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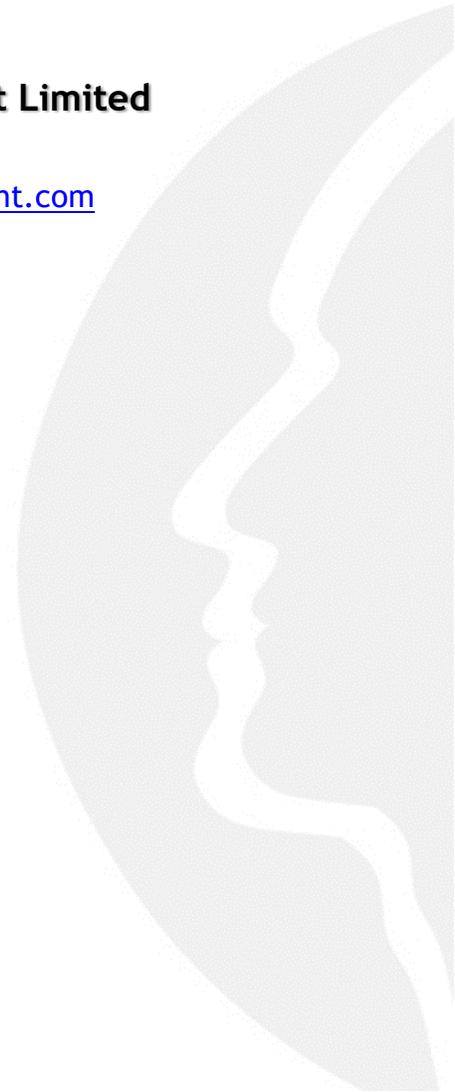
*redefining the management of change*

## **Surviving in the new VUCA business world**

*Using emotional intelligence to overcome challenges presented by the VUCA environment*

**DAV Management Limited**

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## Overview

*Earlier in the year DAV published a paper that talked about how we live in a constant period of uncertainty fuelled by factors such as globalisation, worldwide economic challenges, climate change and much more. We explored how many organisations and senior level executives in particular, are struggling to stay afloat and aligned in what is increasingly being referred to as the VUCA (volatile, uncertain, complex, and ambiguous) nature of today's global business environment.*

*That paper: [Planning for success in the new VUCA business world](#) was written in a pre-Brexit environment. Today volatility, uncertainty, complexity and ambiguity (VUCA) have been amplified tenfold as we move towards a post-Brexit environment. Indeed, at the Conservative Party Conference in October, Chancellor Philip Hammond advised that he had abandoned his predecessor George Osborne's aim to balance the books by 2020, telling Conservatives at the conference that the Brexit vote will undoubtedly cause "turbulence" and business confidence would be on a "bit of a rollercoaster". This statement came on the back of Prime Minister Theresa May's announcement that she would trigger Article 50, the clause needed to start the process for Brexit negotiations, by the end of March 2017. That means the UK could leave the EU by mid-2019 and the debate is now widening in terms of what this will mean for the UK and the wider global economy.*

### **1. Tackling the VUCA environment head on**

Hardly a day goes by without a headline proclaiming the 'golden opportunity' that Brexit represents, only to be countered by a gloomy prediction of economic decline, with some of our mainstay institutions reputedly drawing up plans to move their operations to other countries in the near-term.

The truth is, no-one really knows how Brexit will play out, but what is self evident is that the continued uncertainty stimulated by the current Brexit debate, makes it tough for British business leaders to plan ahead. And, while we have heard some very encouraging reports about the performance of the UK economy in the three months prior to the Brexit vote, we do have to take seriously the central prediction of forecasters that leaving the EU will have a negative effect on the UK's economic growth. Taken in this context, it is likely that UK business leaders will face volatility, uncertainty, complexity and ambiguity at unprecedented levels - a turbocharged VUCA environment, if you will. How well we all deal with this will play a large part in defining the scale and resilience of the UK's post-Brexit economy.

In our earlier paper, we highlighted a number of inter-related attributes that business leaders will need to possess in order to counter this so called VUCA environment. In relation to the Brexit challenges, these may be summarised as:

- The strategic vision and determination to shape a future beyond the Brexit negotiations.



- A positive and pro-active approach to uncertainty that helps those leaders understand how Brexit will impact their organisations.
- The ability to probe the complexities of the business landscape as we move through the Brexit process, sense the opportunities and threats arising and respond to these in kind, with smarter, better informed business decisions.
- The agility of mind to adapt to changing circumstances and drive change through the business with clarity and pace. In future, business leaders will need to reward adaptability and lean thinking that results in higher productivity, rather than hierarchy and tradition.

However, there is arguably one factor above all that defines the quality of a modern business leader and that is the possession of a high level of emotional intelligence. Given the stresses and strains that Brexit is likely to impose on most businesses, it is the growing sense of self-awareness, derived from a high emotional intelligence, that is likely to determine how well business leaders will cope with and adapt to, the VUCA characteristics of the new business landscape.

## ***2. What do we mean by emotional intelligence?***

Emotional intelligence or emotional quotient (EQ) as it is sometimes referred to, is the capacity of individuals to recognise their own, and other people's emotions, to discriminate between different feelings and label them appropriately, to use emotional information to guide thinking and behaviour, and to manage and/or adjust emotions to adapt environments or achieve one's goal.

High levels of emotional intelligence and the ability to let go of outdated measures of success, demonstrably enable leaders to be open, faster, and more embracing of new performance imperatives from both the market place and within the organisation.

However, empirical evidence shows that, unfortunately, today's leaders appear to be lacking in emotional intelligence. According to the CIPD and Halogen Autumn Outlook Survey 2015, there were five attributes employees felt were lacking in their bosses: consultation, respect, trust, confidence and clarity of vision. Equally a report from Deloitte suggests that only 5% of senior leaders are effective. Hardly encouraging reading in any sense.

Analysis of the evidence suggests the problem is two-fold. Firstly, many senior leaders find themselves in leadership positions as a result of being the best at what they do technically. They haven't been promoted to senior positions because they have the necessary people leadership experience or capability. In a hierarchical system, often the only opportunity for progression is to go into leadership. For example, great accountants often become CEOs and good technologists become operational managers and then CIOs, and so on. At the end of the day your top finance person does not necessarily have the attributes needed to lead and motivate teams of people, nor might they want to.

This often means they are ill-equipped and poorly trained to deal with their new-found leadership responsibility. [A Harvard Business Review survey](#) found that the vast majority of respondents (71 per cent) said that frontline managers received leadership training and development only occasionally or infrequently, with nearly half (44 per cent) indicating a frequency of once a year or less. Only 14 per cent said that their companies offered a comprehensive leadership development programme that included frequent mentoring, 360-degree feedback and leadership tools.

Secondly, the evidence also demonstrates that most individuals are yet to discover a development process that actually works for them - one that is effective in changing behaviour and improving their performance as people leaders. At the heart of it all, do they really understand the traits of good leadership and what this actually involves and do they have the EQ to really engage with their teams at the level required?

### ***3. So how do we recognise emotional intelligence in our leaders?***

While the stereotypical image of an all-powerful, dominant, alpha-male type character running a company persists, in many cases this is now an outdated image. Let's not forget, we have a female prime minister here in the UK, Hillary Clinton who ran for presidency in the US, Nicola Sturgeon heading up Scotland and Angela Merkel as Chancellor in Germany.

Furthermore, the financial crisis in 2008 forced a widespread rethink of how businesses needed to be run. The days of the all-powerful, autocratic chief executive may well be coming to an end. Today, there is an increasing sense that leaders should be more inclusive in their approach, less critical and more positive about their staff and more ready to embrace their strengths rather than point out their weaknesses - after all, it takes all personalities to make a well-rounded team. Iconic leadership figure Sir Richard Branson, is on record as stating that not criticising people is one of the most important pieces of advice he has ever received. He commented: "As a leader you've just got to get out there and look for the best in people and that's really, really important. Let them get on with it, don't criticise them when they make mistakes and praise them when they do good things."

However, a willingness to engage, praising rather than criticising, is just one part of the equation. Equally, it is easy for senior leaders to fall into the trap of trying to be superheroes, believing they need to be the font of all knowledge (or pretending they are) and being unwilling to admit to any failings, perceived or otherwise. Leaders with high levels of emotional intelligence demonstrate the aforementioned, inclusive-style of modern management. They also know that emotionally strong leaders are great learners and they understand and accept that it is impossible to have all the answers. Leaders able to function at this level will view themselves as members of a team, where their value is to facilitate that team to high levels of sustainable performance, whatever the business landscape throws at them.

For sure, senior managers must have enough self-confidence to lead the business according to their own convictions, but emotional intelligence yields a balanced demeanour that enables those in leadership positions to recognise and value the contributions of others in the team - and coupled with a clear and inclusive communication approach, encourages the critical 'buy in' that will generate focus, trust and belief in achieving the end game.

It's also an invaluable attribute in dealing with the hard truth that things won't always go according to plan. Mistakes will happen but it's how these are dealt with and the lessons that are learned, that's more important. In the end, what people remember is less to do with the actual decisions made by the boss and more about how he or she behaved through the process, especially when the business is going through tough times. Whatever the outcome, it is often the emotional strength displayed by the leader in difficult circumstances that establishes his or her credibility and earns the respect of others.

The next few years are going to be particularly challenging to those new to senior leadership posts. We recently published a short article on [the curse of the newly appointed CEO](#). In this we talked about the perils facing incoming CEOs and anecdotal evidence that points to ways in which some of the most common pitfalls can be avoided. Unsurprisingly, it is factors like inclusivity, engagement and a willingness to learn from the experience of others, that typically makes the difference between long term success and failure. These are all key attributes associated with high levels of emotional intelligence.

And finally, leaders need to learn from other leaders. They can benefit greatly from networking, and collaborating with others and seeking advice on specific issues. If somebody else has already worked it out why not get immediate value from their experience. In a world of constant change it's one more thing that leaders can do to stay on top.

#### **4. Planning for success**

The VUCA environment that we are experiencing will drive change at an unprecedented level and place greater emphasis on both the quality of business leadership and the bedrocks of modern management systems: the importance of strategic decision-making, readiness planning, risk management, and situational problem-solving. The difficulty most leaders face today is they must tackle all these aspects with the rigour required to produce a quality outcome, while the environment in which they are operating is shifting beneath their feet.

Of course, change has always been present in business but what's different now is the timescale in which it needs to be delivered is so much shorter. The pressure to deliver change in today's 'do more with less and more quickly' culture puts at risk the quality of one's decision making and undermines the very outcomes the business is seeking. So, although the realities of modern business life cannot be ignored, it is essential that the precision and rigour required to shape, plan and manage the delivery of change is not sacrificed in the process.

Balancing these contradictory pressures is, once again, a hallmark of the emotionally intelligent and it will need leaders in this class to ensure that, when it comes to driving through the changes the new VUCA world will demand, businesses continue to do the basics well.

There are strong parallels here with DAV's business, because emotionally intelligent leadership is crucial to the success of the business transformations we manage on behalf of our clients. DAV professionals are often working in a customer environment at a time of considerable change where stress levels and emotions are typically high. In this situation leaders must fight fire with fire, but, as the former British and Irish Lions Head Coach, Ian McGeechan, once famously said - 'keep their heads in the fridge'. In other words, function with a level of emotional intelligence that enables the transformation team to deliver the outcomes demanded by the business without risking the integrity of the transformation process itself. From a programme perspective, it is essential that the Programme Manager operates with a level of emotional intelligence that engenders confidence in the team members and ensures that the fundamental success factors for the programme are not undermined. Against all the pressures for change that the VUCA environment will bring to bear, it will be the Programme Manager's job to ensure that the business:

- Is realistic about timescales for delivery;
- Allocates the right subject matter experts from the business to support the programme;
- Is clear about its requirements and the outcomes it wants to achieve;
- Sets a proper budget to fund the transformation process;
- Appoints an experienced team to manage the transformation;
- Maintains senior level sponsorship commitment throughout the transformation process.

There will be set-backs along the way and these will test the resolve of all those involved, but with emotionally intelligent leadership these can be overcome and the odds of success will remain stacked in your favour.

## ***5. In conclusion***

Not since the financial crash of 2008 have we faced such a volatile, uncertain, complex and ambiguous future. Unfortunately, no one has a crystal ball and it's hard to imagine what our trading agreements and business landscape will look like when we eventually leave the EU. Many pundits are speculating, but right now most businesses can't really foresee or predict all the changes that are likely to impact them.

A proactive mind-set and a willingness to listen and learn and take small steps to success will help to place organisations in a positive position. Adopting management systems and processes that help businesses make sense of the VUCA world that the Brexit process is creating, is crucial. If this, in turn, helps to generate belief in the direction of travel for the business, then confidence and continued investment can be maintained.

Lean thinking and an agile approach to business practices will also be required. Productivity levels in the UK are poor in comparison to other countries around the world. In order to remain competitive, we will need to look, as a country, at how we increase our productivity.

Above all we will need leaders with vision and maturity that will enable UK businesses to adapt and evolve in response to the demands of the VUCA environment. As a business leader, whether you were for or against Brexit, this is now a mute debate. What matters now is that we leave behind the hubris and spin that sadly seemed to monopolise the EU referendum debate and push ahead with confidence to embrace the new VUCA landscape. Higher levels of emotional intelligence will be demanded of all UK business leaders to achieve this and, to quote Gene Kranz<sup>1</sup>, “failure is not an option”.

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<sup>1</sup> Flight Director for NASA’s Gemini and Apollo programmes (including the near tragic Apollo 13 mission).