Leading for Today and Tomorrow: Capabilities for a Changing World
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The rapid rise of digital forces in an already-transforming workplace is radically changing the nature of work. But leaders with the right combination of capabilities can capture the big opportunities emerging from today’s complex business landscape.

**BY LOUISE AXON, ELISA FRIEDMAN, AND JANICE MOLLOY**

**IT’S NO SECRET:** Today’s business environment is more complex than ever. Potent forces have combined to create a volatile landscape characterized by unprecedented degrees of uncertainty, ambiguity, and change. To stay competitive, companies must maintain core operations while simultaneously preparing to seize advantage in an uncertain future. Achieving this tricky balance requires leaders who possess the skills essential for navigating this new normal.

At Harvard Business Publishing, we conduct ongoing research into the leadership capabilities essential for success—monitoring trends and discovering through our work with clients what’s top of mind for them. These insights help ensure that the programs and solutions we design for clients build on up-to-date findings and address organizations’ most pressing needs.

Our recent research found several trends that are gaining increased attention among business leaders across industries:

- The impact of digital technology
- The realities of a changing workforce
- The rise of the social enterprise
- The skills gap

**DIGITAL TRANSFORMATION FOR ALL**

Digital technology and tools—including big data analytics, artificial intelligence (AI), and automation—are shaking entire industries to their core. Today, all organizations must view themselves as digital businesses.

Digital tools and innovations require major changes in how every function, team, and individual operates in an organization—from senior executives to the front line; from HR to marketing. Leaders in all functions and at all levels need to work to ensure that their enterprises seize the opportunities presented by technological innovation.

“Competitive agility is demanded from the outside and driven from the inside. Leaders who act with speed and confidence turn disruption into opportunity.”

**ACCENTURE**
As technology advances, the change for employees will be immense. The World Economic Forum predicts that 75 million current jobs will be displaced as AI takes over routine tasks. Yet new jobs demanding new skills will be created at the same time. According to Gartner, AI will ultimately create more jobs than it eliminates.

To move through these dramatic changes, organizations must invest in continually upskilling their workforces. That means equipping managers and employees with new competencies and knowledge along with fostering a different mindset.

**A NEW TALENT LANDSCAPE IS CHANGING THE GAME**

Demographic changes paired with technology advances are redefining the face of the workforce itself. Organizations face a looming talent crisis—at precisely the moment they most need workers with specific new skills. By 2030, enterprises worldwide will face a shortage of an astonishing 85.2 million skilled workers, according to a 2018 study by the Korn Ferry Institute.

None of this has escaped the C-suite’s notice: In a 2018 McKinsey Global Institute survey, 62% of participating executives said that, to help their companies keep up with technology advances, they’ll have to retrain or replace more than a quarter of their workforce between now and 2023. And in a 2019 study by PwC, 80% of the executives surveyed saw key skills shortages as the biggest threat to their business.

**New Models of Work Continue to Proliferate**

Meanwhile, with the advent of the “gig economy,” organizations have begun using more contractors and defining more alternative work arrangements, including contingent and part-time arrangements. A 2018 Deloitte Insights report estimated that the United States, Europe, and India had roughly 77 million formally identified freelancers in their labor pools. The same report concluded that in
the U.S. alone, more than 40% of workers are employed in alternative arrangements.

Not surprisingly, these changes are reconfiguring the traditional relationship between employer and employee. The new configuration presents fresh opportunities and challenges for managers and team leaders alike. They must figure out how to get contract employees up to speed quickly on the projects they’re involved in, keep them engaged, build their knowledge, and make them feel part of the team. Organizations also have to manage the boundaries that employment laws in different countries place on how they can engage this important group of workers.

**Multigenerational Workforce Presents Opportunities—and Challenges**

Here’s another fundamental demographic change: As Gen Y moves into leadership roles and Gen Z enters the workforce, older age cohorts aren’t moving out. They’re living longer, and many decide to hold off on retirement—working into their late 60s and even far into their 70s. For the first time, five generations coexist in the workplace. While blending disparate groups into cohesive, high-performing teams can be challenging, the diverse experience and perspectives of different ages offer great potential for innovation.

**THE SOCIAL ENTERPRISE MOVES FRONT AND CENTER**

Having leading-edge offerings and superior processes isn’t enough to stay ahead of rivals or achieve a mission. Employees today want to work for organizations that define and adhere to values that matter to them. Equally important, customers prefer to buy from businesses that demonstrate a strong social consciousness. Nearly two-thirds of consumers want companies to take a stand on social issues, according to the 2018 Edelman Earned Brand report.

How to spot such organizations? They care about the welfare of the larger community and the natural environment in which they operate. And they don’t shy away from standing firm on their values regarding the central issues facing society. Recent examples:

- Dick’s Sporting Goods elected to stop selling assault weapons and raised the age to buy firearms in its stores after a wave of mass shootings left Americans reeling.
- In response to the NFL anthem protests against police brutality and racial injustice, Nike came out with an ad starring Colin Kaepernick, the face of the movement.
- Lyft provided free rides to the polls for underserved communities, working with nonprofits such as Voto Latino and Urban League.

**TALENT DEVELOPMENT: A TOP IMPERATIVE**

In a world characterized by fast-spreading digital technology, workforces morphing at warp speed, and heightened demands for commitment to values, how organizations approach talent development will make or break their success. Those that build a workforce of people who possess the skills needed to transform new challenges into opportunities—and who can lead not only today but also tomorrow—will stand the best chance of coming out on top and staying there.

75% of thriving employees say their company has a strong sense of purpose that resonates with their personal values.

MERCER’S GLOBAL TALENT TRENDS REPORT
Nine “Now More Than Ever” Leadership Capabilities

Harvard Business Publishing’s Leadership Capabilities Framework describes the broad capabilities that leaders need to be successful in today’s challenging context. While the list has remained largely the same in recent years, different capabilities rise and fall in importance. In addition, the practices leaders use to execute each capability evolve due to changes in business and organizational context.

The nine capabilities we’re highlighting include the most notable shifts and most relevant practices, given the powerful trends currently reshaping the business landscape.
With the imperative for digital fluency, leaders are striving to equip employees with skills in domains such as data analytics, AI, automation, and blockchain. But digital fluency means more than being comfortable with technology. It also means being able to spot trends and seize the possibilities that new technologies can unlock for an organization.

Leaders must guide their people through the most radical transformation that the workplace has ever seen, starting with these questions:

- **What** emerging digital technologies should we investigate?
- **How** can we use digital to create new value for our organization— and our customers?
- **Which** skills do I, as a leader, need to build and what skills should I be developing in my team?

Leaders who excel at this capability recognize digital technology’s potential to help their organization more effectively serve customers and create new value for customers and the business. They keep tabs on developments in technology and work with others to generate ideas for using digital to reinvent their organization. Examples of reinvention include changing a company’s business model, competitive strategy, or operating model to get maximum value from digital technology.

These leaders also make smart use of data and analytics while making decisions and crafting plans for their teams. And of course, they promote ethical use of data and make security of customers’ data a top priority.

Given the talent shortage and the need to swiftly build new skills in their workforce, leaders can’t afford to delegate development to HR or rely on dated talent management processes. Instead, they must play an active role in accelerating talent development across their teams.

The best leaders go beyond tapping into training programs and help employees take advantage of opportunities to learn on the job—such as codesigning new roles that advance employees’ development and organizational priorities; providing tours of duty in other departments; and helping employees practice new skills and expand their professional networks. Through tactics like these, along with coaching and providing feedback, leaders enable their organizations to gain competencies critical for sustained high performance.
Given customers’ and employees’ increased attraction to purpose- and values-driven organizations, leaders who can inspire others to deeply connect with the organization bring immense value. Engagement manifests in forms such as high levels of commitment, loyalty, and passion. It strengthens when employees feel a compelling sense of meaning in their work, when they have autonomy, and when they can strike a healthy balance in their work and personal lives. In these ways, high levels of engagement translate into measurable business benefits.

90% PERCENTAGE OF EMPLOYEES WILLING TO WORK FOR LESS PAY TO DO MORE MEANINGFUL WORK

$9,078 ADDITIONAL REVENUE PER WORKER, PER YEAR, GENERATED BY EMPLOYEES WHO HAVE WORK THEY VIEW AS HIGHLY MEANINGFUL


Leaders who know how to inspire engagement articulate a clear, overarching purpose for their organizations and their teams. Such purpose includes how the company’s activities contribute to the social good and address important issues of the day—and how employees’ work advances the organization’s mission and strategy.

To create the autonomy that fuels engagement, great leaders empower their employees to generate ideas for solving pressing problems and making process improvements. They then encourage them to take the lead in putting those ideas into action. And they let team members determine how they’ll reach their agreed-upon goals. All the while, these leaders keep everyone focused on performance—by motivating people to meet objectives and by recognizing and rewarding exceptional achievements.

Spotlight: A Leading Health Care Organization

Our client is one of the nation’s leading providers of health care in the U.S. and the U.K. When the organization redesigned their executive development program (EDP), they focused on their mission.

They wanted to flood the pipeline with leaders who “get it”—who are better prepared and more resilient in dealing with the volatility and uncertainty around them and the organizational complexity in their hospitals. EDP now begins with a deep dive into personal leadership: helping participants get anchored in their strengths, their purpose, and their leadership legacy and in their connection to the organization’s mission.
“VUCA isn’t going away. And though you may not be battling hurricanes, or be in the business of delivering babies, purpose-driven leadership can empower your leaders to be prepared for the future. There will be storms. There will be something.”

SHAI RASMUSSEN, PROGRAM DIRECTOR, LEADERSHIP DEVELOPMENT, HCA HEALTHCARE

VALUING DIFFERENCES LIES at the core of diversity and inclusion—practices essential for overcoming business challenges, innovating, and engaging and retaining employees. Diversity and inclusion aren’t boxes to check off in a compliance program—they’re key components in an organization’s overall business strategy.

Leaders who value differences understand that a focus on diversity and inclusion is crucial for delivering key outcomes such as improved decision making and higher levels of creativity across an organization. The best leaders raise awareness in themselves and others of barriers preventing people from fully contributing to the enterprise’s efforts. These barriers can include unconscious biases regarding differences in ethnic and socioeconomic background, gender, age, ability, and sexual orientation.

By fostering awareness of differences and encouraging interaction across diverse groups, leaders help ensure that biases don’t unduly influence decisions and behaviors as employees interact with each other and with other groups. These leaders actively solicit a range of perspectives, viewpoints, and ideas—then they use these to bring rigor and creative thinking to problem solving and decision making. They also champion a holistic approach to diversity—by valuing and leveraging differences not just in their teams but among customers and suppliers.

“Companies that embrace diversity and inclusion in all aspects of their business statistically outperform their peers.”

JOSH BERSIN, DELoitTE CONSULTING

Resilience plays a critical role in adaptability—and great leaders know how to nurture it. How? They effectively manage their stress levels, their time, their energy, and their attention by using practices and tools that work best for them, whether it’s positive psychology, mindfulness, or meditation. They also take responsibility for safeguarding their own well-being; for instance, by clarifying their priorities to balance work and personal commitments.
Complexity often requires leaders to manage situations characterized by polarity. In these thorny situations, desired goals often seem mutually exclusive. Leaders who know how to navigate complexity manage these kinds of polarities by crafting both/and solutions—not either/or answers.

Leaders today operate in a landscape that’s more complex than ever. And complexity makes for a fluid, ever-changing competitive arena dotted with pitfalls that can blindside even the most conscientious leaders. Knowing how to navigate complexity can spell the difference between helping an organization survive—and hastening its demise.

Complexity often requires leaders to manage situations characterized by polarity. In these thorny situations, desired goals often seem mutually exclusive.

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<th>I’ve got to ...</th>
<th>While also ...</th>
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<tr>
<td>Help my organization achieve efficiency across its global operations</td>
<td>Enabling responsiveness at the level of local markets where we do business</td>
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<tr>
<td>Foster collaboration within my team</td>
<td>Encouraging accountability in each team member</td>
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<tr>
<td>Generate profits for my unit in the short term</td>
<td>Enabling growth of the business in the long term</td>
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Leaders who know how to navigate complexity manage these kinds of polarities by crafting both/and solutions—not either/or answers. And they weigh all the implications of the solutions they’re considering—including how to manage the inevitable trade-offs. What’s more, they make timely decisions, even when they don’t have as much information as they’d like and they can’t control all the variables involved.

Such leaders are skilled systems thinkers too. For instance, they envision and prepare for multiple possible scenarios that could unfold in the future. They identify interdependencies while they’re solving problems. They consider the potential unintended consequences a solution might have. And they seek to address the root causes of problems rather than just dealing with the symptoms.
IN TODAY’S FLATTENED, fast-moving organizations, the most effective leaders craft strategy using an agile, test-and-learn process: They make hypotheses and continuously test and revise them as conditions change. This helps them capitalize on emerging opportunities as well as tackle unexpected challenges. What’s more, they understand that many organizations no longer set strategy at the top, expect it to stay the same for years, and cascade it to lower-level managers to execute. Now, leaders at all levels often help shape as well as execute strategy. To do so, they draw on their close view of markets, competitors, and customers. And they feed insights from this vantage point up to the higher levels to inform strategy.

Leaders also provide mentoring, coaching, and training to help their teams build strategy-related skills—including understanding the organization’s strategic priorities, monitoring the business environment for important trends (including the emergence of nontraditional competitors), responding quickly to challenges, and putting new strategies into action quickly.

Through these means, such leaders make strategy a living thing rather than a plan that gets stashed in a desk drawer and quickly forgotten.

**Spotlight: Signify**

Signify is the world leader in lighting, with more than 28,000 employees worldwide in over 70 countries. Known for their expertise in lighting products and services, Signify is undergoing a profound organizational transformation, focusing on innovation, sustainability, and strategic thinking.

The EDGE X program brings together 60 participants—midlevel leaders who have a key role in executing strategy. The program is focused on strategic thinking and execution, team leadership, and leading transformative change. Participants learn about the building blocks of strategy and taking a big-picture view; how to lead teams of experts from different disciplines to quickly meet emerging challenges; and ways to instill an entrepreneurial spirit and create a vision for change that will inspire others. This face-to-face program is extended through virtual sessions on influence and collaboration and organizational and strategic agility. The blended approach to this six-month learning journey ensures that the concepts, methodologies, and case-based insights learned during the program are directly applied at work, thereby merging the development intervention with ongoing business processes.

“That’s what happens with disruption. You probably don’t lose to the standard competitors; it’s the mutation coming at you that matters. You can’t count on the mountain you’re climbing to stay the same.”

MARY BARRA, CEO, GENERAL MOTORS
SURVIVING IN TODAY’S complex and fast-changing business landscape requires ongoing innovation. Innovations can take numerous forms—from incremental product enhancements to new ways of performing work or business processes to radical business models that birth entirely new industries or wipe out established ones.

No matter what their form, innovations can help organizations sharpen their competitive edge—and keep it sharp. But that’s true only if leaders manage innovation effectively. When they do, even long-established, incumbent companies can take a fresh approach to innovation.

Leaders who excel at fostering innovation build cultures that make it safe to play with new ideas and to try new things. They create time and space for curiosity, creativity, and appropriate risk taking. And they drive fear of failure out of their teams; for example, by not punishing people who explore new ideas that turn out to be dead ends.

These leaders also enable the collaborations that fuel innovation. They set up structures, processes, systems, and resources that support people in easily working with others inside and outside the organization to envision new possibilities. And they lead their teams in creating prototypes or pilot projects to test their hypotheses, using the resulting insights to refine their ideas.

MOST WORK TODAY gets done through networks—webs of mutually beneficial relationships inside and outside an organization. Leaders who excel at leveraging networks are talented collaborators. They know that networks aren’t about gaining political influence or advancing one’s career—they’re about fostering collaboration while serving organizational goals.

With these priorities top of mind, leaders cultivate relationships not only within their organizations but also beyond their boundaries—with customers, suppliers, strategic partners, and even competitors. They tap into these relationships for help with projects, solving business problems, and planning for the future. And they help others around them build and capitalize on their networks, making them ever more valuable.
“Unlike delivery-driven executives who network to do today’s jobs, effective leaders create and use networks to tap new ideas, connect to people in different worlds, and access radically different perspectives.”

HERMINIA IBARRA, AUTHOR, *ACT LIKE A LEADER, THINK LIKE A LEADER*

**CONSTANT CHANGE BRINGS** uncertainty and high levels of stress. Leaders can’t avoid surprises, but they can control how they respond to them. Highly adaptable leaders don’t get derailed by constant change, but remain focused, flexible, and productive. They also recover quickly when adversity strikes and organizational priorities shift.

Successful leaders routinely seek out new knowledge, skills, and experiences and discard outdated mental models. They experiment with novel approaches and continuously test their assumptions, reflecting on their experiences to extract lessons from successes and failures alike.

A growth mindset lies at the heart of this capability. Leaders who adopt such a mindset assume that they can strengthen their abilities by honing their self-awareness, working hard, and seeking help from others. They tap into their own innate curiosity to come up with creative solutions. And they nurture curiosity in others.

Resilience plays a critical role in adaptability. Resilient leaders effectively manage their stress levels, time, energy, and attention. They also take responsibility for safeguarding their own well-being; for instance, by clarifying their priorities to balance work and personal commitments.

Today’s leaders are expected to manage not only how adversity is affecting them, but also the implications for the organization, its employees, and other significant people in their lives. The more leaders work at becoming more adaptable, the more effective they will be at helping others maintain balance in an unpredictable world.

**Building Leadership Capabilities for the Future**

For L&D professionals, the message is clear: We have an opportunity to help our organizations build and lead the workforce of the future. Meeting the challenge requires fresh approaches to learning and leadership development that ensure we have the leaders we need to transform our businesses at the speed and scale required to compete in an era of constant change.

**DEVELOP PERSONAL ADAPTABILITY**

**ACTION CHECKLIST FOR LEADERS**

- Adopt and promote a growth mindset
- Seek out new learning experiences, knowledge, and skills
- Test assumptions and update mental models to ensure they fit current challenges
- Actively manage stress, time, energy, and attention
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With more than 25 years of success delivering dynamic learning experiences to the world’s biggest brands, Harvard Business Publishing Corporate Learning partners with Global 2000 companies to co-create leadership-development solutions that align with strategy and engage learners. The company combines unrivaled subject-matter expertise and scale with unmatched flexibility and contextualization to bring the right programs to the right learners in the most useful ways. From highly focused executive leadership programs to enterprise-wide engagements for thousands of global employees, each learning experience leverages the remarkable depth and breadth of Harvard Business School and Harvard Business Review resources, industry experts, technology-enabled and user-friendly solutions, and a creative, collaborative mindset to help clients discover something new. The result is stronger companies that are better prepared to meet their challenges and thrive both today and in the future. Harvard Business Publishing is an affiliate of Harvard Business School.

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