Courage & Complexity: A New Paradigm for Leadership

By Leo van de Voort

There is an ongoing, even increasing interest in leadership – it sometimes seems that contemporary Western society is fixated on it. Despite all this, very little academic attention has been paid to leadership's moral dimension, virtue ethics and courage. This essay seeks to connect to the research of 'Normative Professionalization', and also seeks to counterbalance and challenge the dominant technical and instrumental attitudes to leadership. A related aim is to sketch the contours of a normative model of ethical organizational leadership, as top managers are entrusted with the core assets of the organization, and - from a humanistic-economical point of view - must find and facilitate 'courageous' ways to develop long-term organizational excellence and outperformance. As will be argued in this essay, considerate leadership is a conditio sine qua non for realizing enduring outperformance and excellence in today's complex and fast changing business environments.

The increased complexity of present day business environments, the quest for sustainability, and imminent scarcity of essential resources provide the broad social context of this essay.

'We live in a time of massive institutional failure, collectively creating results nobody wants: climate change, poverty, refugees, hunger, AIDS, terrorism, violence. The foundations of our (Western) social, ecological, economic and spiritual well-being are in peril', thus wrote Otto Scharmer in *Uncovering the Blind Spot of Leadership*.

In the current debate on decision (and game) theory as the preferred basis for rational decisions in business environments, linearity and causality are presupposed as unproblematic categories and ethical issues in general (and courage in particular) are scarcely introduced and discussed. This is increasingly perceived as out of balance.

Against this background, this essay aims to develop a more adequate perspective on game changing performance in present day business environments with the help of critical complexity thinking and virtue ethics. The new leadership challenges require ambitious roads to travel (game-changes) in order to realize enduring outperformance and excellence, based on an ethical deployment of assets-in-place, including human talent.

The Industrial Age came along with a brief period of fast-growing, international mass markets with relatively little competition – dominated by monopolies or oligopolies, where markets were sluggish and slow. During this period, Taylorism became the standard organizational model: because it was possible, for the first time in human history, to largely eliminate complexity from value creation with the help of machines and standards. For this task, command-and-control was the perfect solution.

Those days are gone. High-dynamic value creation emerged around the 1990s, due to the rise of global, high-competition markets and the return of more individualized demand that made customization paramount. High-dynamic value creation calls for an increase in the human part of problem-solving processes. Command-and-control has become a roadblock. Problem-solving in a command-and-control system is about instruction. Problem-solving in a living system is about communication.

Command-and-control has become a roadblock

No organization can escape from wicked problems, impossible conflicts between opposing forces: family pressure and work demands, meeting customer needs while maintaining a consistent and focused product, or assimilation of technological change while maintaining core values and culture. Another perspective, another worldview, another paradigm would yield additional ways of thinking, perceiving, valuing, inquiring, and acting that could be brought to bear on these tricky and slippery complexes of problems.

Each of the attempts to deal with today's wicked problems grew out of a particular worldview, a particular set of assumptions about how the world works – a particular paradigm. A paradigm is usually taken for granted and treated as common sense. It is our familiar grasp of life, our ordinary way of making sense of things. A particular paradigm, a particular manner of approaching life or understanding a situation or assessing an organization, opens up particular possibilities for perceiving, thinking, organizing, and acting, but also closes off other possibilities. This discounting of certain factors or concepts is part of the basic rules of the game, one of our taken-for-granted operating assumptions. What we need, in order to deal with today's wicked problems, is another way of looking at our situation, a new map of reality, an alternative

paradigm. A multiplicity of perspectives can be helpful to a leader who must deal with complexity.

Our view on human nature matters because assumptions we have about other people shape our behavior, and the way we tend to design and run organizations. If you believe in the existence of command-and-control humans, then command-and-control systems design will follow. In order to build a complexity-robust organization, a shared, enlightened and refined view of human nature is needed.

Complex systems are only externally observable – not controllable

Developments in complexity thinking and game-change transformations provide new points of entrance in business environments for virtue ethics in general, and for courage more specifically. Building on these developments, an ethical sharpening of the notion of excellence becomes possible in view of furthering the ambitious deployment of assets-in-place (in the world, and on the balance sheet) and creating wealth in every sense of the word. This ambitious view on ethics and excellence is very much lacking in business and management – and the world is, in many respects, poorer for it.

We need to distinguish complex from complicated systems. Complicated systems operate in standardized ways – imprecision is diminished and non-objectivity and uncertainty are reduced as far as possible. Such a system can be described through non-ambiguous cause-and-effect chains. And it is externally controllable (e.g. a watch). Problems have low dynamic complexity if cause and effect are close together in space and time. Problems have low generative complexity if their future is familiar and predictable. And problems have low social complexity if the people who are part of the problem have common assumptions, values, rationales and objectives.

Complex systems are different; they produce surprises. They are living systems – that is why they may change at any moment. Such systems are only externally observable – not controllable. A complex system's behavior is non-predictable; it is natural that there is a level of error, uncertainty and illusion is much higher than in complicated systems. And they produce paradoxes. Once you have something that demonstrably both is and isn't in a language or logical system, it infects the whole, for by the simple rules of deduction, everything now becomes true and false, both necessary and impossible.

Simple problems, with high complication (low complexity), can be solved perfectly well – effectively and efficiently – using processes that are logical, backward looking and authoritarian. By contrast, high complex problems can only be solved using processes that are systemic, emergent and participatory.

Complex systems produce tough problems; tough because they are complex in three ways. First, they are dynamically complex – cause and effect are far apart in space and time, and so are hard to grasp from first-hand experience, Second, they are generatively complex – they are unfolding in unfamiliar and unpredictable ways. Third, they are socially complex – the people involved see things differently. So, tough problems easily become polarized and stuck.

Our world will become increasingly more complex, uncertain and turbulent. Leaders are facing problems that have a complex character, not a complicated nature. The global society is ultimately a huge and dynamic network, composed of nodes and links. The connections between the nodes (individuals, corporations, institutions, nations, markets) are rapidly increasing in number, just as is the number of nodes. It is therefore easy to understand why making the 'right' decisions under similar circumstances is a formidable feat. There is no longer the time to seek and implement optimal solutions for problems.

Only human beings are capable of dealing effectively with complexity. What matters in complex problem-solving is neither tools, nor standardization, nor rules, nor structures, nor processes. The question is not how to solve a problem, but who can do it. Complexity can be neither managed, nor reduced. We can only confront it with human mastery. We are in need of considerate leaders who truly understand that the effort required exceeds what is typical, and learn to embrace a level of uncertainty from which most of us normally retreat.

Increasingly, we face problems and challenges for which hierarchical authority is inadequate. Faced with this reality, we see a growing sense of powerlessness and an increasing reliance on force. The sense of powerlessness reflects an awareness that the big issues are generally getting worse, not better; the reliance on force is a desperate response to this awareness.

Courage is needed to forge another option: a transformation in our ability to talk, listen, think, and act together. Given the accelerated pace of change, it is more important than ever for people to be willing to step out of their comfort zone into the unfamiliar, to lay their reputation (and more) on the line and take bold action. A culture of courage is needed where people are actively encouraged to challenge status quo thinking, provide candid upward feedback, experiment and push boundaries.

We need considerate leaders – who transcend their fears of vulnerability, who are not looking for new ways to protect themselves, who are acting in service of the whole, not in their own interest. The considerate state of awareness can be described as an open, available, attentive presence to what is going on both internally and externally, involving a loss of rigid self-definition. That is courage.

The considerate leader adopts a stance of openness and detachment, which both manifest in a variety of forms

– this includes an attitude of receptivity in which one initially encounters situations with as much openness and as little judgement as possible. A second aspect of openness and detachment is letting go, which can be characterized as maintaining a loose grip or being responsible in a situation without having to control all aspects of it. This requires a stance of listening and watching, without getting entangled in an attempt to fix anything. The concept of letting go or letting be, of not having to be in control, is at the heart of the considerate paradigm, and contrasts sharply with the dominant paradigm.

It is more important than ever to be willing to step out of the comfort zone into the unfamiliar

Listening requires opening ourselves – but our typical patterns of listening in difficult situations are tactical, not relational. We are unable to talk productively about complex issues because we are unable to listen. Opening our minds ultimately means opening our hearts – but the heart has come to be associated with muddled thinking and personal weakness; hardly the attributes of so-called effective decision makers. When a true opening of the heart develops collectively, miracles are possible – this is perhaps the most difficult point of all to accept in today's cynical world.

The considerate leader is not the one who knows everything or has all the answers, but the one who is more likely to point to the white-hot centre of meaning in the most mundane of circumstances, the one who is sensitive to the wonder of the moment.

The human ingenuity within any organization is its greatest core competence and competitive advantage. Yet the fear, complacency and outright disengagement that can exist within its boundaries are the biggest barriers to leveraging it.

It is in the human DNA to want a sense of purpose and meaning in our work as well as in our lives outside of it. For this reason, it is imperative for leaders to enlarge the context and help employees and other stakeholders understand the bigger 'Why'. Doing so enables them to reframe their role – not only in the context of how it contributes to the organization's mission, but to the impact that mission serves in the world at large.

In complexity, leadership is a social process

People are driven by motives; everyone is a 'carrier of motives', or 'intrinsically motivated'. The specific level or the dominance of the various motives, however, vary greatly among individuals. What this means for organizations is: they cannot motivate. Because motivation is.

The main thing that leaders can do to stimulate performance is facilitate options for connections between individuals and throughout the organization, through purpose, mission and meaningful work. I call this connectedness. What really improves a complex system as a whole is working not on the parts itself, but on the interactions between the parts. In complexity, leadership is a social process.

Unfortunately, belief in the myth of the motivational power of leaders is still widespread. In complexity, diversity in motivations and preferences can be an asset or a liability, depending on the level of self-reflection present. Complexity-robust organizations require a high-level of awareness of ourselves and others.

Self-organization in complex systems is natural. Having a leader is not. Leadership must be focused on improving the system, on making the market palpable inside the organization. This is done through transparency and dialogue, and by allowing self-organization and social pressure to function.

Understood correctly, leadership in complexity means working the system, not the people. It has less to do with the personality of the individual leader, and more with leadership as a social process. It makes leadership more challenging, as it responds to the fact that learning and development are not trivial, but rather complex by nature. Leadership in this sense operates by influencing people and their (dynamic) contexts, systematically, taking into account human individuality, meaning creating structures and value(s). Thus, leadership is becoming more and more a systems capability.

Relationships are the currency of true leadership. Therefore, engaging authentically with people around them is the first task of genuine leadership due to the trust that it builds. Leaders who can establish a meaningful connection with employees and other stakeholders will ultimately exert greater influence than those who can't.

Broadly conceived, leadership is a matter of how one engages in life and interacts with the world and particularly with one's fellow human beings. It is concerned with an individual's particular manner of thinking, inquiring, perceiving, valuing, and acting in a collective rather than individual context.

At its core, leadership is about shaping and shifting how individuals and teams attend to and subsequently respond to a situation. But most leaders are unable to recognize, let alone change, the structural habits of attention used in their organizations.

The necessary embrace of uncertainty arises from a collective strength that we have all but ceased to imagine, let alone develop: the strength of a creative human community grounded in a genuine sense of connectedness and possibility, rather than one based on fear, force and dogma. A necessary corollary to the considerate stance of being open to whatever (organizational) life has to offer, including loss,

pain and suffering, is that existence is trustworthy – this does not imply that nothing bad ever happens, but that it is possible not only to live through adversity but to find meaning within it.

A great deal of modern ethics theory is premised upon the idea that human beings are discrete entities, moving independently through their worlds but necessarily making occasional contact whilst pursuing their individualized agendas; rather like self-absorbed drivers on a dodgem ride who sometimes bump into one another. Within this atomistic understanding, moral philosophy is cast as a means of defining appropriate rules to govern these inevitable social encounters. Alasdair MacIntyre attributes the 'Failure of the Enlightment Project' to this deficient understanding in his book *After Virtue*. According to MacIntyre, the principle-based theorists of the Enlightenment were as scientists trying to piece together the incomplete fragments of a once complete system of thought. Their vain efforts at reconstruction could only end in failure because they were deprived of the vital ingredient that gave this system unity and meaning: the Aristotelian focus on humanity's social predicament.

This essay strives to constitute courage in the context of a 'willingness-to-act-under-uncertainty' as a conditio sine qua non and a necessary need and quality in today's (post) capitalist critical complex society – where decision makers must balance scarcity and sustainability, uncertainty and excellence, and cash flow and people. In this crucial debate, virtues shall play a dominant, if not decisive role.

For realizing excess returns (above the cost-of-capital) on a non-accidental base, companies are in need of game-changing strategies and real option assessment, thus deploying in a humanistic-economical sense – more permanently and rule-changing – the whole asset base of the firm. Without virtues (and especially courage) in

management of critical complexity, uncertainty and risk, true wealth creating excellence is not likely to occur on an enduring base.

It is possible not only to live through adversity but to find meaning within it

There is a heightened interest in the concept of courage and specifically the importance of giving primacy to the subjective experience of courage when assessing its relevance to the challenges and obstacles that each person faces in daily life. Courage, in this psychological and existential perspective, is an increasingly inflationary concept – labelled upon a steadily amounting number of actions, attitudes, etc., categorized in almost infinite classes of courage: physical, vital, social, psychological, moral, existential, political, etc. This self-centred orientation on courage is built on two angles: 'external' urgency (a manifest drive, or pressure) and a 'predictable' path (known outcomes) – which will not hold in complex, non-linear decision processes.

Normative professionalism implies taking full ownership of the moment when one has to make a choice. Understanding the irreversibility plays out once the choice is made – being aware of consequences and alternatives, means and constraints, and stepping up and claiming responsibility (by preparation, prediction and option balancing). Professionalism revolves around professional pride, knowledge and intention. Professionals are confronted with uncertainty, choice and unforeseeable consequences of their actions.

Courage, then, must be seen from two different, new angles: non-urgency (or a decisive 'internal' drive) and non-linearity (unpredictability) – making it distinct from actions, attitudes, etc. that are characterized by all other juxtapositions of (external) urgency and linearity. This will lead to leadership that values hidden assets (immaterial assets), hidden value potential, a more adventurous (yet solid) portfolio assessment

(internal venturing and equity carve-outs), a more dominant perspective on innovation (game-change), flexible decision making based on 'real option' management, etc.

Ethical decision making requires us to look beyond the immediate moment and beyond personal needs, desires, and wants to imagine the possible consequences of our choices and behavior on self and others – and sometimes the unthinkable. Ambiguity and uncertainty are characteristic of human experience and organizational life. The considerate leader accepts this ambiguity, uncertainty, and paradox as normal and functions within these conditions without necessarily having to first resolve them.

Companies that develop new radical business models in established industries – and in the process, break the rules of the game in those industries – can enlarge the market and create enormous value for all stakeholders involved (e.g. Amazon, Starbucks, Apple, Dell, etc.) – and continue this courageous wealth creation over time. Yet, established firms continue to allow new firms to take the initiative when it comes to business-model innovation. The question is 'why?', when they possess many more resources, skills, and technologies to do so effectively, and over time.

The faulty basic assumption – and in most companies management is built on that – is the illusion of control: the belief that we somehow control the future, and an organization's complexity. The assertion that companies are like orchestras is an example: but orchestras jointly interpret an existing score, by contrast companies must deal with an uncertain future. By necessity, companies must always venture into something new that they have never encountered before. The future is unpredictable, it is entrepreneurial. And the more dynamic and complex markets become, the more internal control and central economic or strategic planning drive organizations into a wall.

Leading in today's increasingly competitive, accelerated and uncertain world takes courage. Yet only when leaders demonstrate the courage they wish to see in those around them will they be able to unleash the human potential within their teams and organization, tap into ingenuity, raise the bar on innovation and optimize the value their organization contributes to all of its stakeholders and to the world at large.

The considerate leader accepts ambiguity as normal, and functions without necessarily having to first resolve it

As Scharmer states, "Most systems, organizations, and societies today lack the two essentials that enable us to play the macro violin: (1) leaders who convene the right set of players (...), and (2) a social technology that allows a multi-stakeholder gathering to shift from debating to co-creating the new." I would add to that: (3) courage, with a deep inner urgency to move forward, and a firm commitment to whatever unpredictable future awaits.

Leo van de Voort (1958) studied Dutch Language and Literature (Nijmegen), Dutch Law (Utrecht) and Business Administration (MBA, Rotterdam school of Management/Erasmus University, Rotterdam). He worked as a management consultant at KPMG (strategy and corporate finance), as director of Twynstra Gudde Corporate Strategy & Finance BV, and at A.T. Kearney. After his consultancy practice, he became an investment banker and director of corporate finance at merchant bank Kempen & Co.

He was the CFO and a member of the Board at Flex Group Nederland – in 2003 elected as the fastest growing company in Europe. In 2005 he listed, as CFO and Board member, game developer PlayLogic International at NASDAQ in New York.

From 2008 on, he has been working as a boardroom advisor at Value Enhancement Ventures and De Stroomversnelling. Since then, he has written several books on strategy and value creation, team dynamics, change and leadership. In 2000, he was chosen by business magazine Next! as one of the innovators of Dutch industry in the 1990s ('the apostle of value creation'). Leo is currently preparing a PhD on 'Courage, critical complexity, and business excellence; Connecting longitudinal value creation, (game switching) business strategy, and courageous decision making in complex environments'.