Courage and Complexity: a new Paradigm for Leadership

Dedicated to Prof. Harry Kunneman

'Courage is the first of human qualities
because it is the quality which guarantees the others.'

WINSTON CHURCHILL

Introduction: Leadership and Virtue

There is an ongoing and increasing interest in 'leadership' – it sometimes seems that contemporary Western society is fixated on leadership. Despite all this, very little academic attention has been paid to leadership's moral dimension, virtue ethics and courage. Here, the essay seeks to connect to the research of 'Normative Professionalization', as the essay also seeks to counterbalance and challenge the dominant technical and instrumental attitudes to managerial professionalization. A related aim of the essay is to sketch the contours of a normative model of ethical organizational leadership, as top managers are entrusted the core assets of the organization, and - from a humanistic-economical point of view - must find and facilitate 'courageous' ways to long term excellence and outperformance.

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' (Scharmer 2013). 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 challenges require ambitious roads to travel (game-changes) in business environments in order to realize enduring outperformance and excellence, based on an ethical deployment of assets-in-place.

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 are sluggish and slow. During this period Taylorism became the standard organisational 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 90s, 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.

Meaning and Ethics

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.

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 one where people are activily encouraged to challenge status quo thinking, provide candid upward feedback, experiment and push boundaries.

The specific context of this essay is the need of game changes in complex (business) environments, and the urgency in case for a new (re-constructed) concept of courage ('resilient courage'). As will be argued in this essay on the basis of an extensive literature review resilient courage is a conditio sine qua non for realizing enduring outperformance and excellence in today's complex and fast changing business-environments.

The broad context of this essay is to take MacIntyre's critique of the 'failure of the Enlightment' (MacIntyre 1985 [1981]) as a starting point for rethinking courage as a meaningful, sense (and direction) giving virtue. MacIntyre describes how Enlightment moral philosophers' search for universal valid, founding principles that describe an external, absolute reality is doomed to failure.

Developments in complexity thinking and game-change transformations provide new points of entrance for virtue ethics in business environments 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 create 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 (van de Voort, 2010).

Complexity

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. Our world will become increasingly more complex, uncertain and turbulent. 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. Unstable, uncertain and rapidly changing environments call for fast and robust decisions.

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). Complex systems produce surprises. They have presence or participation of living creatures. 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 behaviour is non-predictable; it is natural that there is a level of error, uncertainty and illusion that is much higher than in complicated systems.

The only 'thing' capable of dealing effectively with complexity is human beings. What matters in complexity, as far as problem-solving is concerned is neither tools, nor standardization, nor rules, nor structures, nor processes. In complexity, 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.

What really improves a (complex) system as a whole is working not on the parts itself, but on the interactions between the parts. One might call this attitude 'leadership'.

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 can *not* motivate. Because motivation *is*. The main thing that leaders can do to stimulate performance is facilitating options for connection between individuals and throughout the organization, through purpose, mission and meaningful work. I call this: connectedness. 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.

Clearly, high complexity implies high 'management' (decision) effort. Thanks to complexity we can also estimate when dynamic networks will start to break down. In fact, a given network cannot grow beyond its corresponding 'psychological' limit, known as critical complexity. When this limit is reached the network is said to be critically complex. Most importantly, in the vicinity of critical complexity the network becomes fragile and therefore vulnerable. When a part of the network suffers or breaks down, we witness a crisis. But, since crises will become the salient feature of complex environments (and society) a fundamental question arises. Is it possible to anticipate such crises - by game-change? Can crisis-anticipation become the backbone of new management and decision-making paradigms? What role does 'courage' play in here?

Courage

For realising 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. This is much affected with developments in game-change theory (the essay of strategic decision making, also known as 'interactive decision theory'); very recent, game-change theory has also been used to (hesitatingly) develop theories of ethical or normative behaviour.

Change will not emerge if 'after virtue' - as a pessimistic stance, and for MacIntyre the diagnose of the Enlightment - is not taken further; 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.

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

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. MacIntyre attributes the 'Failure of the Enlightment Project' to this deficient understanding. According to MacIntyre, the principle-based theorist of the Enlightment 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.

But does it end here? Is there an 'after virtue'? This essay strives to constitute courage in the context of a 'willingness-to-act-under-uncertainty' as a conditio sine qua non and necessary need and quality in today's (post)capi-

talist 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.

More recently, there is a heightened interest within the (psychological) community and wider society 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 face in daily life (Pury & Lopez, 2010).

From an existential perspective the quest for meaning and purpose is expressed in the inevitable and continual decision-making process that underlies our lived experience and recognizes that being-in-the-world-with-others continually challenges us as we struggle to maintain a sense of who we are specifically and live according to this fluid inner knowledge with courage and commitment.

How true this may be, to my opinion it is only half the story – and not the most interesting one, and, in that respect, not the most satisfying and illuminating one.

Courage, in this psychological and existential perspective, is an increasingly inflatory concept – labelled upon a steadily amounting number of actions, attitudes, etc. , categorized in almost 'infinite' classes: physical courage, vital courage, social courage, psychological courage, moral courage, existential courage, political courage, 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.

So organizations today tend to deal badly with problems by reflex.

Normative professionalism and Courage

Normative professionalism implies taking full ownership of the moment when one has to make a choice, seeing (understanding) irreversibility play out once the choice is made (Kunneman, 2005) – being aware about consequences and alternatives, about means and constrains, and step up, claiming responsibility (by preparation, prediction and option balancing). Professionalism revolves around professional pride, knowledge and intention (Freidson, 2001). Professionals are confronted with uncertainty, choice and unforeseeable consequences of their actions, mainly situated in the 'swampy lowlands' (Schon, 1983).

Courage, then, will – must! - be seen from two different, new angles: non-urgency (or '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 behaviour on self and others – and sometimes the unthinkable. In its most elemental sense, moral imagination is about picturing various outcomes in our interactions with others. In some sense, moral imagination is a dramatic virtual rehearsal that allows us to examine and appraise different courses of action to determine the morally best way to choose. Very little attention in literature is paid to the (necessary) capacity for empathy in complex environments (dialogical more than dialectical, wonder more than power/control), which is crucial to moral imagination. In this, Richard Sennett's notions of 'cooperation' as a craft and 'connecting' by listening well and discuss, rather than debate can be of guidance. And must be further developed for application in business environments.

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 (Markides, 2008). The question is 'why?' (van de Voort, 2010) – they possess many more resources, skills, and technologies to do so effectively, and over time. Of crucial importance here are developing insights from game-changing practices; at the root of all the ways of thinking about rationality is the mathematical theory of choice – a tool for assessing and comparing the expected utility of different courses of action in terms of the probabilities and utilities assigned to the different possible outcomes (Jeffrey, 1983).

The fault 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 never have 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 the wall.

New organizational design models are necessary – more collective intelligence, more self-organization, more corporate venturing, more dissent – and new leadership to facilitate the evolvement of such models in practice.

Leadership, complexity, courage

One cannot, at the same time, lead and exercise hierarchical power. In complexity, leadership as a social process, as a system's capability, gains prominence. Self-organization in complex systems is natural. Having 'a leader' is not. Leadership must be work focused on improving the system, on making the market palpable inside the organization. This is done through transparency and dialogue, and by allowing self-organisation and social pressure to function. Understood correctly, leadership in complexity means working the system, not the people. Leadership in this way operates by influencing people and their context, systematically, taking into account both human individuality and the value creating structure. Leadership that takes complexity into account 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 they respond 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 both human individuality, meaning creating structures and value(s). In this, leadership is 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.

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.

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 organisation, tap ingenuity, raise the bar on innovation and optimize the value their organization contributes to all of its stakeholders and to the world at large.

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.

Although courage is always original and personal, new concepts for organizational design occur – yet to be explored; one can think about the concept of 'reframe': ensure re-interpretation of present challenges, so that unexpected new ways of thinking can emerge and assert themselves; then, internalized, congruent new action is possible. That is leading the way, authentic, and with a load of degrees of freedom for any stakeholder to contribute to the path ahead.

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