

With anonymity guaranteed, the leaders talked frankly. They revealed often stark discomfort that for career and reputational reasons they would never air in the presence of their immediate peers or at a wider gathering. They confirmed over-

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**Off the record ... quotes from Thinking the Unthinkable**

**Multiple pressures**

‘There isn’t time to think the thinkable, never mind the unthinkable.
You are reacting to events and making decisions on the basis of imperfect information’

**Institutional conformity**

‘There is in the Foreign Office a particularly strong tendency to analyse a particular problem in a particular way. And to not encourage people to challenge it’

**Wilful blindness**

‘The wilful blindness challenge is that we try to explain away things that are inconvenient truths’
wholly that the answer is ‘yes’: they were being caught off guard and their skills and organizations tested to the limit.

Almost all agreed that mindsets, behaviour and systems are rarely adequately configured to handle the ‘new normal’. One top European diplomat, for example, conceded how assumptions of relative policy ‘tranquillity’ had been ‘shattered’ and officials were now struggling to catch up.

‘Some CEOs are scared stiff,’ confided Paul Polman, Unilever’s chief executive, the sole corporate leader willing to speak on the record. Reflecting the private concerns of many, he said organizations created barriers for their leaders to hide behind. ‘The more they get paid, the less risk they take because it’s very comfortable. And it’s better to hang in there … than take a lot of risk.’ His conclusion: ‘We must be disruptive in taking risks and challenging the status quo.’

Embedded in this core leadership challenge is an inherent contradiction. How do current leaders direct a company or government department through a period of fundamental change that questions the very conformity which qualified them for the top? It is that same conformity which blocks the kind of systemic and behavioural changes that are so urgently required.

Why do leaderships remain reluctant to conceive of events that then happen? We conclude that frequently this was not just because developments were unthinkable: more accurately, they were unpalatable for leaders. They and those who work for them are often in denial. Data and signals are usually available. Yet for a variety of internal reasons those signs — and a frank assessment of what they suggest — are often marginalized or buried by systems that discourage the airing of unwelcome assessments.

As one senior executive put it, there is a fear among staff that bosses will ‘chop the legs off’ those whose advice might seem to be off the wall or ‘wacky’. As a result, executives or public servants who are concerned about their career prospects feel they must conform. This fear of speaking out and making a ‘career-limiting move’ means that many organizations are afflicted by a ‘frozen middle’ that ‘lacks muscle’. This is at a time when the new unthinkables they should really know about are usually available. Yet for a variety of interrelated reasons those signs — and a frank assessment of what they suggest — are often marginalized or buried by systems.

From our interviews we identified nine reasons why unthinkables are not thought about:
- Groupthink/wilful blindness
- Being overwhelmed by multiple intense pressures
- Cognitive overload and dissonance
- Institutional conformity
- Risk aversion
- Fear of making ‘career-limiting moves’
- Reactionary mindsets
- Denial
- Inability to let go

The findings prompt the inevitable question asked by every executive leader: so what are the solutions? There are plenty. The trouble is that, as leaders confided to us, many ‘solutions’ that sound good in theory often fail for one of two reasons. Either they wither and die because of conformist executive resistance, or they are actively obstructed by those at the top for being too radical.

Candidly, almost all interviewees confirmed that yet another change to organizational structures and systems is not the answer. Most accept that the existing imperatives for institutional conformity — often not readily acknowledged openly but which got them to the top — are getting in the way.

The issues are therefore about changing culture, behaviour and mindsets. The International Committee of the Red Cross decided in 2015 to confront unchanging organizational structures and recruitment policies reinforcing the problem.

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humanitarian sector. Helping launch the report, Yves Daccord, director-general of the ICRC, put the challenge with disarming simplicity: ‘The new thing is that people behave differently.’

So leaders and their organizations must also change. Easy to say, but more evidence is needed of what works and what is possible. So this will be the next stage for research. For that we invite new insights and feedback from leaders and those who work from them via our website.

Already, however, it is clear that a core threat and reality check on the new challenge from unthinkables comes from the next generation of millennials. It is readily assumed that they are executives-in-waiting who will be prepared to take the executive suite. But our research shows the reality is far from that. Many are not, as 29-year-old Aniket Shah explains (see Q&A opposite). Where will the leaders capable of challenging corporate myopia come from?

Corporate leaders told us they realize that they must engage urgently with the concerns of the millennials, those born between 1980 and 2000. That requires a far greater focus on purpose and value. How will that be done? Through a culture of greater adaptive leadership that builds resilient organizations. Offering contrarian advice must no longer be a career killer but a career enhancer. Challenge, innovation and collaboration have to be embedded into the ‘C-suite’ culture. ‘There are no solutions, no magic Five Steps,’ said Patricia Seemann, chief executive of the 3am group which advises corporate leaders on their most intractable problems. A key first step is awareness that things need to change, and the old conformist ways that largely got leaders to the top will no longer work in the unstable new environment.

A common theme is to diversify recruitment in terms of age, gender and skills. One chairwoman said that the one female non-executive director on her board always has a different perspective. ‘Is it because she’s a woman? Is it because she’s American? Is it because she’s from the IT world? I don’t know. But she has a different set of views.’

Darshita Gillies, a Mumbai-born millennial who is a chartered accountant turned corporate adviser, said that a superficial application of diversity – the arrival of women on corporate boards – was not enough. ‘I feel that we do need to have young people in the boardroom, so that they can become part of that future.’

And this is sharpened considerably by the challenges from artificial intelligence, data analytics and robotics.

‘The whole scale of technology disruption means that we have a bigger gap between the people currently running businesses in the C-suite and those who will inherit the responsibility to run those businesses,’ said Harriet Green, the former chief executive of Thomas Cook, now in charge of the Internet of Things at IBM.

Can it be done? The leader of a major international organization gave an insight into the challenge to modify both institutional culture and executive mindsets. In 2015, he told us that he was working to break down silos and address vested interests. ‘I’m trying to see where in my organization are the places – it could be very small places – where adaptation is happening more quickly,’ he said.

Interviewed again this year, he suggested that there would be no handbrake turn in culture. ‘Even over the last eight months, I would argue that I have seen some change in the practice of leadership. I’m not saying improvements.’

What is the big conclusion? Tony Manwaring, of the Chartered Institute for Management Accountants, which partnered our research, said: ‘Now is the time of inflection; business as usual isn’t the path to the future; and leadership as usual therefore needs to be questioned.’

Nik Gowing is former international news broadcaster at the BBC and ITN. He is now a Visiting Professor at King’s College London. Chris Langdon is head of ‘Reconciliation through Film’, a non-profit start-up. He is the former managing director of the Oxford Research Group. Full interim report available at: www.thinkunthinkable.org/report

**Off the record ... quotes from Thinking the Unthinkable**

**Reactionary mindsets**

‘They get trapped in a mindset … there’s an explanation for this, which is that our mindset of what’s possible tends to be related to what happened in the past’

**Denial**

‘What we found is that our companies are actually structured in a way that doesn’t unlock creativity and diversity of thinking’

**Cognitive dissonance**

‘I would argue that none of us could get through the day without a large dose of cognitive dissonance’