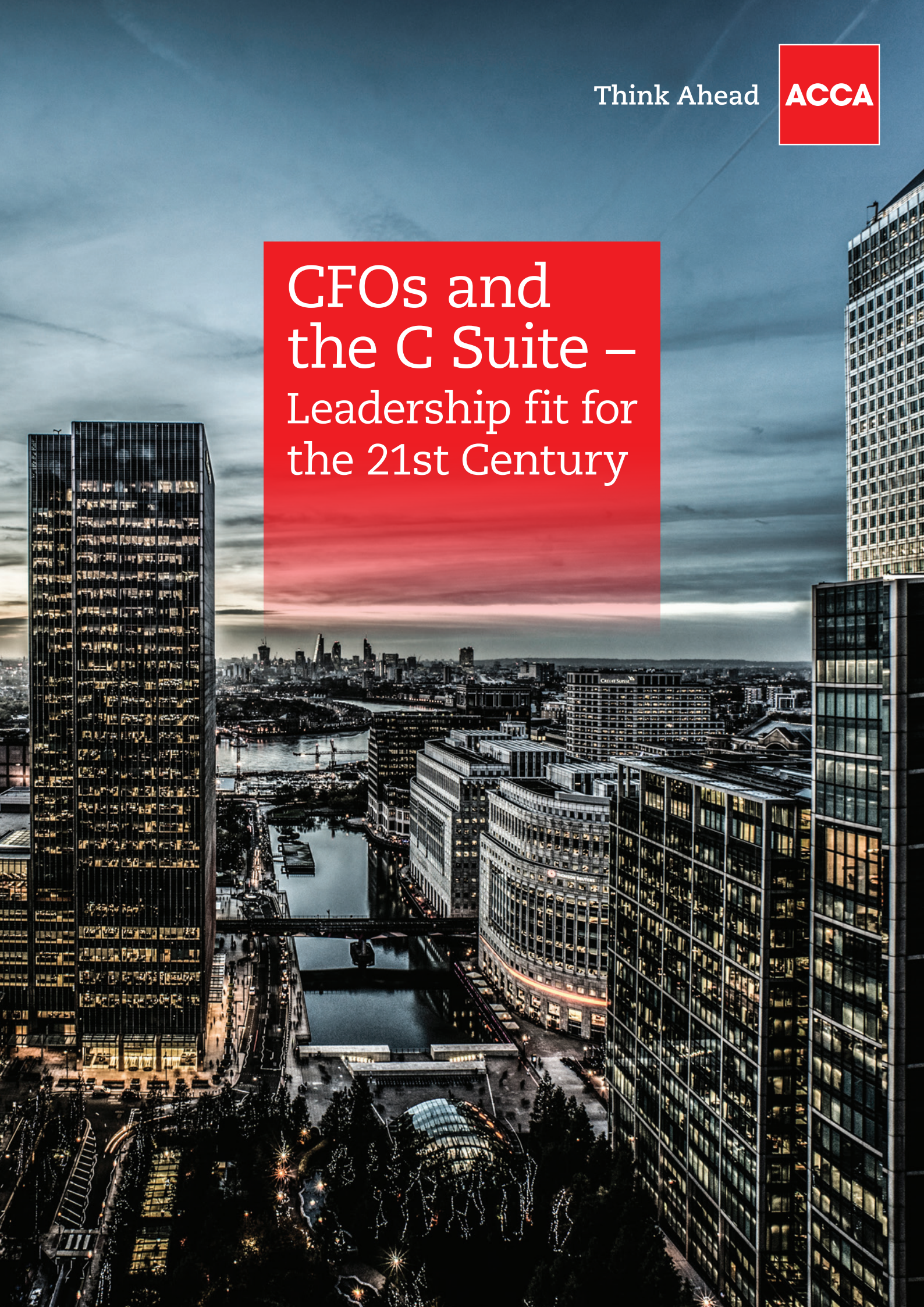


Think Ahead

ACCA

CFOs and the C Suite – Leadership fit for the 21st Century



About ACCA

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. It offers business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

ACCA supports its **178,000** members and **455,000** students in **181** countries, helping them to develop successful careers in accounting and business, with the skills required by employers. ACCA works through a network of **92** offices and centres and more than **7,110** Approved Employers worldwide, who provide high standards of employee learning and development. Through its public interest remit, ACCA promotes appropriate regulation of accounting and conducts relevant research to ensure accountancy continues to grow in reputation and influence.

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. It believes that accountants bring value to economies in all stages of development and seek to develop capacity in the profession and encourage the adoption of global standards. ACCA's core values are aligned to the needs of employers in all sectors and it ensures that through its range of qualifications, it prepares accountants for business. ACCA seeks to open up the profession to people of all backgrounds and remove artificial barriers, innovating its qualifications and delivery to meet the diverse needs of trainee professionals and their employers. More information is available at: www.accaglobal.com



This report considers the challenges facing executive leadership in today's environment, and explores how the science of mindfulness can lead to more effective leadership in today's finance function.

The changing external environment forces organisations and leadership teams to change and adapt to new scenarios quickly, and the very rate of change we now see has huge implications for the future organisation, its executive leadership team (C-Suite) and the CFO role in particular.

The ACCA has long been a proponent for finance transformation; previous reports focusing on finance transformation included reviews of models, technology, talent, efficiency, and effectiveness as well as change management.

Change in particular appears to be the new normal. There is a growing recognition that we are operating in a bewildering new environment with unprecedented pace of change, ambiguity, volatility and pressure. In this environment the only thing that is certain is that nothing is certain. The new normal is that nothing is normal. Going forward, the speed of change will become exponential. In the business world, enterprise transformation, and therein finance transformation, is here to stay.

The changing external environment forces organisations and leadership teams to change and adapt to new scenarios quickly, and the very rate of change we now see has huge implications for the future organisation, its executive leadership team (C-Suite) and the CFO role in particular. Understanding the changing environment CFOs are operating in today, the implications for the C-Suite and the CFO role in particular is critical to developing the adaptive finance leadership skills that will thrive in the 21st century.

This report examines these factors, and suggests a new approach for developing the leadership skills to not only adapt to this new reality, but to also be able to flourish in today's and tomorrow's environment.

Disclaimer:

To understand the leadership challenge, we conducted structured interviews with CEO's, CFOs, CHROs, CIOs and CMOs in the UK, Europe, Asia and the US. These are backed by conversations with academia, government and the private sector as well as a review of the literature currently available in the public domain.



There is a growing recognition of challenges presented by the unprecedented pace of change, uncertainty and turbulence of doing business in the 21st century.

PROBLEM #1: SIMPLE (OR NOT SO SIMPLE) MACROECONOMICS

There is a growing recognition of challenges presented by the unprecedented pace of change, uncertainty and turbulence of doing business in the 21st century. In 2012, Dominic Barton¹, McKinsey's CEO said "we are operating in a bewildering new environment where little is certain, the tempo is quicker and the dynamics are more complex." Three years later the statement is as valid as ever and this environment has been widely accepted by leaders as the new normal. On the whole, business has become less predictable and it has become more difficult to define long-term trends.



It sounds like a cliché but we operate in a world of constant change, increased speed, complexity, volatility and uncertainty. Since 9/11 the US Army War College referred to this turbulent environment as the "VUCA" World. The repercussions from the financial crisis remain; heightened levels of scrutiny on those that run enterprises, unsustainable levels of public and personal debt, more limited purchasing power, a big slow-down of growth in developed markets, and ongoing volatility of stock markets and exchange rates.

The world is more interconnected than ever before. A struggling stock market in Shanghai, a collapsing textile factory in Bangladesh, the outbreak of Ebola in West Africa or the Eurozone's struggle for stability send ripples throughout the global economy. David Miliband², President and CEO, International Rescue Committee, recently said "In a world defined by interdependence, if the neighbour's house is on fire, you can no longer say it is someone else's problem." This is even true for companies that are solely operating on their home market, as even the smallest firms are often part of an international supply chain, or facing international competition.

In many industries, the competitive landscape is undoubtedly becoming more complicated and unpredictable while established ideas and business models are being continuously challenged by innovation. The rise of the sharing economy has seen companies like Uber, rising from nowhere, now being valued at \$41 billion. Today more than 100 companies are considered as part of this new economy. There is also increased competition from retailers starting their own online platforms and new emerging industries such as the Fintech industry growing rapidly and becoming serious competitors for traditional sectors. In addition companies like Apple, Amazon, Google and Facebook are agile global players, which are using their global reach, vast amounts of data collected, technology and brand recognition to enter previously unrelated industries such as Financial Services.

The commonality is incredible growth at speed thanks to technology and social media. In a recent article, Allianz's chief economic adviser, Mohamed A. El-Erian³ summed this up by saying:

"Agile players invade other, seemingly unrelated industries and brilliantly exploit huge but previously unseen opportunities. Importantly and counter-intuitively, doing so serves their own core competencies, rather than those of the industry that they seek to disrupt."

Earlier this year, Accenture published a study called "The Future of Fintech and Banking"⁴, which states that "global investment in Fintech ventures tripled to \$12.21 billion in 2014, clearly signifying that the digital revolution has arrived in the financial services sector." PWC's 18th Annual CEO Survey, cites David I. McKay⁵, President & Chief Executive Officer of RBC "I hear a number of CEOs talk about, well, the regulatory barriers that we have [that] are so high. (Just wait till the Googles of the world and the Apples have to comply as a bank...). But their goal is not to become a bank and walk in our shoes. Their goal is to take our shoes and throw them out and give a new set of shoes to the customer. So I think regulatory barriers buy us time, but we can't hide behind them because our competitors are trying to take them down or trying to build a whole new wall over here. So I think those are two critical things we have to think about as bank CEOs and how to evolve our franchise."

All of this means long established enterprises are taking a hard look at their business models and asking a simple question: how can we adapt to survive.

1 http://www.mckinsey.com/insights/leading_in_the_21st_century/leading_in_the_21st_century

2 David Miliband's speech at the 2015 IOD Convention

3 <http://www.project-syndicate.org/commentary/consumer-sharing-economy-adaptation-by-mohamed-a-el-erian-2015-04>

4 <http://www.fintechinnovationlablondon.net/media/730274/Accenture-The-Future-of-Fintech-and-Banking-digitallydisrupted-or-reima-.pdf>

5 <https://www.pwc.com/gx/en/ceo-survey/2015/assets/pwc-18th-annual-global-ceo-survey-jan-2015.pdf>

“The competition is less visible and there are more intangible competitors. Companies like AirBnB are revolutionising the way we do business.”

[Comment Group HR Director, FTSE100](#)

“The new channel is digital sales, with new players coming into the market, mass-retailers opening their own e-retail and sales connecting directly with consumers creating a better brand experience.”

[Comment CEO & President France, Consumer Goods Company](#)

“People in the company are used to a pretty easy way of driving the business and they have had a cushy life. Innovation and brand building were not needed and the model was simple. Now suddenly it is a much more tricky model, our customers are having an alternative for the first time.”

[Comment Regional Sales & Marketing Director, FTSE100](#)

“We are driven by category and are more restricted and retailers have their own brands. The category is dynamic, we face trade concentration, competition with discounters and as a result we need to be much more customer centric. It is not enough to be good consumer marketers, we also need to engage with trade.”

[Comment CMO, PE-backed Food Company](#)

“Sometimes, when you are as strong as our company, you can become complacent. Sometimes there is a lack of urgency to respond to trends.”

[Comment Group Treasurer, FTSE100](#)

“The Competition is so fast pace and intense. We need to stand back – a lot of people undervalue that.”

[Comment CFO, PE-backed Online Services Company](#)

“The business has become less predictable. There are no long-term trends, it goes up and down and it has become very difficult to make a projection for the next three to five years. The world is a dangerous place – one year we successfully open a subsidiary in the Ukraine and suddenly Russia decides to invade the Ukraine and we have a war.”

[Comment President Europe, Luxury Goods Company](#)

“The world is a more volatile place than it was pre-crisis. This seems to be permanent and here to stay. The reality is not about avoiding a crisis that could happen – we are generally quite good at that. It is more the underlying notion that things are different, not normal anymore and as leaders we have to ask ourselves, how do you lead in a world where the fact that nothing is normal is the new normal?”

[Comment Group Treasurer, FTSE100](#)

“Before the mind-set was as long as we can manage our way through this. The question is how do you get people to focus on scenarios, which may or may not happen? Just looking at the past 12 months, so many things happened in the world that we could have never anticipated.”

[Comment Group Treasurer, FTSE100](#)

“The macroeconomic environment is much more volatile and we are seeing very fast movements which are inexplicable. There is a tendency to fall into a panic reaction.”

[Comment CFO Asia Pacific, Fortune50](#)

“Over the past seven years, markets did not grow at the same speed. There was a big slow-down in developed markets with Europe, Japan and Australia struggling with low growth, which was off-set by the growth in emerging markets. With markets in Asia slowing down, new challenges arise.”

[Comment CTO, FTSE100](#)

“Some things are more transparent, others are less transparent. In short, traditional methods provide less awareness and clarity than they used to.”

[Comment Group HR Director, FTSE100](#)

“Our society is more financially conscious and the government has significantly less money.”

[Comment Human Resources Director General, UK Civil Service Organisation](#)

“We have been a bit slow concerning the emergence of millennials. How do we recruit them and how do we engage with them as consumers? We are really grappling with what does it mean and have not thought about this 3-4 years ago.”

[Comment Group Treasurer, FTSE100](#)

“At the UK plc level we see the question of employability of millennials, their expectations, the number of employers they work for, how and when do they work.”

[Comment Human Resources Director General, UK Civil Service Organisation](#)

“The millennials want faster results, their speed conflicts with traditional decision making processes.”

[Comment President Europe, Luxury Goods Company](#)

Given the speed of technological change, it remains however difficult to predict exactly how we will use technology in 30 years from now, yet we do know that technology is changing our lives.

PROBLEM (AND OPPORTUNITY) #2 THE ASCENT OF THE “SECOND MACHINE” AGE

The importance of technology, and particularly the rise of digital is unquestionable. Today it is possible to make a one million pound investment via an iPhone in the middle of the night (Crowdcube). The current smartphones are said to be one billion times more powerful than the computers that were running companies 30 years ago; self-driving cars and trucks are probably not decades away. At this year's annual UK Institute of Directors convention in October, Matt Brittin, Google's President, EMEA, Business and Operations, said:

“In today's environment, every business is a digital business.”

This is not only true for companies in the new economy, which depend completely on information technology but also old established businesses, which rely on and are disrupted by new technologies. Given the speed of technological change, it remains however difficult to predict exactly how we will use technology in 30 years from now, yet we do know that technology is changing our lives. The spectre of robots replacing humans in the world of work remains. Well-known CEOs like Tesla's Elon Musk and Bill Gates as well as Professor Stephen Hawking continue to raise concerns over the possible implications of Artificial Intelligence.

The rise of technology has also seen consumer empowerment through the Internet, app technology, digitalisation, and social media; companies are now paying more emphasis on their customers needs instead of focusing on what they would like to sell. As the customer – business power base continues to shift, buyer expectations keep rising and tolerance keeps decreasing; new problems require new solutions. As Antonio Horta-Osorio⁶, the Group Chief Executive of Lloyds Banking Group recently said:

“The digital marketplace has changed our business forever – we now have 6 million customers who are using our app. As a result we need to focus on providing good customer service rather than just selling services.”

The landscape for brand building is defined day by day through the internet. Yet many big corporations are still lagging in their thinking and underestimate the impact technology is already having and will be having going forward, and only now are they giving more considered thought to the risk of potential for disaster, mistakes and losses – digital data security has become a high agenda issue, particularly in the wake of the Sony scandal.

The same “think – lag” could also be said for enterprise data. It is often stated that 80% of the world's data has been created in the past two years; data is big business. It increasingly has a huge impact on how businesses operate, and the insights they gather on customers, suppliers and other enterprise stakeholders. In the knowledge economy it is key to creating a competitive advantage. Yet few companies excel in data governance, or understand fully how to leverage the data at their disposal to its full effect. As the Conference Board states in 2015's CEO Challenge:

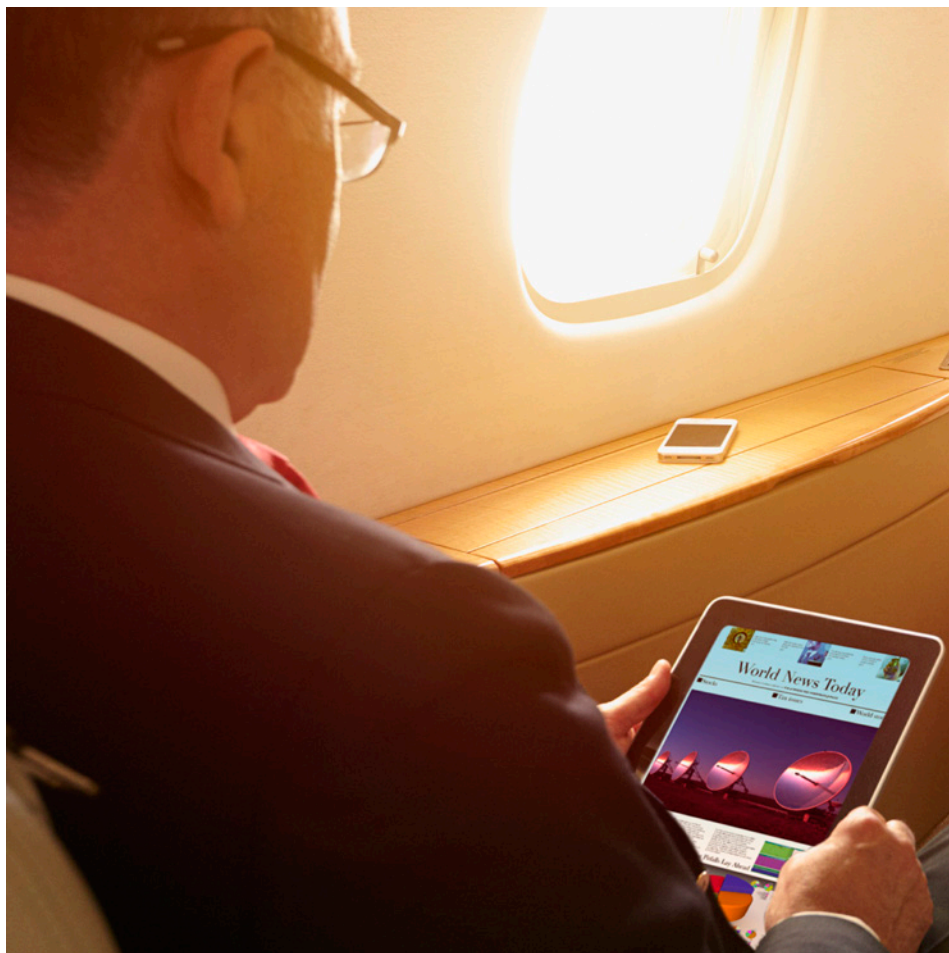
“Big data's value as a strategic tool to boost performance may still be underestimated or unrecognized by CEOs, possibly because they have not yet been shown how extracting the right insights and knowledge improves the bottom line. Many companies are early in the learning cycle and processes for gathering and analysing the right data in a business-relevant manner are still being developed.”

Yet technology presents other challenges too. The way we are interconnected as a society is changing the way we interact and work together. While leaders agree that technology can make our life easier in many ways, it can also put a strain on our effectiveness and overall wellbeing. Modern work-life is dominated by information overload, 24/7 connectivity, multitasking and back-to-back meetings. As a result, the ability and space to focus has now become a prized commodity. A leader's attention is constantly under crossfire. According to Gloria Mark⁷, Associate Professor at the Donald Bren School of Information and Computer Sciences at the University of California, Irvine, the average amount of time that people spend on any single event before being interrupted is about three minutes. While you are reading this there is a high probability that your focus will be distracted, by an email notification, a text or a buzzing phone. Her research also suggests that chances are high that you will follow the distraction as the average amount of time that people spend working on a device before switching is about 2 minutes and 11 seconds.

As such it does not come as a surprise, that leaders tell us that one of their biggest challenges is in staying focused with what they are doing. They also state that it is challenging to find a balance to carve out time for strategic thinking instead of just reacting to what is urgent. And often, they also have the feeling that there is simply not enough time in their days to do all the things they sat out to do.

⁶ Antonio Horta-Osorio's speech at the 2015 Annual Convention of the Institute of Directors.

⁷ <http://www.gallup.com/businessjournal/23146/too-many-interruptions-work.aspx>



The 2010 Science article "A wandering mind is an unhappy mind"⁸ states that nowadays people's attention is wandering involuntarily 46.9 percent of their waking hours. Neuroscience also shows that multitasking is a myth and actually makes people less productive, more susceptible to errors and increases stress. The results of this have shown to be decreased performance, productivity and overall wellbeing.

Whilst technology has sought to make us more efficient and save us time it has also created a "constant-on" culture that intrudes in people's private lives which has become a source of stress in its own right. Consequently enterprises are starting to look for new ways to manage technology instead of being managed by technology. France has passed a law that bans emails after 6pm for certain employees and others such as the German carmaker BMW are leading the example by stopping to forward emails to staff from company servers half an hour after the end of the working day. Other companies globally have declared that employees are not expected to check email on weekends or after hours. As many of the technology trends are born in tech start-ups, it does not come as a surprise that the "remedy" comes from the same source; companies are trying to find new and innovative ways of managing the never-ending inflow of email, by using communication platforms like Slack or agile work concepts.

"As an individual working long hours, the red flash light on the blackberry is exhausting and it does not feel sustainable."

[Comment Human Resources Director General, UK Civil Service](#)

"The problem is as a CFO you tend to have a lot of admin things that take a lot of time. Managing the important versus the urgent, last deal first out. It is an easy impulse to react to every email to keep up and do a lot then you fall into a trap. Multitasking causes burnout and lack of satisfaction as one is never at one point with attention."

[Comment CFO EMEAI, Fortune50](#)

"IT is often still seen as a cost as opposed to value creator."

[Comment Chief Technology Officer, FTSE100](#)

"There is definitely more interconnectivity. Social media makes a huge impact much faster; you make one step that is out of line, if that goes viral, you are toasted. There are enough examples out there for companies that have taken social media lightly and they have paid for it."

[Comment CFO, Asia Pacific Fortune 50](#)

"Technology is the biggest opportunity and distractor. You can always recall what a recession is, but technology has brought the biggest shift."

[Comment Group HR Director, FTSE100](#)

"The digital revolution brought more transparency on customer behaviours, habits and pricing as well as more pressure to differentiate from a pricing view. Praise and failure are magnified over social media. Your brand can be challenged more visibly and you need to know that you can't control the brand perception but know instead how to influence it."

[Comment Group HR Director, FTSE100](#)

"We recognise the impact technology is having on our business, yet our behaviour often does not reflect it. CTOs/CIOs often do not sit on the executive board."

[Comment Chief Technology Officer, FTSE100](#)

We need to be part of the solution. Business simply can't be a bystander in a system that gives it life in the first place. We have to take responsibility, and that requires more long-term thinking about our business model.

PROBLEM #3 TODAY FOR TOMORROW

Social responsibility, environmental impact and good governance are critical enterprise ambitions in our interconnected world. The rise of social media instantaneously connects companies and consumers putting corporate behaviour and sustainability activities in the spotlight. Sustainability of course can be a trust builder and potential driver for growth, but if something goes wrong in a 24-7 connected environment, a company's reputation and stock price can be immediately impacted; the recent Volkswagen scandal is one of many examples. Trust and transparency is key.

Sustainability is a topic that has also been named for the first time as a global top-five challenge in The Conference Board's 2015 CEO Challenge. It defines sustainability as "the pursuit of a business growth strategy that creates long-term shareholder value by seizing opportunities and managing risks related to the company's environmental and social impacts." These impacts include elements of corporate citizenship, corporate governance, environmental stewardship, labour and workplace conditions, supply chain. A recent New York Times article⁹ discusses for example how companies like PepsiCo, Walmart, Siemens, UPS and others have recognised that they have a responsibility to address the causes of climate change without waiting for international treaties or government regulations to act.

At the Sustainability and Accounting Forum 2014¹⁰, John Rogers, CFO of Sainsbury's said:

"If we don't embrace sustainability, we won't have a business in 15 years' time."

And Richard Mayfield, CFO of Walmart EMEA warned, that:

"In 10 years your supply chains may have dried up."

Others, like Unilever's CEO Paul Pohlman even go one step further and declare sustainability as a core part of their business strategy, even changing the way they report business results. In a McKinsey Quarterly from 2014 Paul Pohlman¹¹ said, "business is here to serve society. We need to find a way to do so in a sustainable and more equitable way not only with resources but also with business models that are sustainable and generate reasonable returns. Take the issues of smallholder farming, food security, and deforestation. They often require ten-year plans to address. But if you're in a company like ours and you don't tackle these issues, you'll end up not being in business. We need to be part of the solution. Business simply can't be a bystander in a system that gives it life in the first place. We have to take responsibility, and that requires more long-term thinking about our business model."



9 http://www.nytimes.com/2015/09/22/opinion/industry-can-lead-on-climate-change.html?_r=0

10 <http://www.accaglobal.com/ie/en/member/accounting-business/insights/acorn-oak.html>

11 http://www.mckinsey.com/insights/sustainability/business_society_and_the_future_of_capitalism

“The topic of environmental sustainability is becoming increasingly important in big business. We see more consumer pressure around not wanting to buy products that are not based on sustainable raw materials.”
[Comment Chief Technology Officer, FTSE100](#)

“Sustainability and the environment are now at the heart of our strategy and we have explicit KPIs on sustainability, which we measure across the business. I believe that businesses need to play a role in the environment, we cannot just leave it to governments.”
[Comment Chief Technology Officer, FTSE100](#)

“We look at social and economic responsibility, including the environmental and social impact. We have an all encompassing sustainability reporting and are not just looking at the financial P&L, but also at how many jobs we create, the benefit to the people and the economy, a reduced carbon footprint and make sure we are not abusing children in China or India.”
[Comment CFO UK, DAX30](#)

“Corporate image and ethical environmental consciousness are much more important to today’s consumers, in particular the millennials, who look beyond the product.”
[Comment CFO Asia Pacific, Fortune50](#)

“Youngsters look beyond the product, they are much savvier consumers and have so much access to information, as a leader you need to take many more variables into account.”
[Comment CFO, Asia Pacific, Fortune50](#)

“Ideas about governance and ethical behaviours are sinking in despite what we have recently seen with Volkswagen. People are more self-regulating, more ethically conscious. We have new laws regulating the banking industry and on the whole people are more ethical, see more of the big picture.”
[Comment President Europe, Luxury Company](#)

“Our shareholders expect us to pay for performance not reward failure. Hence we need to incentivise leaders for the right goals. We need to be more transparent. Shareholders expect absolute transparency on judgment and thinking.”
[Comment Group Head of HR, FTSE100](#)

“The challenge is you have so many stakeholders who all demand different things from you. In a more volatile world it becomes increasingly difficult to commit and give clear direction as everything you might want to do becomes more restricted. Try to hold on to the right level of transparency with stakeholders have a dialogue that there is no certainty in the world is a more difficult conversation in the volatile world.”
[Comment Group Treasurer, FTSE100](#)

“I have never seen the investor community quite as short-term focused as they are now. American investors might see longer-term, European investors are quite short-term focused. Shareholders are bringing in their horizons, two years is their new long-term.”
[Comment Group HR Director, FTSE100](#)

In order to thrive in today's "VUCA" world, applying yesterday's business solutions and leadership behaviours to today's and tomorrow's problems does not work.

In order to thrive in today's "VUCA" world, applying yesterday's business solutions and leadership behaviours to today's and tomorrow's problems does not work. Leaders are required to be present, adapt and learn in every situation. In an environment where shareholders, customers and employees and other stakeholders lose trust quickly, there is also more and more demand for strong corporate cultures based on purpose and a robust ethical compass. Former Medtronic CEO and Harvard Professor Bill George¹² brings this to the point in his statement:

"In the 21st century, the most successful leaders will focus on sustaining superior performance by aligning people around mission and values, and empowering leaders at all levels, while concentrating on serving customers and collaborating throughout the organisation."

1 A CULTURE OF PURPOSE

It has become ever more important for companies to have a purpose which goes beyond acting as an entity that simply makes profit and creates short-term value for its shareholders. Deloitte's 3rd annual survey on Core Beliefs & Culture suggests that

organisations with a strong sense of purpose – described as a focus on making a positive impact on customers, employees and the society in general – are more confident in growth prospects, are more likely to invest in initiatives that lead to long-term growth and enjoy higher levels of confidence among key stakeholders. Furthermore, in a similar survey from 2013, Deloitte even found that there is a link between organisations that instil a sense of purpose and their long-term success. Deloitte's Chief Executive Officer, Punit Renjen¹³, said:

"Exceptional firms have always been good at aligning their mission or purpose with their execution, and as a result have enjoyed category leadership in sales and profits."

This is supported by Harvard Professor Rosabeth Moss Kanter¹⁴, whose research looked at admired and financially successful companies in more than 20 countries on four continents. She came to the conclusion organisations with a purpose are more successful in the long-term.

With the rise of the millennials in the workforce, global interconnectivity and the increasing power of social media, this is even more relevant today as it was two years ago. In a world where more and more of our lives



12 <https://hbr.org/2010/04/the-new-21st-century-leaders-1.html>

13 <http://www.forbes.com/sites/brucerogers/2013/05/21/culture-of-purpose-is-key-to-success-according-to-new-research-from-deloitte/>

14 <https://hbr.org/2011/11/how-great-companies-think-differently>

Organisations with a strong sense of purpose are buoyed by factors that are non-financial and more intangible, with a larger horizon for positive returns.

are spent in the workplace with debates around work-life-integration, a purpose motivates and mobilises employees and customers in a way that pursuing profits alone never will. According to Daniel Goleman¹⁵, the “father” of Emotional Intelligence,

“People feel part of a shared mission. This is quite meaningful: They have a shared common purpose. It makes work exciting, and it makes work engaging.”



Renjen further said “organisations with a strong sense of purpose are buoyed by factors that are non-financial and more intangible, with a larger horizon for positive returns. Other organisations are often driven by short-term financial gain. To rebuild and sustain business confidence, organisations that want to be exceptional must take the long view and invest for growth.” Critically it is not enough to have a purpose, but the purpose needs to be lived and embodied by leaders day to day.

One organisation that is a successful living example of purposeful leadership is Unilever, which created the Unilever Sustainable Living Plan in 2009. The plan is dedicated to doubling turnover, while reducing its absolute environmental impact and increasing its positive societal impact. Unilever’s CEO Paul Pohlman¹⁶ talks about the changes he made in a McKinsey Quarterly publication stating that “people are proud to work on something where they actually make a difference in life, and that is obviously the hallmark of a purpose-driven business model. We’re getting more energy out of the organisation, and that willingness to go the extra mile often makes the difference between a good company and a great one”. He goes on “let me be clear, though: a longer-term growth model doesn’t mean underperforming in the

short term. It absolutely doesn’t need to involve compromises. If I say we have a ten-year plan, that doesn’t mean “trust us and come back in ten years.” It means delivering proof every year that we’re making progress.” A smaller firm that is a great example for purposeful leadership is The Motley Fool, a global financial services firm, which is dedicated to helping the world invest better. They also believe their employees should have the freedom to follow their passion every day in roles that they love and The Motley Fool works hard to understand the needs of their employees. The company believes that this, in turn, makes a great business, will make employees take great care of their customers, who in turn take care of shareholders. It’s been voted “Best Medium-Sized Company to Work For in the US” by Glassdoor for the past two years.

#2 THE COLLABORATION ENTERPRISE

IBM’s Customer Activated Enterprise study named collaboration between the C-Suite and how well the C-suite works together as a team as distinguishing factor between outperforming and underperforming companies. The leaders interviewed as part of this study agree and feel that increased collaboration between the C-Suite is key in order to successfully drive growth and tackle the challenges of doing business in the 21st century; it has critical implications for the diversity of skills and experiences present in the C-Suite. Yet the need for collaboration stretches far beyond personal relationships at the executive table.

Our global interconnected and uncertain environment asks for collaboration across functional disciplines, regions, cultures and hierarchies. In particular the challenges caused by a customer focused and digital knowledge economy ask for cross-functional and cross-hierarchical collaboration; the expertise often does not sit with the C-suite but a more junior employee further down the hierarchy, who has the most Instagram followers. Companies are also increasingly trying to create engaged employee communities across hierarchies when it comes to innovation. David Chan¹⁷, Director of the Information Leadership Network at Cass Business School said in a Hays Journal article,

“In the past, a fair bit of being a senior manager was tied up with expertise and knowledge, but that is becoming less important. It’s the ability to locate knowledge, assess how valid it is and then to do something with it, in collaboration with other people, which is becoming the key criterion.”

15 The Executive Edge: An Insider’s Guide to Outstanding Leadership

16 http://www.mckinsey.com/insights/sustainability/business_society_and_the_future_of_capitalism

17 Hays Journal Issue 8 2014-2015 page 24

The increasing power of consumers asks companies for new ways of collaboration with their customers too who wish to feel part of a wider community.

As a result, leaders have to move away from the silo-ed mentality of the past, where each department had its own area and remit of expertise, and move towards creating multi-disciplinary teams collaborating to solve issues. Collaboration is king to evolving the business model, realigning operational processes and mining (in particular) the enterprises' intellectual capital to create value. However it is not collaboration for collaborations sake and clear accountabilities are as important as they were in the past. Meanwhile some organisations like the online retailer Zappos go even one step further and have implemented a new organisational model called holacracy, which has self-management at its centre. According to Holacracy.org, holacracy is a comprehensive practice for structuring, governing, and running an organisation. It is a system of organisational governance in which authority and decision-making are distributed throughout a holarchy of self-organising teams rather than being vested in a management hierarchy. And innovative CEOs like Eileen Fisher practice collaborative leadership and only have one direct report.

Collaboration does not stop at the company's boundaries either but increasingly includes building powerful networks with suppliers, partners, customers and even competitors. In Executive Edge, Harvard Professor Bill George¹⁸ sums it up succinctly:

“Leadership today – and in the future – is going to require very flat organisations, without so many layers in between. It’ll be all about collaborating within the organisation not about competing. The organisations that compete internally will not be successful in the future. Successful organisations are going to compete externally, and they’re going to learn how to collaborate, even with competitors and customers.”

In his book “Collaboration”, Morten Hansen¹⁹, a professor at UC Berkeley exemplifies the benefits of great collaboration by looking at the success of Apple’s iPod versus the launch of a Sony MP3

player at the same time. It took Apple eight months starting from inception to collaborate across its organisation to create the iPod. According to Hansen, the reason why Apple was able to launch its product quickly was not better technology, but its excellent internal and external collaborative networks that enabled innovation to flourish. Responding to the challenges and opportunities created by technology, social media and the rise of the millennials, and exemplifying the point regarding cross hierarchical collaboration, companies such as L’Oreal, Tesco and Deloitte (to just name a few) have started reverse mentoring schemes – digital-savvy youngsters help those higher up in the organisation to understand basic digital skills. It’s also a successful millennial engagement and retention strategy.

Collaboration extends externally too. Companies need to increase visibility in their supply chains and partner networks in order to minimise the risk of financial and reputational damages; increasingly they seek to build collaborative networks with suppliers and partners, based on transparency and a common purpose. As companies are stepping up to play a role in society, there is also a need to collaborate with competitors and across industries when it comes to tackling issues such as climate change or water shortage. The increasing power of consumers asks companies for new ways of collaboration with their customers too who wish to feel part of a wider community. Co-creation is an increasing trend, which sees many companies engaging with new and existing customers in new innovative ways. KLM²⁰ has for example involved its customers in the design of the new packaging for its sandwiches and Coca Cola²¹ offers real-time consumer co-creation with its FreeStyle machine and app to engage with millennials. Microsoft²² has worked with consumers to co-create advertising formats that it says will be more engaging and provide better value than current online advertisement and Burberry’s²³ customers can remotely participate in fashion shows, order items directly off the runway and can suggest designs for the next trench coat via social media. Another co-creation example comes from crowdfunding platforms, which industry giants like FedEx, GE and Microsoft²⁴ have used in order to engage with their customers and community in new and different ways.

18 The Executive Edge: An Insider’s Guide to Outstanding Leadership

19 <http://iveybusinessjournal.com/publication/the-collaboration-imperative/>

20 <http://www.airlinetrends.com/tag/co-creation/>

21 <http://www.forbes.com/sites/avidan/2013/10/07/just-how-does-coca-cola-reinvent-itself-in-a-changed-world/>

22 <http://www.marketingweek.com/2013/06/19/microsoft-and-consumers-co-create-ad-formats>

23 <https://hbr.org/2012/12/co-creation-the-real-social-me/>

24 <https://hbr.org/2013/04/community-powered-problem-solving/ar/1>

“The way we interact with each other and the team is changing. We are becoming much more collaborative and are engaging less top-down with teams. We do more transversal projects with a mix of different expertise, different generations. As a leader you need to be open, there is a need to connect to young people in the team, be open to the world.”

[Comment President Europe, Luxury Goods Company](#)

“There is a greater need for collaboration, but even more important is that the board needs to select people that can work together also from their personal styles. A charismatic CEO needs other people to debate an issue and they need to be able to raise their voice. If you have that, it will increase collaboration. I see multiple ways of collaboration: A with B, C, D, and B with A, C, D, but also the need for clear role descriptions and accountabilities for each role. As a top professional, what is your role, responsibility and accountability? You can’t hide – you are either part of the problem or the solution.”

[Comment CFO EMEA, Fortune50](#)

“Collaboration is one of our core values and we take this approach to investing. It is also a key factor when preparing for the unpredictable. For us collaborative leadership is key. We are looking at someone’s strengths and where they need help: instead of training them up on their weaknesses, we ask them to pair up with someone who is strong in that area. Even our Founder does that – he creates a team around himself, reaches out to other companies for expertise (HR policies, investment products, etc.). We even have one full-time connector, who just reaches out to different companies.”

[Comment Chief People Officer, Financial Services Company](#)

“Collaboration as such is extremely well developed within our business as we have to be extremely aligned because of the regulatory and legal implications. We can’t have cowboys who shoot from the hip. We spend so much time aligning what we do. Making decisions on one brand has massive financial implications on others. We usually develop a plan, socialise it, align it with peers and then bring it to the company’s CEO. We generally don’t like tension or big negative discussions.”

[Comment Regional Sales & Marketing Director, FTSE100](#)

“Most of the people I work with realise that collaboration is more than the addition of skills but integrating multiple views gets you much further than silos. You need to have the ability to go beyond your scope, expand the scope and open the doors. If you don’t know what happens in sales, then the supply chain has too much stuff. If the marketer doesn’t know the asset base, he/she might have ideas that are too expensive.”

[Comment CMO, PE-backed Food Company](#)

“I definitely see a need for collaboration between the C-Suite. However we need to make sure it is not collaboration for collaboration’s sake. We need to get the right balance between collaboration and focusing on our own area and delivering what we need to deliver. The executive team needs to be really aligned around strategic direction, support it and trickle it through the organisation, bringing together brains with functional and commercial expertise across hierarchies.”

[Comment Group Treasurer, FTSE100](#)

“For collaboration to be successful we need to find a common ground. Sharing what I care about, what I am passionate about and understanding the motivation of some of my colleagues opens the space for having a discussion around you and I want to achieve the same how can we make it happen. If I am vested in something and the other person is vested in something, we start out on a common level.”

[Comment Human Resources Director General, UK Civil Service](#)

“The need for collaboration has increased manifold, we change how we adapt to this environment. We need to work in a more regimented fashion, less entrepreneurial (what happens in Venezuela used to stay in Venezuela, now it becomes global). As a result we are looking at more vertical organizations with matrix structures, which give the functions more autonomy, but have increased collaboration between functions, between thinking teams and execution teams.”

[Comment CFO Asia, Fortune50](#)

“We have more collaboration and there are less silos. Marketing, Sales and HR work more together but at the same time people want to work from home and want more flexi hours which needs to be reconciled with working as teams. We need to find a way to make this happen.”

[Comment President Europe, Luxury Goods Company](#)

“CFO, CEO and HR run together on problems with a smooth handover. Running of operations, driving productivity, performance improvement, profitability encompasses all functions, we have real common goals and principles. We discuss long-term upfront strategic investment such as what technology to invest in and how, discuss sales top-line and work together to put processes and procedures in place to increase market share and margins. We are also thinking about how we can build communities of people cutting across hierarchies to drive innovation.”

[Comment CFO UK, DAX30](#)

“Companies are increasingly playing a role in tackling global problems such as water shortage. This is an area where companies need to cooperate.”

[Comment Chief Technology Officer, FTSE100](#)

“We need to ensure collaboration happens and that there are no functional silos. Sometimes a lack of experience can be great when you deal with the unpredictable. It is not about more senior people having all the answers, but everyone to collaborate. The reverse mentoring we see is fantastic and digitally savvy youngsters mentor senior people when it comes to social media and technology.”

[Comment Group Head HR, FTSE100](#)

In Executive Edge, Harvard Professor Howard Gardner declared “the absence of an ethical compass is a disaster. I don’t think we can afford to have a lot of ethics-free leaders anymore, because the stakes are so enormous”.

#1 BRAIN SCIENCE

In Executive Edge, Harvard Professor Howard Gardner²⁵ declared, “the absence of an ethical compass is a disaster. I don’t think we can afford to have a lot of ethics-free leaders anymore, because the stakes are so enormous”. When leaders are asked about their values, the majority of them have high ethical standards, a sound moral compass and good intentions. In Resonant Leadership²⁶, Annie McKee, Richard Boyatzis and Frances Johnston confirm that by saying “very few people get up in the morning intending to do harm to the people who depend on them.” The question is then why do so many good and well-trained leaders fall short of their potential or lack integrity and compromise their values?

At this year’s annual IOD convention, British author and former investment banker Philip Augar said:

“I do not doubt the motive of the current business leaders but when under pressure their behaviour drops, they need to be more resilient. What concerns me is when shareholders get angry and squeeze banks for profits, that’s when the behaviours drop and board colleagues lose patience”.

The haziness of reality, the potential for misreads, and the mixed meanings of conditions cause-and-effect confusion and often result in a fight-flight-freeze reaction for senior executives. The problem is, whenever they are distracted, faced with change and uncertainty or feel under pressure, there is a tendency to judge, to jump to conclusions and they try to get out of the situation as quickly as possible. In these situations senior executives often react to what they think is here, could be here, should be here or to what was here yesterday. They fall into habitual reactive patterns instead of being able to respond according to what the situation requires. As a result it does not come as a surprise that fear of failure, pressure or an unstable economic environment were named as one of the biggest obstacles to enterprise success.

The challenge here is significantly deep rooted. The brains of homo-sapiens are a product of millions of years of human evolution. Human beings evolved in circumstances that did not change as quickly as the circumstances they find themselves in today. Back millions of years in evolution our reptilian brains (amygdala) favoured speedy decisions, short-term thinking and impulse; our caveman ancestors lived in a world of fight-flight-freeze reactions. Fast forward to the 21st century, our reptilian brains still go off all the time and hi-jack our more reasoned



25 The Executive Edge: An Insider’s Guide to Outstanding Leadership

26 Becoming A Resonant Leader, Chapter 2

Once the reptilian brain is in charge the best intentions and values can get obscured. This often results in a mismatch between a leader's intention, belief and values and his/her actual demonstrated behaviour.

"executive function", most likely not because our lives are in danger but rather because of a full inbox, a thought about the budget meeting or an activist shareholder increasing its stake in the company. Daniel Goleman²⁷, the "father" of Emotional Intelligence calls this the amygdala hi-jack as the amygdala takes metabolic energy away from the working memory in our executive brain (the decision-making capacity) and uses the energy to stay attuned to danger. As a result, our immune system and reproductive organs shut down, the stress hormone cortisol is released, our muscles tense up and our breath gets shallow. Functional MRI scans show what mostly switches on our amygdala are not even external circumstances but our very own thoughts about or appraisal of a situation.

Whenever someone is caught in a prehistoric "fight-flight-freeze" reaction to one degree or another, his/her actions are driven by the more primitive parts of the brain (the survival function). To the extent that this is happening, leaders are disengaging the executive function (the decision making capacity) in the neocortex. Often when someone is really triggered, he/she does things that are not very smart. Once the reptilian brain is in charge the best intentions and values can get obscured. This often results in a mismatch between a leader's intention, belief and values and his/her actual demonstrated behaviour. This mismatch is precisely what often leads to a loss in trust and credibility. Given that our brains have a natural inclination to attune and react to immediate danger, there is a certain imminent blindness to dangers such as climate change, which develop over a longer time.

In his book "Focus", Daniel Goleman²⁸ also states catastrophic groupthink as one of the reasons for the mortgage derivatives meltdown that led to the financial crisis in 2008. According to Goleman, "groupthink" begins "with the unstated assumption "We know everything we need to". He also says that groupthink can become catastrophic in the case of insulated groups of decision-makers who fail to ask the right questions or ignore disconfirming data in a self-affirming downward spiral.

#2 RE-THINKING CORPORATE LEADERSHIP

In order to thrive in today's VUCA world, where nothing is certain, applying yesterday's business, frameworks, solutions and behaviours to today's and tomorrow's problems won't work. The challenges are new, and they require a new set of leadership skills. Leaders cannot just rely on what they

think they know but have to be learners in every situation in order to stay focused, connected, stay engaged and relevant to the people they are leading. Karl Moore²⁹, Associate Fellow at Green Templeton College Oxford University wrote in Forbes "Leading through this new business environment requires the capability to sense and respond to changes in the business environment with actions that are focused, fast and flexible. The best way to put it: next generation leaders have to be agile." Nick Petrie³⁰ of the Centre for Creative Leadership describes this in "Future Trends of Leadership Development" by saying:

"It is no longer enough to come up with models of best practice, but instead we need to respond to "the development challenge – the process of how to grow "bigger" minds."

Development challenges require adaptive leadership skills, which Harvard Professor Ronald Heifetz³¹ describes in his leadership classic "Leadership Without Easy Answers" as a practical leadership framework that helps individuals and organisations adapt and thrive in challenging environments. It is being able, both individually and collectively, to take on the gradual but meaningful process of change. It is about diagnosing the essential from the expendable and bringing about a real challenge to the status quo. As we have seen, our appraisal of a situation has direct implications on how we respond to it, which Heifetz describes by saying "how we make sense of change influences how successful we are in responding to it and a key purpose of leadership is to facilitate responses to problems positively, ethically and in a way that strengthens society. "

In order to initiate or guide skilful change leaders then need to be able to step out of unconscious habitual patterns. They need to focus on what is here, not on what they thought would be here, could be here or to what was here yesterday. The global people and organisational advisory firm Korn/Ferry³² International assessed nearly one million executives and came to the conclusion that as we go up the executive ladder, we need to become increasingly comfortable with uncertainty and sudden change. Leaders need to be able to deal with uncertainty and volatility as well as be able to hold ambiguity and be comfortable with the unknown. Yet, as we have seen, it is precisely under these types of circumstances that leaders tend to display cavemen-like reactions, judge prematurely and do not act according to their guiding

27 Emotional Intelligence: Why it can matter more than IQ

28 Focus: The Hidden Driver of Excellence

29 <http://www.forbes.com/sites/karlmoore/2012/06/12/agility-the-ingredient-that-will-define-next-generation-leadership/>

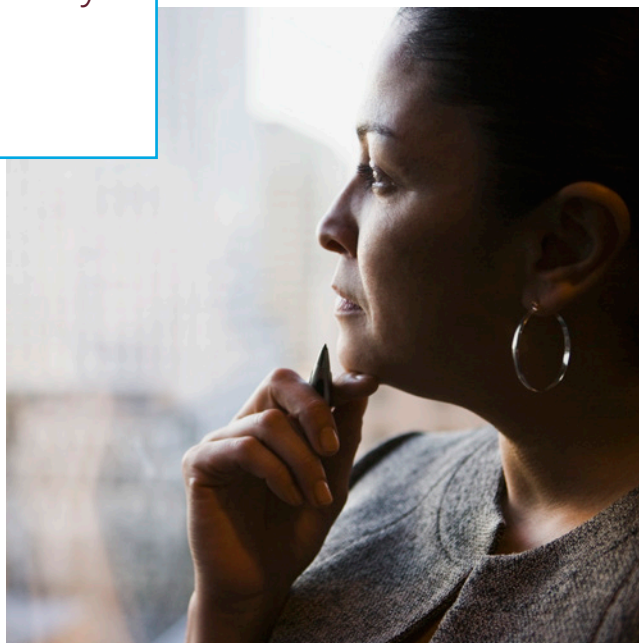
30 http://issuu.com/mobiusexecutiveleadership/docs/leadership___mindfulness___mobius_s/7

31 The Practice of Adaptive Leadership, Ronald Heifetz, Alexander Glashow, Marty Linsky

32 <http://www.forbes.com/sites/kevincashman/2013/04/03/the-five-dimensions-of-learning-agile-leaders/>

A leader's shadow is very long and wherever he/she places her focus, the organisation follows. Our attention normally goes to where it mattered most in the past and the speed of change usually happens where attention goes.

values. According to Jeremy Hunter³³, Assistant Professor of Practice at the Peter F. Drucker Graduate School of Management, effectiveness starts inside – just as leaders need tools to manage external realities, they also need tools to manage the internal ones. Hence today's leaders need strategies to manage their own physiology in order to be less driven by fear-based constructs but instead being able to get more in touch with their guiding values and intrinsic resilience.



This allows them to operate more from a place of centeredness. Having self-awareness in the present moment gives a leader greater capacity to have that reflective space and make choices to possibly respond to their environment in a different way. This naturally leads to a capacity for better self-management; as such leaders can act with integrity and authenticity even when they are under pressure.

As the VUCA world is here to stay and more likely to increase, corporates have identified resilience, defined as the ability to bounce back quickly from adversity, as a key skill not only for leaders but the entire organisation. Hence companies are actively working on improving employee resilience, by exposing employees early on to different countries and functions and putting them through resilience training programmes. In addition to better self-management and resilience, learning agility is named as key for navigating skilfully through this changing environment. Korn/Ferry defines learning agility as, "a complex set of skills that allows us to learn something

in one situation and apply it in a completely different situation. It is about gathering patterns from one context and then using those patterns in a completely new context. In short, learning agility is the ability to learn, adapt, and apply ourselves in constantly morphing conditions."

A leader's shadow is very long and wherever he/she places her focus, the organisation follows. Our attention normally goes to where it mattered most in the past and the speed of change usually happens where attention goes. The slow-moving change is often catching an organisation off-guard and has most power, as leaders can initially not see it. Senior leaders need to be able to sense emerging change and understand the larger systems that the organisation operates in. Yet, as we have seen, attention and focus has become a prized commodity in our interconnected global 24/7 working reality. As a result Tom Davenport, the former director of the Accenture Institute of Strategic Change argues in his book "The Attention Economy"³⁴:

"Understanding and managing attention is now the single most determinant of business success."

In "Focus – The Hidden Driver of Excellence" Daniel Goleman agrees and writes:

"While the link between focus and leadership excellence remains hidden most of the time, it ripples through almost everything we seek to accomplish."

"Scientific research also shows that deep thinking requires sustained attention; the more distracted we are, the more superficial and trivial our reflections are likely to be. The ability to control our impulses and focus our attention has even been found to be a better predictor of academic success than IQ." As such, leaders need to actively train their ability to focus and learn how to create space in their minds and schedules.

Furthermore, today's interconnected world with flat hierarchies and the need for collaboration across functions and hierarchies makes command and control-type leadership obsolete. We need collaborative leaders with a high EQ who can empower their organisation. In order to restore investor, employee and customer confidence, leaders need to be authentic and lead with purpose. Authenticity and purpose is key when it comes to creating an inspiring vision behind a common goal.

33 *Mindfulness in Organizations: foundations, research and applications.* Jochen Reb and Paul W.B. Atkins.

34 *The Attention Economy: Understanding The New Currency Of Business,* Thomas H. Davenport and John Beck

“France has a very hierarchical culture, a lot of control processes, which is an obstacle for collaboration. A lot of people feel comfortable with hierarchies and resist change. It needs time to grow people, see we trust them and we need to empower them. People fear making mistakes. Inside the leadership team it should not be competitive among the team, but we need to create a context of trust.”

[Comment CEO & President France, Consumer Goods Company](#)

“A huge obstacle for collaboration is business performance. If the business is performing badly, it is usually the other man’s fault why the business is not performing. The thought if something goes wrong in the organisation, “I prefer someone else to be in the firing line” is not productive. In the past five years we only had single digit growth and there is a lot of doing more with less (do more with less, get results). In addition the general outlook for Europe does not help great collaboration. We need to be conscious about it and oversteer the effect it has on people’s behaviours. These behaviours are irrational but they are human.”

[Comment CMO, PE-backed Food Company](#)

“One of the obstacles for collaboration is when people feel under pressure. In civil service people are under real pressure and when the chips are down, human nature is “I am under pressure to do this and I am doing this even when not helpful to others”. The inbuilt reptilian response is to rather do it alone. In some ways we have a good news culture and people don’t want to give bad news. The other obstacle I see is ego power plays. If you have high status individuals or remuneration and performance management systems which incentivises competitive behaviours.”

[Comment Human Resources Director General, UK Civil Service](#)

“A competency and area we need to strengthen dealing with is uncertainty. Some people get very caught up in their own world.”

[Comment Group Treasurer, FTSE100](#)

“Traditionally the company measured leadership on what was the business performance – but did not look at how the behaviour was, how did they work with people, teams and customers. People are changing this attitude and are not prepared to work with rough managers anymore. It is about inclusion, collaboration, diversity, empowerment versus aggressive control mentality.”

[Comment CFO UK, DAX30](#)

“Today more than ever the C-suite level needs good EQ, that somebody can really sense a situation. Being able to interact with diverse stakeholders is key. In order to influence, they need measured leadership skills. For me, the number one skill is credibility: a leader has to be credible and authentic you have to be what you are and not being afraid of that.”

[Comment CFO EMEAI, Fortune50](#)

“We need to be intellectually agile, more open to envisage change to think more beyond tomorrow, envisage multiple possible scenarios. You need a very open mind-set, if not you are lost and not relevant anymore. One needs to be able to deal with ambiguity, delegate responsibility and give autonomy to people, without being afraid of it. The other thing that makes a good leader is authenticity. You need to be authentic, yourself and near to everyone in the company. People should know they can speak to you, you take care of them and have compassion for them. People must know if they have an issue they could come, you would listen and respond well, feel that you care. Leaders also need to be able to clearly communicate the objectives, what is working well and what is not working well.”

[Comment CEO & President France, Consumer Goods Company](#)

“Across the broader leadership team we need a balance of experience and enthusiasm. There needs to be an openness to learn new skills such as digital, but wisdom is important as well. Leaders need both a strong IQ and EQ, which will help them get people play to their strength. It also helps to be passionate about what you do and that you care about what you do, particularly if you pitch ideas to raise money.”

[Comment CFO PE-backed Online Services Company](#)

“At the moment our industry still makes a lot of money for the next 20-30 years. We have two different types of executives: “you know I am 49, I have stock options, why should I rock the boat, not my problem. The other type is embracing that they need to take responsibility to invest a lot of money into new categories and take the pain to contribute to the future. We now need different leadership skills, people who can inspire a younger generation that there is a light at the end of the tunnel, paint a vision, why is it important. It can be tough to energise the organisation and keep them resilient and focused on what they are doing despite major external setbacks. Very subtle changes can have a big impact on the business. As a leader you need to reflect, take space, communicate a vision.”

[Comment Regional Director Sales & Marketing, FTSE100](#)

“As a leader you have to provide vision and purpose. If you cannot motivate yourself, you cannot motivate others. You also need to be a role model of collaborative behaviour even if things are rough you try to stay calm, kind, logical and keep the personal out. I do this by going back to the vision and purpose – are we trying to go towards vision and purpose? If we are not there is a reason to be frustrated, if we are then we just stick to it.”

[Comment CMO, PE-backed Food Company](#)

“When there is a lack of information you really have to hold your nerve to navigate through, make this part of team effectiveness.”

[Comment Group HR Director, FTSE100](#)

“You have to be clear, walk the talk, be clear in demands, give responsibility, empower. Your ultimate responsibility is to hire great people. If they are not delivering, change them quickly otherwise you ruin their careers. Do proper succession planning and don’t be afraid of competence.”

[Comment CFO, PE-Backed Industrial Company](#)

“Leaders are facilitators as the base of power and knowledge is shifting. There is a significant shift to empowerment, the knowledge is no longer at the top, but throughout the organisation “who has most followers modes of insight”. Leaders need to nurture and encourage, create a culture where collaboration happens. They also need to have clarity and distil the complex into a simple vision: why are we here, provide direction of 2-3 big strategic things we need to achieve.”

[Comment Human Resources Director General, UK Civil Service](#)

“In the UK we use lean manufacturing in all the factories and also introduced lean techniques into the offices. No more Powerpoint, no just sitting in meetings, but we have better meetings. It is important to focus on softer skills and delegate authority and decision making further down the organisation with younger ones.”

[Comment CFO UK, DAX30](#)

“I had to train myself to create space, initially blocked out time in the diary for thinking space. I need that thinking space and time to create more space to think about 3-5 years out. I have now developed that muscle to think that way as it is easy to get caught up in the here and now; as a leader one needs to do more bigger thinking while the team does more fire-fighting. If the C-level spends too much time in operational stuff, really misdirected use of their time, does not add value. I am conscious of where I spend my time for greater use.”

[Comment Group Treasurer, FTSE100](#)

“How do you deal with change? How quickly can you react? You need to be super fast in a crisis. Leaders need to be more resilient as sometimes there is no right or wrong but we still need to change the plan/product.”

[Comment CFO Asia Pacific, Fortune50](#)

“I have been preaching about creating thinking space for a while in the organization and always ask employees how much free time they have in a week. Some say I don’t have any time in my day; then you need to ask yourself, are we paid to be busy? As you move up the organization you are not paid to be busy but paid to think. At the top you should be thinking not be busy. 25% of my working day is free; it was a difficult process initially but once people know you don’t have meetings at a particular time a day, they do not ask for it anymore. And I have a good PA.”

[Comment CFO UK, DAX30](#)

Today's VUCA world necessitates enterprise collaboration across all functions. The senior executives who participated in this study agreed that for CFOs to be successful in this new environment, effective partnering across the organization was critically important, and new leadership traits and qualities must be learned.

Today's VUCA world necessitates enterprise collaboration across all functions. The senior executives who participated in this study agreed that for CFOs to be successful in this new environment, effective partnering across the organization was critically important, and new leadership traits and qualities must be learned. The CFO role is fundamentally a critical enterprise leadership role. Finance leaders are the stewards of corporate value, and through their risk and controllership responsibilities ultimately a chief guardian of



the businesses' reputation and brand. It is they who are chiefly responsible for articulating how the enterprise invests the resources and assets at its disposal to drive long term sustainable wealth creation. ACCA has previously reported³⁵, that a particularly key challenge finance leaders now face is determining what to invest in to create growth; in the global knowledge economy the activities that create wealth are not what they used to be – now it is the intangibles such as data, information, brand and talent that are the super enterprise wealth generators for many. Understanding this new investment return landscape is essential, and made more difficult in the VUCA world; it necessitates new ways of working across the enterprise, a new finance leadership order which drives a paradigm shift in finance function culture and a new "can do" mindset. This isn't easy because the "soft stuff" is perversely usually the hard stuff.

When it comes to collaboration, the CFO function has an outstanding case to take the leadership role here. As the keeper of the

purse strings it is they who must primarily drive required enterprise ROI. But in today's connected environment, understanding and leveraging the value of enterprise IP is critically dependent on reaching out and building alliances with the CMO, the CIO, the CHRO and other new emerging C suite roles. Understanding, for example, how to effectively invest in leveraging enterprise data provides an outstanding opportunity for CFOs to move the dial on peer collaboration. Collaboration of this kind will bring much greater clarity and agreement across the executive table on the processes that will create value in the future, it will mean a much more effective capital allocation strategy for the business, and it should help the CFO lead a clearer line of sight tracking, measuring and reporting on the activities that matter.

In order to skilfully initiate and drive this change required, CFOs need to have an open mind-set and develop adaptive leadership skills because new challenges require new solutions. They need to be able to step back out of the day to day and gain a broader perspective in the midst of mass uncertainty. If CFOs get the balance right, they are uniquely positioned when it comes to preparing the C-Suite for the unpredictable, because finance touches every part of the business, and effective controllership of the business underpins longer term success.

The volatile and unpredictable macro environment, technological innovations and a new competitive landscape are however adding an additional layer of complexity to businesses, and managing risk has become more difficult yet more important than ever. Advanced scenario planning and running stress tests have been identified by the leaders in this study as key strategies for mitigating enterprise risk and helping shape future strategy formulation and execution. The need to distil this complexity into simplicity and developing clear messaging around strategy and critical leadership deliverables is therefore ever present. The CFO role needs to be the glue that binds all of this together, that fosters a spirit of collaboration and entrepreneurialism that will be needed for a united strategy underpinned by sound financial management. The future finance function must support the business by saying "yes" more, and "no" less. They need to be at the heart of brokering both the essential C suite conversations, as well as external investor and wider stakeholder relationships in a 24-7 uncertain global economy where the clamour for transparency is ever-present and where vested interests in enterprise performance prevail.

“The crisis brought big changes: internally, it increased the level of control & compliance, disclosure, transparency and level of reporting. Externally, the crisis has created a different dynamic around risk assessment (something you did not expect). We spend more time mitigating and evaluating financial and enterprise risk, increase our business understanding and understanding of risk. The crisis obliged leaders to come out and be more proactive. Some of the older CFOs are more controllers, but CFOs now have to be co-pilots next to the CEO. The CFO can't say this is the job of the CIO, everybody has to be in the car and not just a passive passenger.”
[Comment CFO EMEAI, Fortune50](#)

“We are trying to catch the unpredictable in risk management. We do ad hoc and monthly risk and operations management analysis depending on risk profiles move them up for action. We put in significant effort for early warnings. Traditionally we only worked at last month and last year results, now we changed it to see a month before the risk arrives that it could arrive.”
[Comment CFO UK, DAX30](#)

“The CFO is more engaged with the business and external stakeholders. In 2007 the CFO had a big job internally in the finance function, today's CFOs need to spend time with the business and the board, the customers and the suppliers and ensure that the strategic business decisions are properly implemented.”
[Comment CFO EMEAI, Fortune50](#)

“If the CFO is able to have a general management vision, he is the most important person in the company. Together with HR, the CFO is the most important counterpart for the CEO. It is important for CFOs to get into other peoples shoes and rationalise their thinking – this will enable them to have more creative ideas. The CFO can help marketing and sales a lot to make the right decisions – he needs to act as a mirror and bring it back to rational thinking. The CFO needs to be open, needs to connect to young people in the team and be open to what is happening in the world.”
[Comment CEO & President France, Consumer Goods Company](#)

“The old style is no longer acceptable. Before the crisis finance could stay in the corner, but nowadays not knowing the business is no longer acceptable. If the finance community doesn't embrace the need to understand the business they will be sidelined. In A Unicorn business with pressure to constantly drive growth, the CFO also needs very strong self-belief, confidence and resilience as he can't compromise. The CFO needs to really understand the business and collaborate but also find a balance to holding his/her ground.”
[Comment CFO, PE-backed Online Services Company](#)

“In this environment knowing your risk profile as well as your competitors risk profile is important. You need the analytical capability to assess the situation and need to be comfortable with risk. Some move too slow, others too fast. As a CFO you need to be comfortable to make decisions, you cannot procrastinate, assess the risk and then act on it.”
[Comment CFO, PE-Backed Online Services Company](#)

“The CFO has a big strategic role to play and is an important man with the city, he needs to balance making money today with creating a sustainable model for the future. Given different cost and margin structures for new investments, he needs to justify new investments, which is counterintuitive in the short-term.”
[Comment Regional Director Sales & Marketing, FTSE100](#)

“The CFO plays a huge role. The commercial agility of marketers is increasingly important and CFOs can have a huge role in supporting, helping and enabling this for the CMO. The CFO can help marketing to capture and reflect on the context that goes well beyond the marketing partner in crime. The CFO and marketer need to be more business partners mutually beneficial. CMO identifies how and where to create value, CFO holds the scorecard to see if it is real what the CMO dreams up.”
[Comment CMO, PE-backed Food Business](#)

“In our company the CEO sees the CFO as business partner. Externally the finance community interacts more directly with customers and is more involved in end-to-end processes, creating more efficiencies and more interaction. The finance community is looking at how to provide more value to the business using KPIs of current performance to better predict future performance. However, the finance community still has a long way to go and there is value left on the street to drive customer process. Finance should be more proactive, engaging the C-Suite, procurement and suppliers, and driving basic ethics around sustainability to influence customers to the other side.”

[Comment CFO UK, DAX30](#)

“The CFO has a big role to play across the organisation in provoking the right conversations. The CFO has the most visibility across the organisation and externally in terms of what are the right things we should be thinking about as an organisation, he brings a lens to it. They foster the right conversations in the C-suite, need to be good communicators and be able to influence across the organisation. CFOs need the ability to really communicate internally and externally what the organisation should be thinking about.”

[Comment Group Treasurer, FTSE100](#)

“We are not doing anything specifically to calm ourselves down, but we do a higher degree of competitive benchmarking than in the past.”

[Comment CMO, PE-backed Food Company](#)

“The CFO has an important role in driving the change management process. People who are just good with numbers are not cutting it in the future. We need people who are strategic and can adapt to the changing environment. During the recession a number of finance talent did not get enough rotation through the business, this is pushed again now.”

[Comment Group HR Director, FTSE100](#)

“In the US the CFO is second in command. In Europe he is not a clear second in command yet. The role is changing quite rapidly to become second in command. When you deliver as a CFO all difficult changes land on your shoulders. But in order to be a co-pilot you need to be very business-oriented. If you have an insurance or industrial background just stick with it, understand the product.”

[Comment CFO, PE-backed Industrial Company](#)

“In my mind, finance takes care of risk, but before anything they are business people. I try to make sure that they are not only bean counting, have an appreciation of the assessment of risk and then come up with recommendations to bring the business forward. They need to find a balance between being not too cautious and not too crazy. I need to be surrounded with people who are sometimes less in a day-2-day mode but can give advice on top-line issues, not just transactional skills. The CFO needs to be able to take a helicopter view but also get down into the weeds.”

[Comment President Europe, Luxury Goods Company](#)

“What needs to be different is the way we respond, anticipate what might happen in a more volatile world and what we need to do. What does it mean for the short-term performance, medium-term performance, long-term and the skill-set needed. In the past we were not that great at scenario planning. Even looking at past 12 months so many things happened that we could not have anticipated. We have become better at scenario planning, more creative and imagined the world in 5 years where Google could charge for every search, including some scenarios that are likely and others unlikely.”

[Comment Group Treasurer, FTSE100](#)

“We prepare for the unpredictable with quality scenario planning where we put ourselves into shoes of customers and competitors and we also look at non-traditional channels and then use that for our team effectiveness trainings.”

[Comment Group Head of HR, FTSE100](#)

“Simplicity helps you prioritising, when the company is in crisis, then strategy and action is survival. When the company does well, it gets more complicated you have options. If you are unclear then it can cost a fortune. You need a strategy frame, review it every year, send it into functions cascade it down into individual teams.”

[Comment CFO, PE-backed Industrial Company](#)

Responding to the current environment, a variety of different leadership models are emerging. The common thread to all these different models is Mindfulness.

Responding to the current environment, a variety of different leadership models are emerging including McKinsey's Centred Leadership, Marturano's Mindful Leadership, Boyatzis & McKee's Resonant Leadership, Bill George's Authentic Leadership, Wilber's Integral Leadership and Heifetz's Adaptive Leadership and a number of others³⁶. The common thread to all these different models is Mindfulness.

As we have seen, the VUCA world requires CFOs to develop adaptive leadership skills and become comfortable with uncertainty, ambiguity and change. Just as CFOs need tools to manage external realities, they also need tools to manage their internal reality of thoughts, emotions, stress and distractions. CFOs also need to challenge assumptions and can not simply rely on "rules of thumb", principles or beliefs borne out of experience of past events.

According to Jeremy Hunter³⁷, Assistant Professor, at the Peter F. Drucker School of Management:

"Our educational system has largely overlooked creating a process as systematic as financial analysis for managing oneself. As a result, professionals are mostly left to fend for themselves when it comes to managing their inner landscape of thoughts, emotions and distractibility."

Traditional leadership training programmes have mostly focused on retrospective analysis of people's behaviours or on setting visions and goals for the future. They are often one-time events and are mostly focused on intellectual skills. Training in mindful leadership on the other hand is looking at the whole human being. It is focused on working with behaviour and experience in the present moment. Hence, it is not another independent leadership construct, teaching an additional intellectual skill, but enabling CFOs to change their mindsets and frameworks for action, leading to sustainable behavioral shifts.



³⁶ *Mindfulness & Leadership* by Alex Trisoglio, Mobius Executive Leadership.

³⁷ *Mindfulness in Organizations*, Jochen Reb and Paul W. B. Atkins.

“Mindfulness is a “must-have” for executives: a way to keep their brains healthy, to support self-regulation and effective decision-making capabilities, and to protect themselves from toxic stress.”

Most of the traditional leadership training programmes start from the basic assumption that people are making conscious choices and decisions. Yet as we have seen, the current environment has a tendency to trip us up and make us fall into unconscious habitual and fear-based cavemen patterns in the present moment.

Research in neuroscience suggests that mindfulness training has the power to alter our brain structure for the better, in particular change our unconscious response to the VUCA world. Neuroscientist Richard Davidson³⁸ and his team suggest that mindfulness training can change our in-built response to pressure and demands by strengthening our executive brain and by increasing the white matter between the reptilian brain and the executive brain. By dampening the reptilian brain, the executive brain is able to quieten signals associated with negative emotions. As a result, we get triggered less often and when we do, we gain the ability to step back, become aware of what is happening and as such can make a choice to respond differently this time. This naturally leads to a capacity for better self-management so that CFOs can act with integrity and authenticity even when under pressure. Austrian neurologist and psychiatrist Victor Frankl³⁹ describes this by saying:

“Between stimulus and response, there is a space. In that space is our power to choose our response. In our response lies our growth and our freedom.”

Davidson’s research further suggests⁴⁰ that mindfulness training increases our ability to focus and manage our attention. As a response to the increasing neuro-scientific evidence of the power of mindfulness training, the UK Mindfulness All-Party Parliamentary Group has launched a report “Mindful Nation UK”⁴¹ in October 2015. This report also includes a section on mindfulness in the workplace. Mindfulness is a secular contemplative science that has two elements: the formal element, which is called meditation and the informal element, which applies what is learned during the meditation to a person’s life at home or at work. In the report, the Mindfulness All-Party Parliamentary Group describes mindfulness as:

“Paying attention to what’s happening in the present moment in the mind, body and external environment, with an attitude of curiosity and kindness. It is typically cultivated by a range of simple meditation practices, which aim to bring a greater awareness of thinking, feeling and behaviour patterns, and to develop the capacity to manage these with greater skill and compassion.”

Training in mindful leadership helps CFOs regain the capability to be present in the midst of the turbulent environment. According to Janice Marturano⁴², the Founder of the Mindful Leadership Institute, mindful leadership training is seeking to train four specific capabilities: focus, self-awareness, creativity and compassion. Mindfulness allows CFOs to manage their inner landscape and get into a different relationship to their thoughts, emotions and stress. It trains their ability to stay focused and create mental space as well as increases their awareness of self, others and the broader system they operate in. This allows CFOs to skillfully respond to what any given situation requires as well as to increase their resilience. Increased awareness of others, especially when it comes from a compassionate place allows CFOs to become more effective relationship managers. Being able to tune into people not just so that they get them to do what they want command-and-control-style, but because they care, will enable CFOs to be more inspiring and effective leaders.

Furthermore, the 2007 RESPONSE Project,⁴³ funded by the European Commission 6th Framework Programme, suggests that mindfulness-based leadership trainings were the most effective tool to lead to greater levels of Corporate Social Responsibility (CSR), leading to increased integrity and ethics. Integrating mindfulness into traditional leadership training programmes infuses these with awareness and presence, which allows leaders to change unconscious habitual patterns. It enables CFOs to have a different impact on the people they lead and the shareholders, suppliers and partners they interact with. Neuroscientist Britta Hölzel⁴⁴ even goes as far as to say “mindfulness is a “must-have” for executives: a way to keep their brains healthy, to support self-regulation and effective decision-making capabilities, and to protect themselves from toxic stress.”

38 *The Emotional Life Of Your Brain*, Richard Davidson, Sharon Begley

39 *Men’s Search For Meaning*

40 *The Emotional Life Of Your Brain*, Richard Davidson, Sharon Begley

41 http://www.themindfulnessinitiative.org.uk/images/reports/Mindfulness-APPG-Report_Mindful-Nation-UK_Oct2015.pdf

42 *Finding the Space to Lead* by Janice Marturano

43 http://www.insead.edu/media_relations/press_release/docs/RESPONSE-Executive-Briefing.pdf

44 <https://hbr.org/2015/01/mindfulness-can-literally-change-your-brain>



PALMA MICHEL

Palma Michel is a qualified lawyer, mindful leadership advisor, executive coach, mindfulness & meditation teacher and sought-after public speaker. She is the Co-Founder of Profuse29 (www.profuse29.com) and the mindful leadership spokesperson for London Meditation (www.london-meditation.co.uk).

Palma previously spent ten years as a board and CFO headhunter with two of the world's leading executive search firms Heidrick & Struggles and Korn/Ferry International in Europe and Asia. She has over a decade's worth of experience in advising and coaching top CEOs, boards and investors on senior leadership and people issues.

She is known for giving practical advice to individuals and corporations on how to integrate mindfulness and meditation into their lives. Her focus is on how companies can apply mindfulness to increase productivity, resilience and creativity. She has a keen interest in applying mindfulness to building purposeful, innovative and sustainable cultures that allow enterprises and individuals to thrive in the 21st century. Palma's corporate client base includes start-ups, creative businesses, global multinationals and the government.

Palma regularly speaks about mindfulness in the workplace, mindful leadership and mindful living. She has recently been hosted by the LSE, NeuroBusiness 2015, Finance Dialogue Ireland, and The Soho House Group.



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