



NANO TOOLS FOR LEADERS®

LEADERSHIP 2.0: GAIN NEW SKILLSTO MEET NEW CHALLENGES

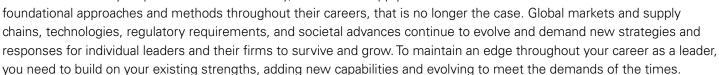
Nano Tools for Leaders® are fast, effective leadership tools that you can learn and start using in less than 15 minutes—with the potential to significantly impact your success as a leader and the engagement and productivity of the people you lead.

THE GOAL

Add to your existing leadership strengths to maintain an edge as time and circumstances change.



Learning to lead is not a "one and done" assignment, a box to tick before you get responsibility for a team of direct reports. While CEOs like Jack Welch, who led GE in a 20-year period of relative stability, were able to apply the same



In addition to the examples of the CEOs I followed in <u>The Edge</u>, I have identified four key mission-critical rules leaders in every business in every industry need today. Keep in mind as you work to incorporate these skills that, in the years ahead, others will surface. Identifying, acquiring, and applying these updates is an ongoing process.

ACTION STEPS

- 1. Manage risk. At its annual meeting in Davos in 1997, the World Economic Forum held just a dozen sessions (out of nearly 250) that were explicitly focused on risk. By the 2010s, that amount was almost 50 percent. The soaring interest in managing risk reflects a soaring rise in risk itself. Taking certain calculated risks and avoiding others has and should become a critical part of any firm's agenda, and thus its leader's template. According to my research, executives are generally now appraising their threats and disruptions in a more explicit and deliberative fashion, making risk management a more integral part of their business leadership. It's now necessary to understand the intricacies of risk management in order to oversee your team or firm's building of readiness and resilience for any crisis, whether due to climate change, financial meltdowns, or terrorist attacks. For example, the call for companies to improve risk management by "unsiloing" is getting louder, and such a move requires leadership direction and oversight.
- 2. Provide Nonmarket Assistance. Corporate giving has become a business norm, as Luis Ballesteros's detailed look at the 3,000 largest companies worldwide made clear: while less than a third had contributed anything to disaster relief in 2000, by 2015 more than 90 percent were doing so, and on average their donations had increased tenfold. When those donations are made thoughtfully, they benefit the giver and the receiver—what some call "doing good while also doing well."







If you are operating in a country struck by a disaster, whether an earthquake or infectious disease, follow the emerging norm and give, or be prepared for censure from both business and public leaders. Keep in mind that aid to disaster victims achieves its greatest value in regions where the company already has an operating presence. Donating in these places can restore a region's development path and benefit the company over time, while an absence of donations can impair local development for a decade.

- 3. Diversify stakeholders. The Business Roundtable declared in 2019 that corporations should move away from a singular focus on shareholder value and embrace a broader commitment to customers, communities, employees, and suppliers as well. After widely publicized cases of police killing people of color in the U.S., major companies stepped forward in 2020 with programs and donations supporting anti-racist and anti-sexist actions. Company leaders will increasingly be called to bring greater inclusiveness into their ranks and to explicitly combat misogyny and racism.
- 4. **Digitize the firm.** Understanding how to build and deploy artificial intelligence, data analytics, and digital technologies has also become an essential capability for leaders everywhere. "The very concept of the firm," write two university researchers who studied the consequences, "is evolving as processes become embedded in software, and as data, analytics, and Al drive an increasing proportion of operating activities and managerial decisions." As a leader, you need to develop a deep appreciation for these and other functions, as opposed to detailed technical knowledge.

HOW ORGANIZATIONS USE IT

- Hans Læssøe spent nine years as Lego's senior director of strategic risk management. During that time, the company went from a dire financial situation to quadrupling its profits—and outstripping Apple's—just a few years later. Læssøe credits this rise to two things: senior leadership commitment and learning from those with more experience. Lego hired a CFO from banking, an industry that led others in embracing risk management. That CFO and other executives gave Læssøe the time to build and embed a robust risk-management approach. Læssøe also learned from a network of strategic risk managers from other companies, including Novo Nordisk and Shell Oil.
- Within hours of Chile's 2010 earthquake, multinational mining company Anglo American pledged \$10 million for relief, the first major private donor to step forward. The funds were allocated to projects to rebuild houses and schools and implement emergency water and electricity services in a market to which the company was highly reliant—benefitting both the local community and the firm.
- Tony Xu, Doordash's CEO and co-founder, released a statement which read in part: "Like many of you, I read about the inhumane murder of George Floyd....With this latest injustice coming on the heels of the murders of Ahmaud Arbery, Breonna Taylor, and so many others over the years, my emotions have ranged from anger to sadness to depression." Xu outlined four specific actions the company was taking to combat racism, including the donation of \$500,000 to Black Lives Matter, and to hold themselves accountable to "increasing diversity in our leadership teams—inclusive of underrepresented people of color—by tying progress to job performance and promotions, and by rejecting hire requests that have not interviewed a diverse slate of candidates."

CONTRIBUTOR TO THIS NANO TOOL

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KNOWLEDGE IN ACTION: RELATED EXECUTIVE EDUCATION PROGRAMS

Mike Useem is faculty chair of the <u>Advanced Management Program</u> and directs the following: <u>Becoming a Leader of Leaders: Pathways for Success, Leading through Challenging Times, Boards That Lead: Corporate Governance That Builds Value, and <u>Corporate Governance: Essentials for a New Business Era.</u></u>

ABOUT NANO TOOLS

Nano Tools for Leaders® was conceived and developed by Deb Giffen, MCC, director of Custom Programs at Wharton Executive Education. Nano Tools for Leaders® is a collaboration between joint sponsors Wharton Executive Education and Wharton's Center for Leadership and Change Management. This collaboration is led by Professors Michael Useem and John Paul MacDuffie.