Thinking the unthinkable
Facing the new leadership challenge

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Events such as Donald J. Trump's election to President of the United States, Britain leaving the European Union, the scale of the EU migrant crisis, Saudi Arabia forcing down oil prices by 60 percent, Russia's seizure of Crimea, Islamic State's capture of Mosul, and the threat of Ebola: these are some of the new "unthinkables" that corporate and government leaders failed to contemplate in recent months, despite evidence of their growing likelihood and impacts. Currently, the leader of France's far-right National Front party, Marine Le Pen, is running to be France's next president. Although pollsters are predicting a loss for Le Pen, do events such as Brexit and Trump's recent win signal a rise of populism and protectionism? If so, what was the reason for this, and what changes in the reality of the risk landscape does this signal? Furthermore, does reliance on conventional forecasting blind us to the prospect for disruptive change? ❯

Around 60 candid one-on-one interviews with corporate and public service leaders and politicians reveal the full scale of executive unwillingness to contemplate the implications of this "new normal," as well as their preparedness. "Unthinkables" are, in reality, "unpalatables." With this in mind we need to ask why staff and colleagues often hold back from sharing data and evidence that C-suite executives need in order to be prepared for the unthinkables.

In their new research,[1] Nik Gowing and Chris Langdon reveal how current leadership assumptions and conformity are being challenged by new, overwhelming realities that they have yet to fully appreciate and embrace. Mindsets, behavior, and culture are out of date.

This is exacerbated by new public empowerment from digital technology. It frequently threatens to expose a growing perception of vulnerability at the top. With these formerly rare events appearing with increasing regularity in the realms of politics, economics, terrorism, technology, and business, what was once unthinkable now demands consideration. The definition of risk must be both deepened and broadened. New ideas and approaches need to be examined.

Thinking the unthinkable event on 7 June 2016
These new challenges were discussed by clients at the Deloitte Greenhouse Innovation Lab on Deloitte UK's London campus. Gowing and Langdon's report drove what became a frank and open conversation. Those present agreed with the premise in the report and discussed the need for more thought and action around "what next?" and possible solutions.

Amidst this turbulence, corporations may find their risk processes outmoded or discover that they lack the resilience, capacity, or objective judgment to mount an effective response. The pace at which previously unthinkable events are occurring also appears to be accelerating, participants said, driven by technology that amplifies messages on social media, mobile devices, and the internet. News that once remained local or took time to disseminate is now distributed to worldwide audiences within seconds.

CRIMEA, EBOLA, ISIS, TIANJIN, MIGRATION: ALL THESE CRISES WERE... ...NOT ON THE RADAR... OR THEY WERE, *BUT* THEY WERE IGNORED

There are no "unthinkables," if as a board we are ready to face one.

THE PLAN IS NOTHING THE PLANNING IS EVERYTHING

There is no crisis that cannot be made worse by how one responds to it.

1. "Thinking the Unthinkable: a new imperative for leadership in the Digital Age" at www.thinkunthinkable.org

WITHOUT A MECHANISM TO REPORT RISK AND AREAS OF CONCERN WITIN A COMPANY, YOU RISK EMPLOYEES' GOING OUTSIDE THE ORGANISATION WITH INFO

Detecting the real problem

Deloitte US Partner for Strategic Risk Solutions Andrew Blau spoke of the need to confront the cognitive and institutional biases found in the business world—optimism bias, selective perception, and availability bias among them. Blau acknowledged that no one is immune from these biases; we all have biases and they can undermine the clarity with which we make decisions.

There is no crisis that cannot be made worse by how one responds to it. "There are ways that our brains get in the way when we're talking about complex things," Blau said. "It keeps us seeing evidence all around and undermines our ability to respond effectively."

"Speed is the key problem," a former bank executive said. "We're seven billion people connected. Public opinion is out there before the leaders have properly understood the problem."

Britain leaving the European Union as a result of the referendum on 23 June and Donald Trump winning the U.S. presidential election on 8 November were not realistic possibilities in the beginning of 2016.

"The problem is uncertainty," said an executive of a large European company. Planning for a wide range of possibilities presents challenges for business and political leaders. ⊙

There is a difference in thinking one is prepared and knowing one is prepared.

Solutions

"How can organizations navigate through some of this so they can not only survive but also thrive?" asked Rick Cudworth, Global Resilience and Crisis Management Leader for Deloitte Touche Tohmatsu Limited. "We need to keep an eye on disruptive technologies and be capable of disrupting ourselves," executives responded. Forecasts based on past performance may not be the best predictors of the future, especially when the future will be different to the past. There needs to be a shift to accept uncertainty as the "new normal".

Uncertainty brings risk and opportunity, winners and losers. The winners will be resilient, prepared and agile in response. They will have a clear purpose and values that are aligned with their stakeholders.

The group discussed the benefits of "disrupting themselves" in order to increase confidence in their ability to respond to high-impact events.

Multinational executives acknowledged that they have to change some aspects of their culture to cope with the new environment. "New developments and disruptions are constant," was one comment. While there may be crisis plans and controls in place, if crisis-readiness is not embedded in an organization, then there are opportunities to be better prepared for unthinkables.

An executive of a European family office said his organization has taken some steps toward those goals, but still has to fully embed crisis-readiness. "We have a big problem," the executive said. "One of the

areas where we all score very, very low is being able to respond to a crisis."

The recent Deloitte Touche Tohmatsu Limited report, "A Crisis of Confidence," based on a Forbes Insights survey, highlighted the disparity between respondents' perceived readiness for a crisis and their actual readiness. Planning beforehand not only enables companies to better handle the unexpected, it also helps them to recover more quickly. Deloitte Touche Tohmatsu Limited Global Crisis Management Leader Peter Dent stressed that plans should cover communication.

"There isn't a crisis that cannot be made worse by a bad response," Dent said. "You don't actually have to say a lot to be effective."

Deloitte has advised clients in a range of industries on events such as man-made disasters, terrorist attacks, and large-scale cyber attacks and data breaches.
It established a crisis management center two years ago and its services include developing play books, leadership training, social media monitoring, and providing "surge resources."

Some organizations may fail to prepare for the extraordinary because their leaders don't encourage, or even suppress, subordinates who point out weaknesses in systems or volunteer novel ideas for fixing them, other participants said. The result is conformity, "group think," and employees who fear challenging the status quo or being perceived as too maverick, Gowing responded.

Other factors that he said can impede preparedness include: being overwhelmed by multiple intense pressures, willful blindness, risk aversion, fear of making a career-limiting move, reactionary mindsets, denial, and cognitive overload and dissonance.

"The last person through the door may well have the best answer or solution," one executive suggested. Dominant figures, CEOs, or "play makers" may need to be removed from the room and younger employees and those whose opinions aren't usually sought included, to enable new ideas and solutions to flourish. One executive of a multinational conglomerate said he wants to start "reverse mentoring" so he can gain a fresh perspective from 25-year-old colleagues. Others said they would like to emulate the military and use war-gaming and red-teaming in their crisis preparations.

Moving forward
Those present acknowledged the complexity of the current risk landscape for business in general, as well as for their own organizations. How this acknowledgement can help companies move forward and increase their preparedness and resilience remains to be seen. Gowing said the next stage of his research will focus on finding solutions, including how to adapt culture, mindsets, and behavior so that organizations are better able to face the unthinkables.

As we move forward, we need to consider how to work to accept uncertainty, to understand it, and make it part of our reasoning. As recent events show, uncertainty today is not just an occasional, temporary deviation from a reasonable predictability; it is a basic structural feature of the business environment. The method used to think about and plan for the future must be made appropriate to a changed business environment. ●