

## Grasping the pendulum swing

*“There is a tide in the affairs of men. Which, taken at the flood, leads on to fortune.”  
From Shakespeare’s Julius Caesar*

Covid and the unprecedented lockdown of billions of people in 2020 changed almost every facet of our lives. In the face of enormous stress, it underlined the importance of having wider perspectives that help us negotiate the way to a better place. The unique situation led TAI to publish a thought-piece series then, titled *Wider Perspectives*, on the drawn-out saga with its distinct acts - akin to a Shakespearean play - with plotline twists, big morality themes and lessons to be learned.

Act I started with three defining moments: Australian bushfires reinforced climate change’s deadly path ahead; Covid proved to be truly deadly and disruptive; and George Floyd was unlawfully killed, revealing a society deeply wounded by racial injustice.

In act II we climbed to a new view of changed surroundings via long, hard routes that revealed wider perspectives. Act III found us extremely fatigued and stressed with a sense of loss of control and life just happening to us. But the human spirit showed its optimistic mettle with a determination to adapt.

As we enter act IV, the consequences of climate change continue to frighten us, the Russia-Ukraine conflict continues to stress and depress us and Covid’s grip on us has relented a little, but its long goodbye is everywhere.

Two years on, Covid has spectacularly revealed the connections and risks inherent in our ecosystem and some adaptations required to survive and perhaps flourish:

- Rethinking goals and reconstructing lives. We’ve learnt how a burning platform can make us quickly adapt, witnessed by the speed of vaccine development and movement to remote working
- Appreciating the value of ours and others’ wellbeing has increased our focus on people and mental health, which has been shown to be less sturdy than our physical health
- Increased personal choices at work for many with improved work / life integration
- A wide spread of Covid outcomes, with rough justice everywhere, has brought people together in global conversations and provided great opportunities for new narratives to better define us.

These observations come through *zooming in* to our personal lives and *zooming out* on this world in disarray. In the process critical thinking has advanced. And our perspectives have widened considerably in three relevant areas: work designs, people and teams and changes in the investment industry.

### Work design

Covid made us think more seriously about the world of work than ever before and we have a number of innovations to brag about, most notably the clear merits of hybrid working. But disappointment awaits if we don’t improve the coordination and culture that are necessary for this model to succeed. What could be a sweet spot, between office and home working, can also be a sour spot largely because it has been reimagined and loosely managed in a siloed way. We suggest there are three considerations that should be joined-up to avoid this: employees craving flexibility and meaning; employers requiring productivity and impact; and organisational culture reinforcing a strong sense of belonging and teamwork to support productivity. Bringing these strands together calls for a special type of leadership that contextualises the challenge as a collective-action opportunity.

The corporate workplace has seen significant progress on various society-reflecting initiatives recently, namely inclusion and diversity, learning and development platforms and the *working from anywhere* (WFA) model. But the biggest progress seems to have been in refining organisational purpose and addressing multiple stakeholders and central to this is the elevated role of values at work.

But this is a complex area because values can be tangled and contested and there are many cognitive traps. For example, as a social species we have a tribal mindset that slips easily into “them” and “us” positions. However, encouragingly more organisations are valuing inclusiveness and fairness

and seeing the benefits which flow from a strong culture built on great diversity and belonging. Exemplar organisations will exploit these attributes in so-called Superteams that draw power from combining these.

### ***People and teams***

Leadership in this environment has got a lot tougher. It carries new expectations and narratives and requires a new form of judgement amidst great uncertainty. At the same time, data is more difficult to trust and decisions are trickier to make. This demands a strengthening of coalitions, more diverse counsel, dispassionate assessments and a disciplined follow-through. As well as a different form of leadership that is more in tune, empowering, agile and humanistic.

The work zeitgeist is changing fast, as millennials become a larger cohort and demand more respect, inclusion and work/life integration. This calls for a new leadership model that is less hierarchical and more networked, is more versatile and driven by soft power.

### **Investment at a pivot point**

Covid has accelerated the pendulum swing of change in the investment industry faster than at any time before. Sustainable finance generally and climate change in particular have moved rapidly up the list of considerations and growing resources are devoted to net-zero emission ambitions and Paris alignment.

While investment organisations continue to put financial interests first, as part of the fiduciary mindset, the investment organisation of tomorrow must have the capability to build three-dimensional portfolios that generate return, manage risk and also deliver impact. This calls for deeper skill levels and greater leadership competency because the future long-term pool of capital will need to be managed completely differently in the coming years. In addition to leaders having more of the above-mentioned attributes, they also need to practice *systems thinking*. This accurately recognises the myriad of hard and soft factors influencing the investment opportunity set and properly prioritises the long-term without ignoring the short-term exigencies.

Covid reinforces the critical need for investors to grapple with systemic risks and the sustainability outcomes of their investments. Systemic risks cannot be mitigated simply by diversifying the investments in a portfolio. They threaten the functioning of the economic, financial and wider systems on which investment performance relies. If risks of this sort materialise, they would damage the performance of a portfolio as a whole and all portfolios exposed to those systems.

So, investment funds need to apply *systems leadership* principles which: widen their field of vision; collaborate to find system-level solutions; and invest for long-term sustainability impacts. All of which benefits them because they are part of the system. This is a three-dimensional investment model that employs universal-ownership principles as a crucial contributor to successful industry outcomes and is a unique coming together of theory, values and teamwork.

### **Where to next?**

Covid, the climate-change crisis and the Russia-Ukraine conflict are certainly testing our critical thinking and forcing us to be more adaptive, collaborative and innovative.

We can learn from other industries how to best combine these attributes. Witness the evolution of Silicon Valley firms that grew and innovated because of a passion for combination within and across different organisations. Witness also our own Thinking Ahead journey which has a 20-year milestone this year of trying to see around corners and connect dots. That is not to say we have always got things right - we've certainly missed things - but our patience has produced the longer-term pay off of big-idea success. We've done this by using a [Skunk Works](#) approach: having a separate and focused structure with an inclusive, diverse and fair culture.

The roads in our world stretch out in front of us and there are many forks. Act IV of this drawn-out saga has turned up some prime leadership opportunities to make the right choices to enhance productivity and fulfilment at work. Three come to mind:

- Resetting organisational purpose and identity
- Exploring the nexus that links sustainability, purpose and Diversity, Equity & Inclusion
- Finding new ways to re-establish excellence in teams and how to support them.

And this leads to thinking about the inevitability of big change and the conditions needed to make it work well. One of the themes from act IV is that *none of us is as smart as all of us* with the implication that you need all the diversity you can get to combine these into opportunities. However, this simply won't happen if leadership doesn't fully grasp the speed and quantum of change and make use of the momentum from the pendulum swing.

**By Roger Urwin, co-founder of the Thinking Ahead Institute**