



# The Agile Leader

# Introduction



## Methodology

This report is based on a survey amongst 200 senior managers selected at random from the top 500 UK companies, by turnover. Interviews were limited to one manager per company. All interviews were completed by an independent research company in June 2010, under the strict guidelines laid down by the MRS.

The economy's move out of recession has been a stop-start affair. GDP figures confirm that the UK has edged into growth, but the prospect of a 'double dip' remains amid fears over the impact of government spending austerity and a backdrop of national debt crises among some of our European neighbours.

Business leaders are finding this uncertain outlook even tougher to deal with than the stark challenges of the recent economic crisis. Recession required an all-out focus on cost reduction. In the current climate, senior managers are being pulled in two directions: cost control remains a key strategic objective, but at the same time, there is intense pressure to position for growth.

The Agile Leader explores the conflicting challenges of the stop-start economy for today's business leaders. Berkshire Consultancy's research among the UK's most senior executives reveals how senior managers are struggling to cope with split demands on their leadership, and examines the impact on business performance, workforce engagement, talent retention and ultimately, UK PLC's ability to capitalise on full-blown recovery when it emerges.

**Joanna Knight**

Director, Berkshire Consultancy

# Part one: 'tougher than recession'

The UK was given a welcome boost mid-2010, when official figures revealed that the economy had grown at its fastest pace in four years during the second quarter. However, impending public sector spending cuts and the scheduled VAT rise continue to cast a shadow over a still fragile market environment.

Uncertain times are taking a toll on senior managers at Britain's largest firms. The overwhelming majority (81%) told Berkshire Consultancy that they are finding the current business environment more difficult to negotiate than the recession. A prime reason for this is the conflicting strategic demands imposed by an unpredictable market: around four fifths of senior business leaders cite their primary objectives as cutting costs (82%) and achieving growth (78%).

These conflicting priorities are placing unprecedented pressure on senior executives. The vast majority (92%) describe the challenge as 'significant', while almost two thirds (65%) admitted that they find themselves in 'uncharted waters'. Worryingly, almost three quarters (73%) fear that the focus on cost control is hampering their organisation's ability to capitalise on market opportunities.

*"Senior managers are struggling to balance the unique business challenges of simultaneously delivering growth and cost savings, and this poses a serious risk to the private sector's capacity for recovery.*

*"When leaders face complexity and constraints it is time to adopt more flexible and creative solutions to develop an approach that works for today's climate."* Sarah Hunter, Account Director at Berkshire Consultancy.

## Clouded vision

Many of the factors causing economic uncertainty are likely to persist for the foreseeable future. The majority of business leaders (86%) expect slow growth to be a key feature of the economy over the next three years. Over two thirds (68%) anticipate that access to finance will remain restricted, with a similar number (64%) readying themselves for rising costs. Three fifths (60%) expect the next three years to be characterised by low levels of demand.

Business leaders readily admitted to Berkshire Consultancy that on-going uncertainty is hampering clarity of strategic thinking and forward planning. Over four fifths admit that they are struggling to form clear, concrete business plans (81%) and prepare budgets and forecasts (84%). Nearly two thirds (65%) of senior managers complain it is almost impossible to make accurate performance predictions in the current climate.

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# Part one: 'tougher than recession'

## Recovery at risk

With so many senior business leaders struggling to cope with the fundamentals of their job, many seriously doubt their organisation's ability to achieve strategic objectives. Their outlook paints a pessimistic picture of the country's capacity to bounce back from recession.

While more than three quarters (78%) of business leaders agree that it is important to achieve growth this year, less than half (49%) believe it is achievable. There is even less confidence when it comes to improving margins – only 46% of senior managers expect to achieve targets this year.

Though the recession-driven focus on improving productivity continues, many senior executives have low expectations as to what more can be achieved. Over three quarters (78%) of senior managers recognise staff productivity needs to be increased, but little more than half (55%) believe this is achievable. To exacerbate matters, business leaders expect to lose some of their most talented employees. Despite more than three quarters (77%) focusing on talent retention, less than half (46%) believe they are likely to succeed.



### Berkshire Consultancy's Viewpoint

**Sarah Hunter,**  
**Account Director**



*"Leaders are in danger of losing the support of their teams. Tough decisions have to be taken during recession, but today's uncertain climate demands ever-changing strategies, resulting in a perceived lack of clarity from the top.*

*Leaders need the courage to be honest about the challenges facing their organisation. If senior managers are going to take their people with them, it is down to them to personally deliver the difficult messages, and to listen and respond to the feedback they receive.*

*Good leaders do not need all the answers, nor should they pretend to have them. What they need is the agility to help their businesses grow, improve and evolve, and to challenge the way that things are done.*

*The easiest way to see things differently is to involve others, encouraging them to ask different questions, solve problems in new ways, widen perceptions and stretch your limits.*

*By adopting an authentic, honest approach, leaders will maintain the trust of staff, even when tough decisions dampen morale. This is a difficult balancing act to manage, but leaders must pay close attention to their workforce if they are to maintain engagement and morale, enabling staff to sustain performance through difficult times."*

# Part two: adaptable leadership

The uncertain economic climate has led to a crisis in confidence among UK business leaders. Every senior manager recognises that adaptable leadership is required to steer businesses through the fragile economy, yet only 14% feel they have the necessary skills.

In essence, executives' lack of confidence stems from a lack of experience: more than two thirds (69%) of leaders warn that the stop-start environment is testing them like never before. The vast majority (81%) are struggling to create a clear and consistent vision that will guide their organisation through the recovery, while over two thirds (67%) are struggling to maintain consistency in their management style. Nearly two thirds (63%) say the requirement to be a 'tough decision maker' and motivator at the same time is a stretch on their management capabilities.

*"Although business leaders are suffering a lack of confidence, it is very encouraging that they recognise that they do not possess all the necessary experience, skills and expertise," says Sarah Hunter. "Bosses and their teams now need to be given the support to adapt their style and develop new skills so that they can adopt the agile leadership approach that is needed in today's uncertain climate."*

## Workforce impact

Nearly half (49%) of bosses are being forced to regularly shift the strategic focus of their business as a result of the uncertain climate. These constantly shifting strategies are impacting employee engagement and the relationship between management and the workforce.

Around half of managers are concerned that their organisation's response to uncertain market conditions is confusing the workforce (54%) and damaging the perceived sincerity of their leadership team (47%). As a result, nearly two thirds (62%) are concerned about a negative impact on morale, while three quarters (72%) point to the increasing difficulty of gaining 'buy-in' from employees.

## Reverting to type

Frustrated by being pulled in two conflicting directions, many senior managers are sticking to what they know best. Two fifths (39%) admit to gravitating more towards cost-cutting measures, as they are finding it hard to shake off the tough image built up during the recession.

With many managers in their comfort zone in the role of cost-cutter, a risk-averse management culture is emerging. Nearly three quarters (71%) of business leaders are conscious that a risk-averse culture now persists within their organisation, with 75% admitting that they are personally more risk averse when considering business decisions, following two years of focus on cost control.

This fear of risk threatens to stifle growth. A worrying third (30%) of executives claim that their firm's leaders have "forgotten how to grow an organisation" while 1 in 2 (53%) agree that their firm is too cost conscious to take advantage of growth opportunities.

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### Crisis of confidence



# Part three: a looming leadership crisis

Our research lifts the lid on the pressure leaders are under amid the continuing uncertainty. Are UK firms losing the battle to keep their leaders engaged? Over two thirds (62%) of leaders admitted being dissatisfied in their current role, with over half (57%) stating that they are unhappy with their current employer.

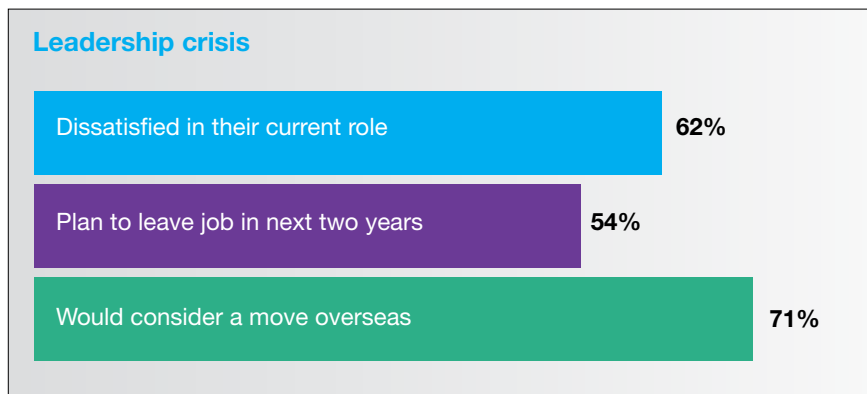
Disgruntled senior talent enjoys the luxury of being able to vote with its feet. UK firms risk a wholesale leadership 'merry-go-round' once economic conditions show signs of sustainable improvement.

Senior leaders have low expectations for the retention of senior management in their firms. Half of bosses lack confidence in their organisation's ability to retain the best leaders as the economic outlook improves. On average, they expect to lose nearly a third (29%) of leaders over the next year, and close to two fifths (38%) over the next two years.

These expectations are duly reflected in the number of senior managers looking to move on. Nearly half are actively looking for a new role outside of their organisation. Almost a third (29%) plan to leave their jobs within the next year, rising to 54% within two years. Indeed, the only reason that 43% of senior managers are still with their current employer is continuing economic uncertainty.

On a macro-economic level, our research suggests that the UK economy faces a worrying potential leadership talent drain. Nearly three quarters (71%) of senior managers say they would consider a move overseas.

Sarah Hunter says: *"Leadership development was neglected during the downturn, but it is more important than ever before to invest in people. Through continuous investment in development, businesses will send out the message that they believe in quality, and improving productivity and profitability through people."*



## Berkshire Consultancy's Viewpoint

**Joanna Knight, Director**



*"Leadership succession planning and development took a back seat during the recession, and UK PLC is in danger of losing some of its brightest talent as a result. It is time for firms to put in place plans to equip their management teams with the skills needed to steer companies through ongoing change and uncertainty.*

*Agility will be critical if leaders are to deliver ongoing cost cutting and growth objectives over the coming few years. Organisations need to focus on identifying and developing the agile learners who will be tomorrow's leaders. They need to concentrate on those employees with greater willingness to adapt and ability to confront and succeed in new situations.*

*Lengthy, off-site leadership assessment and development can be costly, which is why appropriate alternatives need to be found. The most effective development and succession planning for today's environment is to engage line managers in the assessment and development of talent in the workplace. Relatively minimal training is required to help managers actively and systematically observe, debrief, coach and develop individuals in the workplace."*

## Concluding comments



Our research sheds a worrying light on a frustrated generation of business leaders. Senior managers fear that they lack the agility required to respond to contradictory challenges with flexible business strategies. As a result, they are struggling to provide clarity to and maintain credibility with their workforces.

Bruised by the recession, and left to navigate turbulent and uncharted waters, the current crop of business leaders may be lining up to jump ship as soon as conditions improve, putting full-blown economic recovery at risk.

To get back on track, behaviours need to change. Leaders must become more agile and adopt a more democratic approach to management. They must learn to transfer certain powers to team members, transfer decision-making to individuals closest to the activity, and demonstrate a greater openness to radical ideas and innovations.

**Joanna Knight**  
Director, Berkshire Consultancy

For more information, please  
visit **[www.berkshire.co.uk](http://www.berkshire.co.uk)**  
or telephone **0118 932 3580**

## **About Berkshire Consultancy Limited**

Established in 1994, Berkshire Consultancy Limited provides a fully integrated range of specialist management consultancy services to help meet the challenges of effecting organisational change.

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