

A Bevy of Black Swans

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Context

Although it has probably been said often through the ages of humanity, we do indeed live in challenging times. The third decade of the 21st Century does bring with it both extraordinary challenges, and we suspect for some quite significant opportunities. In engagements with clients, partners and associates over the past few years, and the more recent past few months, we have increasingly become aware of the enormity of the demands being placed specifically on leadership.

In this short article, we will share our own perspectives with you. The article is not meant to be an academic or intellectual approach, but one where we share our own lived experience and thoughts. We will, where relevant, reference some “science”, but only to clarify our pattern of thinking. Our invitation to you is to engage us in conversation, not so much to find “the answers”, but to at least explore whether we are asking the right questions.

Black Swans

“A black swan is an unpredictable event that is beyond what is normally expected of a situation and has potentially severe consequences. Black swan events are characterized by their extreme rarity, their severe impact, and the practice of explaining widespread failure to predict them as simple folly in hindsight”¹.

One of the key issues of our current world, is that these black swans are not “extremely rare” anymore, and there now seems to be a bevy of black swans. Some examples will illustrate.

- The social and political upheaval in Hong Kong led to the Chinese government preventing their citizens from vacationing in Hong Kong. This has led directly to a significant drop in the consumption of Abalone which has severe negative consequences for Abalone farming in the Western Cape;
- In parallel with this, there was an outbreak of swine flu in China leading to the culling of almost half of the livestock. This meant that a fishing company in

Namibia lost a significant portion of their revenue which was the export of fishmeal to China;

- The Corona Virus has led to the closure of production and manufacturing plants in China, with potentially devastating consequences for construction and motor vehicle parts in South Africa as there has been a sudden and dramatic reduction of import of stock and materials;
- The consequences of the finalisation of Brexit is still not clear, but we know that there will be massive social, political and economic consequences. Most of these we suspect cannot be predicted now;
- The steady rise of “-ism's”, whether based on religious or political views leading to increased social divide;
- Global natural disasters such as bush fires (and flooding) in Australia and severe weather patterns over much of Europe;
- Social and demographic trends that are forcing many countries to rethink the healthcare and financial systems that will be able to support not only an ageing population, but also the diaspora of people globally.

In South Africa we are not only challenged by these global “black swans”, but we have our own to contend with. We have massive economic challenges, significant political and social upheaval, massive unemployment, draughts in some areas of the country, and perhaps of significant importance, an apparent lack of credibility in the international investment community.

In simple terms, and if one were to use the typical PESTEL² framework it is clear that there are black swans present in almost every domain of our landscape.

From Complexity to Disorder

Much of our thinking about complexity is informed by Levels of Work Theory^{3,4}, and we have over time seen how important it has become for enterprises to understand from a systemic perspective the interplay and interdependence between different levels of work. We have also witnessed the positive (and negative) consequences when individuals are able (or not) to generate the requisite complexity to deal with the challenges facing and opportunities presented to their enterprises.

In this context, we could not help but be reminded of the Cynefin⁵ framework. In Figure 1 - Cynefin Revisited below, we show that, in our view, the central piece called disorder has increased in size quite dramatically. While we could reasonable argue that, over time, the Complex and Chaotic elements of the original framework has increased in relative size, we do believe that the bevy of black swans have over a very short period of time led to a situation where, for the most part, we are faced with constant “disorder”. To quote a colleague of ours, “disorder has become the order of the day”.

Disorder is small



Disorder is the order of the day

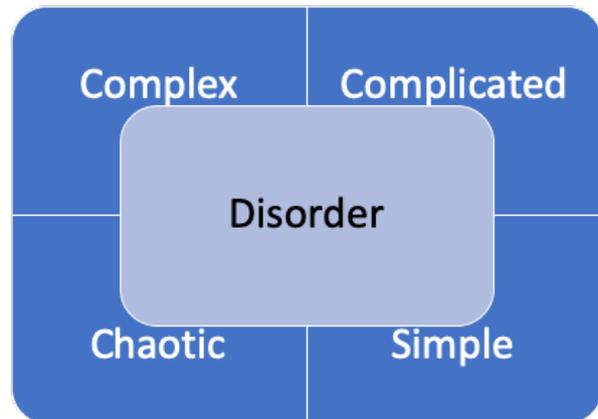


Figure 1 - Cynefin Revisited

A complex system is characterized by three features: it is non-linear (small inputs lead to large and unpredictable results), it is open (influenced by things from outside of "itself"), and it is chaos-capable (meaning it can function in erratic, unpredictable ways at times). Complexity theory reveals that all complex systems have emergent properties, processes that arise from the flow of the system's elements across time. Mathematics, a form of science revealing aspects of reality, suggests that one of those emergent properties is self-organization. This is where a process arises from the elements of the system and then turns back and regulates that from which it arose.

Leading and Managing Systemic Interdependencies

An additional dimension to the challenge of leading and managing in a period of disorder, whether originating from from the external world or self-inflicted, is to develop a sufficient level of understanding of system dynamics in organisations. System dynamics and thinking can be defined as "an approach to understanding the nonlinear behaviour of complex systems over time" and requires a system thinking capability from leaders. Systems thinking can be defined as the conscious act wherein an organisation is viewed from a "holistic approach to analysis that focuses on the way that a system's constituent parts interrelate and how systems work over time."⁶

The two fundamentals to recognise are:

Systemic interdependence

- Recognition to understand organisations consist of multiple components and the components are interlinked (interdependencies) and decisions on components will impact on other components as well.

Multiple time horizons

- All management and leadership decisions and behaviours will inevitably occur in time zones in terms of downstream implications over the short, medium and longer term.

The Systemic Relationships (interdependencies) of an Enterprise

The diagram (see Figure 2 - System Interdependencies) depicts the organisational as a network of interdependencies. and in this particular case expressed as a series of triangular relationships. Business strategy forms the pivot in the centre with six triangular constructs and two rectangular relationships excluding the bilateral relationships. The pragmatic implication is that no business decision can be considered in isolation without understanding the upstream and or downstream implications, A decision on technology solutions, for example, will have consequences for business processes, people and structures. Similarly, a decision on market segmentation will have implications for product range and geographies.

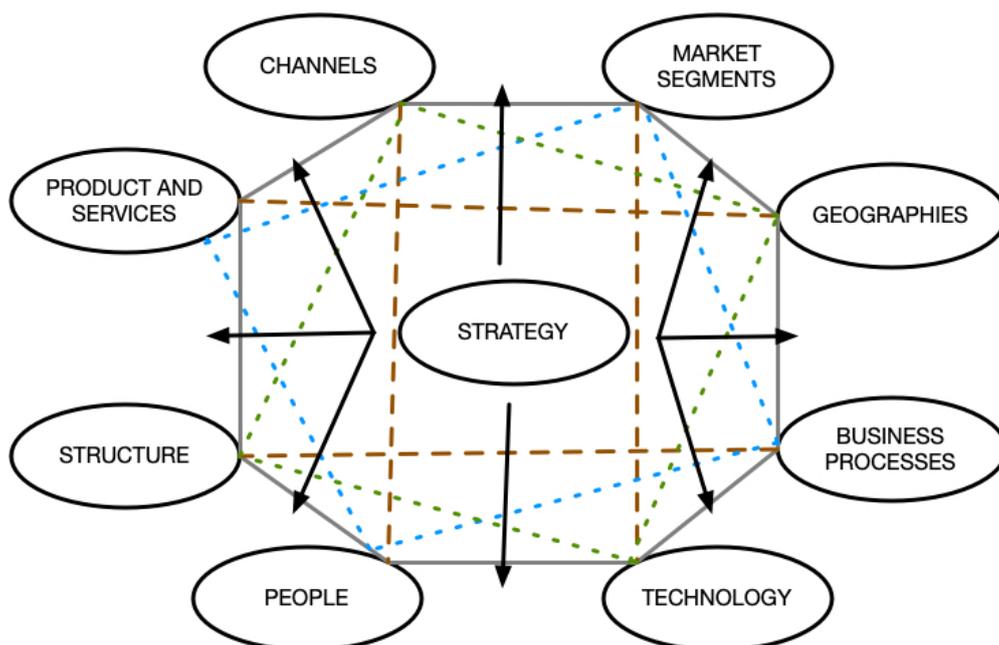


Figure 2 - System Interdependencies

Multiple Time Horizons

The additional dimension to the systemic interdependencies highlighted above, is the additional reality that organisational behaviours will inevitably play themselves out over three time horizons. These are referred to as short-, medium- and long-term respectively. A further complication is that these three time horizons are not mutually independent or exclusive, but that shorter term actions will undoubtedly also have consequences, planned or unplanned, for longer time horizons. This increases the importance of understanding the crossing points between the three horizons as indicated. Pragmatically, it also means we have to be and remain very conscious of what is really happening, and how it may impact on our thinking and actions over different time horizons⁷.

Strategic planning : Horizons

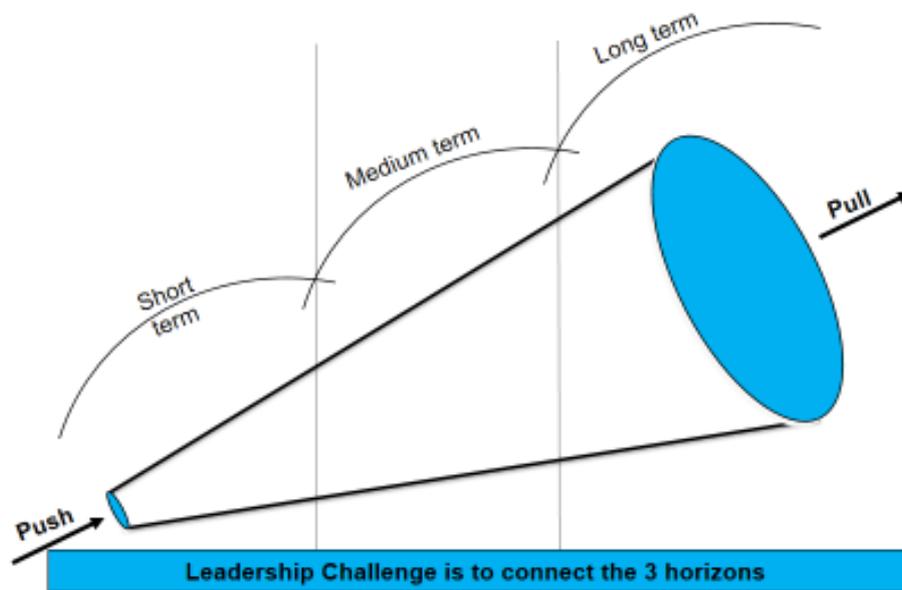


Figure 3 - Multiple Time Horizons

Leadership During Disorder

Keeping in mind the context created by the bevy of black swans, and assuming you agree with our view on increased disorder, some key questions from a leadership perspective might be:

- What does leadership look like that can formulate and implement:
 - action plans over the short term that will ensure business continuity (survival), AND
 - strategy that will ensure sustainable positive impact for diverse groups of stakeholders over the longer-term?
- What does leadership look like that can create the organisational capacity to execute the short-term actions and longer-term strategy effectively and efficiently;
- Through people that are and remain committed and engaged despite the potential enormity of challenges?

In our experience, organisations are increasingly reflecting on dimensions that may be summarised as in Figure 4 - Leadership Dimensions below.

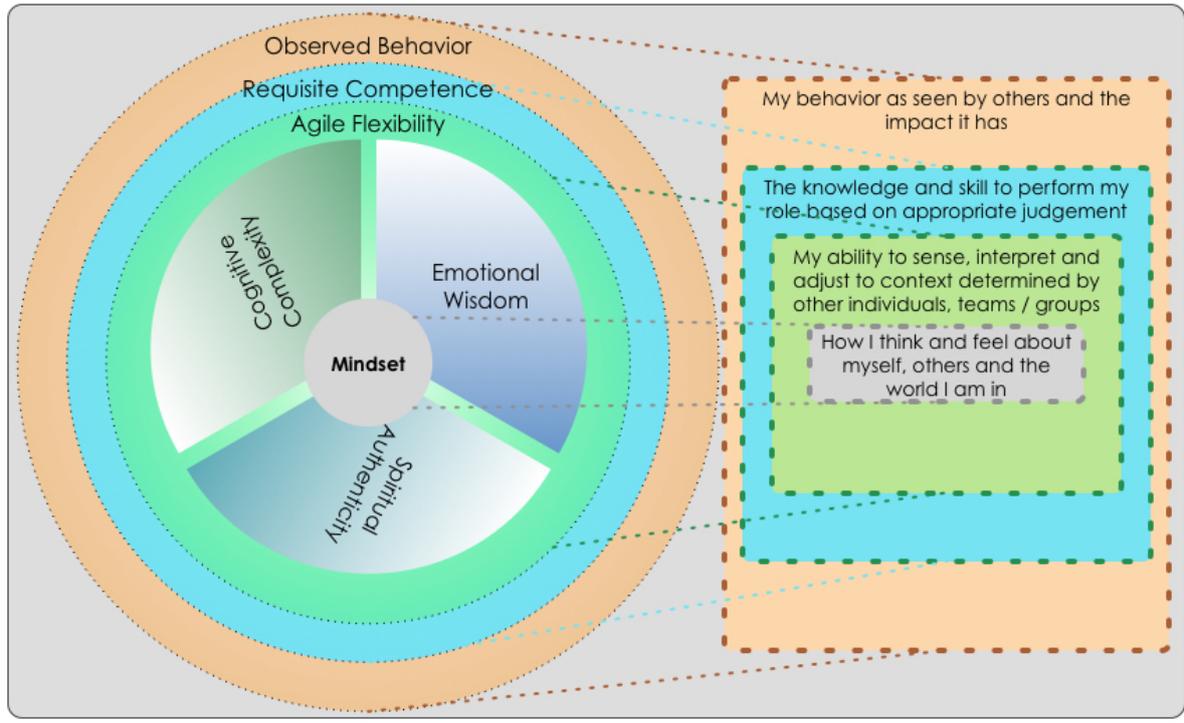


Figure 4 - Leadership Dimensions

What is suggested is that the Leadership that can address the dimensions posed above, have mastered the following:

- They have great clarity on exactly who they are, and how they think and feel about other people and the world within which they work;
- They are able to understand the context of others;
- They have the knowledge and skill to exercise judgement appropriately; and
- They consistently behave in a manner that creates positive impact.

From a leadership perspective it implies a mandatory and rigorous thought process wherein the components of organisational dynamics have to be assessed strategically as part of the eco system to prevent unintentional blind spots. The response to black swan events even more so demands a systemic approach to thinking and planning to mitigate the risk of incomplete or even shallow thinking.

We are mindful that these simple points in fact assume a wide range of demands being placed on leadership (and the leader). In our work with clients, we have begun to use a specific language to clarify the thinking contained in these points. We use the term "leadership capability" to include four aspects, these being:

- The mind-set of the individual leader and/or of the leadership community, including values, beliefs, worldviews and so forth;
- The ability to generate cognitive complexity appropriate to their role (this thinking is informed by Levels of Work Theory);
- The emotional wisdom to be able to engage the hearts and minds of people who all have their own perspectives and dreams; and

- The spiritual authenticity to remain a constant in dis-ordered world so that trust is based on predictability.

Conclusion

In this short article, we have attempted to show the following:

1. The world has seen the advance of a bevy of black swans. They no longer occur as rare events spaced over time, but cluster together over much shorter time frames;
2. They lead to a series of mostly unplanned systemic consequences;
3. The interdependencies of which also play out over different time frames, some immediate, some potentially only over the longer term;
4. Which places extraordinary demands on the capabilities of leadership at all levels of the enterprise, but also in all spheres of life.

As suggested in our introductory comments, we do not claim to have the answers to the challenges facing leaders. What we do hope to have added to you, the reader, are some frameworks to guide you own thinking, so that you can frame the mindful questions before coming to conclusions and taking action. Finally though, action you will simply have to take.

References

¹ <https://www.investopedia.com/terms/b/blackswan.asp>. Accessed 17 February 2020

² Kotler, Phillip and Gary M. Armstrong(2006), *Principles of Marketing (Version 12/E)*. Pearson Education Inc. New Jersey

³ Jaques, Elliott; Cason, Kathryn (1994). *Human capability: a study of individual potential and its application*. Falls Church, VA: Cason Hall & Co

⁴ Jaques, E., (1971). *Time-span handbook: The use of time-span of discretion to measure the level of work in employment roles and to arrange an equitable payment structure*. London: Heinemann.

⁵ Kurtz, Cynthia F.; Snowden, David J. (2003). "The new dynamics of strategy: Sense-making in a complex and complicated world"(PDF). *IBM Systems Journal*. **42** (3): 462–483.

⁶ Wheatley Margaret, J. (2006) *Leadership and the New Science: Discovering Order in a Chaotic World*.

⁷ Markgraaf, B. (2019) *Short-Term, Medium-Term and Long-Term Planning in Business*.