

Unconventional leadership leverages complexity for advantage

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Business complexity is on the increase in South Africa, according to KPMG's Confronting Complexity South Africa report. To gain competitive advantage, companies should be investing in leaders who thrive in this new environment.

The KPMG report, published towards the end of 2011, shows that 84% of the companies surveyed say that complexity has increased in the country over the past two years, most believe it to have risen significantly, and 68% foresee more complexity over the next two years.

Increased costs and increased risk are identified as the major causes of this complexity, similar to the rest of the world, but South African companies also view delays in sealing deals and transactions as major issues perpetuating complexity.

Rather than fearing this complexity, an overwhelming 82% of CEOs see the potential for exploiting this, 88% believe the possibility exists to gain a competitive advantage, and 80% argue that it could help focus existing strategies.

Over the past two years, South African companies have sought to adapt to the rising complexity with 82% of them reorganising parts of their business, and 88% improving information management.

According to Chris Breen, programme director of the Leading Executive Programme at the UCT Graduate School of Business, the research shows that South African companies have a healthy attitude towards complexity and that they're doing all the right things to manage it and capitalise from it, but "a major issue stands out."

SA companies do not view changing approaches to human resources as effective for managing complexity. According to the KPMG survey, 85% of Chinese companies, 80% of Indian companies, and 76% of Brazilian companies do, but only 36% of SA firms believe changes in HR strategies help.

"But changes to HR approaches are critical in a time like this. Specifically, companies should be doing everything they can to develop the future leaders of the company; leaders that will be facing greater degrees of complexity and will need to draw from deep resources in order to manage this," says Breen who directs a programme for business leaders at the GSB that creates a space wherein their basic beliefs and assumptions are explored, challenged and examined. The Leading Executive Programme explores contemporary thinking around complexity but also the personal and intellectual boundaries delegates have that hinder their ability to lead in a convoluted world.

And Breen is not alone in this view. At the World Economic Forum's Annual Meeting of New Champions in China last September, participants called for an overhaul in management and leadership needs in the face of increasing complexity.

Models and tools can go far to help cope with complexity, but the chief obstacles are conceptual and psychological, said a panel of experts at the meeting. And the new approach to leadership required is one that most managers and leaders are unaccustomed to.

President of George Mason University in the US, Ángel Cabrera said at the forum: "We are dealing as control freaks. The cognitive system that we've been endowed with compels us to seek order, to seek simplification. We're bumper-sticker thinkers."

"Instead, complexity calls for experimentation, the rejection of single, simple explanations of reality and the ability to maintain entirely contradictory views of reality," he said.

Carlos Ghosn of Nissan and Renault, in an interview with McKinsey Quarterly, said that leaders today have to be able to deal with both internal and external crises.

"Business schools may prepare people to deal with internal crises," he said. "But I think we need to be more prepared for external crises, where it's not the strategy of the company that is in question; it's the ability of their leaders to figure out how to adapt that strategy."

"We are going to have a lot more of these external crises because we are living in such a volatile world-an age where everything is leveraged and technology moves so fast. You can be rocked by something that originated completely outside your area."

Operating in a state of complexity can be quite overwhelming for many leaders, says Breen, because the dense interconnections between a diverse range of separate yet interdependent entities creates an environment that is tricky to navigate and difficult to read.

"There is very little success in trying to predict the outcomes of decisions, internally and externally, using traditional business thinking and forecasting," says Breen. "Only leaders who are well-anchored in themselves, fearless, unassuming and open to change, can manage teams in this uncertain environment. And these leaders in the workplace today need to be developed in such a way that prepares them for increasing complexity."

The Leading Executive Programme runs from the 20 October 2013 to the 2 November 2013 at the UCT Graduate School of Business. For more information please contact Tracy Kimberley on 021 406 1346 or visit www.gsb.uct.ac.za/lep.

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