

TRANSFORMATIVE LEADERSHIP IN DEFENSE AND SPACE:

How to lead in continuous disruption

LEADERSHIP | COMMERCIAL STRATEGY | INNOVATION

HORIZONS 2025

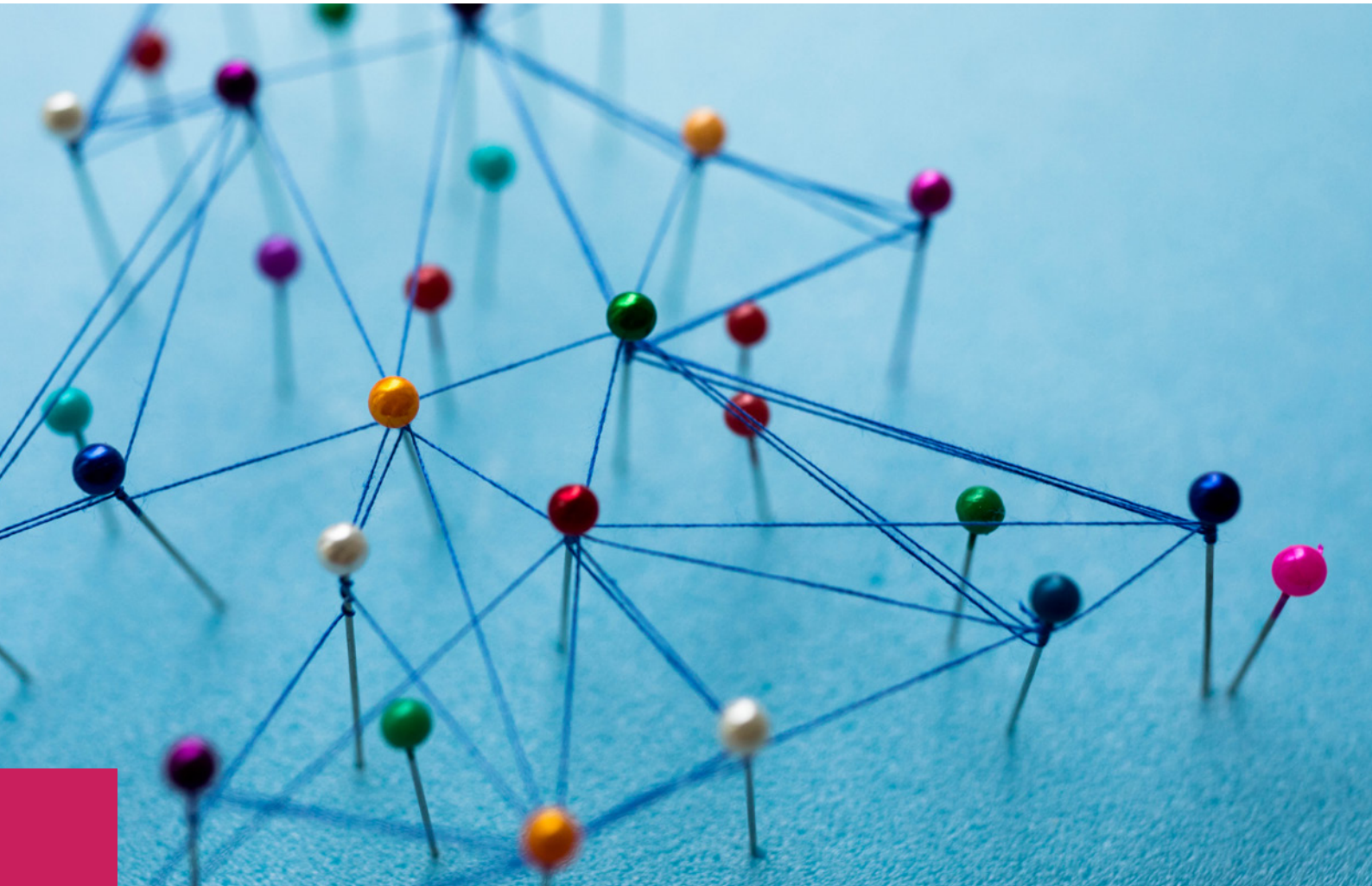


Navigating the new reality

Even before Covid-19 appeared, the world had begun to face a steady stream of disruptions. For example, many organizations felt the effects as the [Digital Giants](#) entered the landscape, and business models began to be challenged by the continuing proliferation of modern technology. But ever since the pandemic, there is an overwhelming sense that VUCA (Volatility, Uncertainty, Complexity, and Ambiguity) is all around us and ever more potent. While the global workforce already showed [signs of disengagement](#), those feelings have now escalated into mass departures, in what [Harvard Business Review](#) has termed 'The Great Resignation'. Environmental awareness is finally being translated into clear calls for action to combat climate change.

Businesses across all industries feel the pressure to adapt into agile, resilient organizations ready to face tomorrow's challenges. In turn, leaders must abandon old styles of leadership and focus on empowerment in order to fulfill everyone's potential, including their own.

"Historically, pandemics have forced humans to break with the past and imagine their world anew. This one is no different. It is a portal, a gateway between one world and the next," [reiterates](#) Arundhati Roy. The world knows how to deal with anxiety and change. The pandemic, however, has greatly fast-tracked the shift in structures, habits, and values.



The world is more VUCA than ever before

We were already in a VUCA world - if anything, it just got more VUCA. The World Economic Forum call it [The Great Reset](#): the way we look at the world has changed forever. "Employee wants and needs have changed, and leadership needs to keep pace with it," explains Jean-Michel Chopin, Managing Director at StratX ExL. "The world is more VUCA than ever. What does that mean? That means everything happens even more quickly." Competition in the marketplace is faster, unexpected consequences emerge more quickly, and newcomers repeatedly attack existing markets. The traditional concept of a top-down 'five-year plan' and imparted from a leader in their ivory tower is now totally unfit for purpose.

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To meet these shifting needs, top leaders need to reinforce functional leadership competencies alongside values and ESG (Environmental, Social, Corporate Governance) policies: [a PwC 2021 poll](#) covering Brazil, UK, Germany, India, and the US found that 86% of employees prefer to support or work for companies that care about the same issues they do, while 91% of business leaders believe their company has a responsibility to act on ESG issues. However, when PwC segmented the responses, they found that only 28% of executives actually stood out as advocates for businesses advancing ESG agendas. There is a gap between meaning and action.



Finding profitable growth in a circular economy requires a change in leadership mindset and hierarchies.

We give meaning to our actions by reimagining and reinventing ourselves. We thrive through collective responsibility. For business leaders in an ESG-centric post-pandemic world, this can mean gearing towards [circular economy models](#). Finding profitable growth in a circular economy requires a change in leadership mindset and hierarchies.

Everybody in the company must be thinking strategically, at every level. This in turn becomes more empowering and democratic than the old, pre-pandemic structures the world is turning away from. We choose to come out stronger and embrace new horizons.

Driving innovation and overcoming supply chain risks

In 2022, the Defense and Space sector is expected to focus on innovation to develop new technologies and solutions, create new markets, and expand growth opportunities, according to [the latest research by Deloitte](#). New and evolving business models alongside increasing M&A activity are also likely to further accelerate a shift toward digital and operational efficiencies. 2020 and 2021 saw many companies take advantage of the downturn to invest in advanced manufacturing capabilities, while in 2022 many companies are expected to roll out these investments more broadly, including smart factories. [Fitch Ratings expects](#) aircraft deliveries to materially increase during 2022 and original equipment manufacturers (OEMs) to drive much of the industry improvement.

The pandemic exposed the degree to which supply chains pose a risk to economic and national security, [says Deloitte](#). To address this challenge, focusing on ways that defense supply chains can better prepare to respond to supply shocks is critical. Leadership development across supply chain and logistics will therefore come to the fore.



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Leaders also need to be increasingly environmentally aware. For example, Boeing is progressing toward [meeting its 2025 environmental targets](#) in its operations with a goal of reducing greenhouse emissions, specifically, by 25% in 2025 from its 2017 baseline.

The circular economy is now a key part of defense and space, too. SpaceX first successfully reused parts from its Falcon Heavy rocket in 2019. [Since then](#), "there has been huge progress around reusability." Launch contracts for space will likely continue to open to the private industry able to reuse rockets, through competitive bidding, pricing incentives, and performance-based contracts. SpaceX's [SN20](#) will attempt to launch the first successful orbital flight using a reusable rocket in early 2022. Later in the year, Blue Origin hopes to launch its reusable two-stage New Glenn rocket, designed to be used up to 25 times.

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Developing new capabilities

There is a drive for innovation and potential for market disruption, with [PWC commenting that](#) defense contractors will need to develop new intelligence and cyber capabilities, while facing competition from non-traditional technology companies: "The global security environment continues to be dynamic, and the coming year could usher in additional repercussions on defense policies, given persistent global crises."

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A [Forbes interview](#) of more than 20 executives, CEOs, and private equity investors across the industry in Europe and the US has also identified upskilling and 'people strategy' as a top priority: "Consider how to retain talent, as well as keeping teams engaged, developed and motivated." Despite predicting a staged recovery rather than a quick bounceback, "suppliers and companies in the industry should be thinking about growth and start planning now."

Transformative leadership for new horizons

To be successful, Defense and Space leaders will increasingly need to master competencies in engagement, collaboration, trust, and transparency. Some companies in the industry are now referring to this as 'Horizons 2025': setting goals for three years' time will require new leadership skills and new horizons to overcome the challenges faced by the defense and space sector.

StratX ExL has therefore identified the following categories of development for leaders to be successful in the next three years:

Leadership thinking at all levels

The world needs new leadership. The good news is you already have the people you need within your organization. Embedding new leadership models and styles to achieve ambitious objectives will not succeed without leveraging all tiers of leadership. Empowering senior executives alone won't be enough; the entire organization will need revamped leadership skills. "Because things are moving more quickly, you need to make sure your people can think strategically by themselves," says Jean-Michel Chopin. "This strategic agility means adding business acumen and strategic levers throughout the organization. This is how you can be more agile."

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This bottom-up thinking or 'leading from behind' can empower people to act like a leader and think strategically, giving organizations more flexibility to deal with uncertainty. There are more people able to spot the iceberg and plot a new course.

To embed this requires expansive learning, either on-the-job or in simulated business environments. According to the [70-20-10 Model for Learning and Development](#), 70% of learning occurs through new and challenging experiences, 20% occurs through peer interactions, and 10% through traditional classroom training. Leaders are, with the right fast-track experience, therefore made not born. One StratX ExL client, Michelle Gao, Talent Development Director at Danaher Corporation, a global science and technology conglomerate, [explains](#):

"You're going to learn better by actually getting in there and doing the work. We try to incorporate the 70 into the 20: experience, feedback, and mentorship within our training."

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Empathy is not optional

If you want to engage people, you need to understand how they feel. This requires empathy. Empathy works in both directions: leaders need to understand and empathize with those around them, and employees need to empathize with their leaders.

Empathy has historically been hard for business leaders. [The 2021 EY Empathy in Business Survey](#) found that many have left a previous job because their boss wasn't empathetic to their struggles at work (54%) or in their personal lives (49%). An overwhelming majority (89%) of employees agreed that empathy leads to better leadership and inspires positive change within the workplace, while almost as many (85%) reported that empathetic leadership increases productivity among employees.

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Empathy is tough to teach. The key to empathy is trust and transparency. "What we go through with our participants," explains Jean-Michel Chopin, "is that if they show vulnerability, if they share things about themselves, even things they don't like, then they will actually be perceived as a stronger leader." To lower a leader's guard may even show a weakness, but in doing so it creates empathy through trust and transparency.



Creating psychological safety, unconditional collaboration, trust, and transparency requires diversity and inclusion in the new hybrid workplace. "The future employee will collaborate with colleagues, maybe from other organizations in different ways of co-creation, more and more in multidisciplinary teams," explains Bert Van Thilborgh, trendwatcher, futurist, and lecturer at Thomas More University. "The offices in the future will look more like home, compact, greener, healthier and they will have a family character." Such human-centric workplaces will require a convivial atmosphere of shared values and culture.

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Empowering your organization in a VUCA world

It's impossible to [empower your organization](#) without empowering your people first, especially in VUCA times. Agile, cross-functional teams can think and decide for themselves and should be given more autonomy to act. This is becoming even more important with the onset of remote and hybrid working. Engaging at a distance is difficult, with more potential for becoming disengaged. This makes both individual empowerment and engaging leadership crucial: the individual needs to be equally empowered when working remotely, with touchpoints with leaders and managers becoming more meaningful and important when they do happen. Learning and Development outreach in a hybrid or remote environment can also mean important cultural and social interaction for employees, too, who may not have seen another colleague all day.

"The world is becoming more complex," says Jean-Michel Chopin. "You have to give people the leeway to decide and act with the customer." How do you lead in VUCA? It is not enough to engage them intellectually, you need to engage emotionally and through your behaviors. Research [shows](#) that empowerment brings greater job performance and a more positive business impact.

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Take a recent example from StratX ExL's client work to see how Learning and Development can empower people and help embed new reflexes in a VUCA world. Its client, a French multinational pharmaceutical company with more than 100K employees, wanted to develop the next generation of women leaders to help achieve gender parity and empower participants to follow their own path. StratX ExL conducted a series of interviews with stakeholders and senior members in the organization to identify learning priorities and put in place a high-impact learning program.

One of the main tools used was a business leadership simulation to help build reflexes necessary when making complex decisions in a VUCA environment, individually and in teams. Participants directly experienced close to real-world business scenarios that allowed them to develop, test, and internalize core leadership competencies. The end result saw 30% of the participants promoted to more senior roles, including executive level, with one saying the program, "took all of us into a totally different learning mode. We opened our minds and hearts!"



Learning new skills through experiences



Learning and “relearning” is essential. Better known as 'upskilling', this is a process of learning that aims to enhance an existing skillset. Developing leadership skills through experiential learning provides real-life or close to real-life situations to test and develop the skills needed to succeed over the next three years.

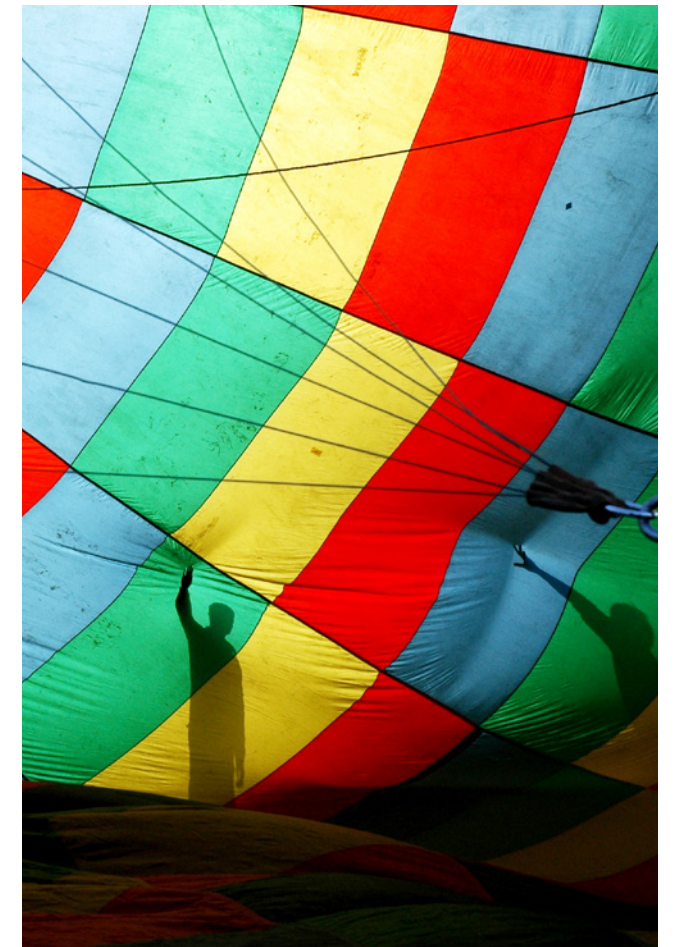
Learning and “relearning” is essential.

Done correctly, a learning culture should be based on teamwork and involve all levels of the organization. To succeed, learners need to be active participants rather than passive observers. Leadership development should allow participants to hone their soft skills and hard skills at the same time. Taking key management decisions such as executing a growth business plan, allocation of limited resources, and engaging key stakeholders, are key to navigating a VUCA world. To practice such things in a learning setting requires a realistic business case, facing a volatile market environment, and decision-making under time pressure. Natural behaviors transpire and are an opportunity to get feedback, reflect and see the impact of teamwork on business performance.

Business simulations provide an immersive, safe space for people to explore and experience such challenges. Developing leadership skills through experiential learning provides close to real-life market situations to develop the skills needed in a VUCA environment. As Richard Hainsworth, Senior Associate Consultant at StratX ExL explains: “leaders know what they should do, but they don’t end up doing it: everyone knows they should focus resources, everyone knows they should identify and concentrate on the right customers, but there are a lot of distractions to doing that.” Within a business simulation, much like an aircraft simulation for pilots, leaders can experience real life challenges and hone their skills.

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Michelle Gao, Talent Development Director at Danaher Corporation and member of the Learning Guild’s prestigious “Thirty under 30,” explains that a business simulation “really takes off” when it becomes “a little bit stressful,” injecting a touch of real-world pressure: “it makes people really remember and see if they are going to think about emotional intelligence, think about personality, as they’re put into this pressure-filled situation.” In addition to developing pure business skills, business simulations can also help leaders develop soft skills, like collaboration, empathy, and resilience.



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Michelle Gao

Sustaining a culture of innovation



Jean-Michel Chopin thinks it's important to link innovation to "strategic agility": by which he means, "how we do things strategically and with enough rapidity that we can decide quickly and change or adjust your strategy."

Strategic agility, write the academics [Weber et al](#), is "the primary determinant of a firm's success." The ability to remain flexible when facing new developments and continuously adjust a company's strategic direction, is therefore a key leadership requirement. Harvard Business Review gives the example of how Airbnb handled the pandemic: in early 2020, Airbnb was set for expansion and an IPO was set for the spring. When Covid hit, [more than \\$1B of bookings disappeared](#) and one-quarter of the workforce was cut: "However, by the end of the year, revenues had recovered, and the company completed [one of the most successful tech IPOs in history](#)." This was achieved through [strategic agility](#): for example, relaxing guest cancellation policies, raising capital and aggressively moving into new areas such as in-country travel and 'quarantine' stays at rural locations.

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To develop strategic agility through Learning and Development requires a focus on leadership and business skills throughout the organization in a way that supports people-driven innovation and culture. "70 percent of the culture comes from the behaviors of the top management," explains Jean-Michel Chopin. "If you want to capture a culture of openness, leaders have to walk the talk and act as a role model." To embed agility, everyone has to be up to speed in terms of business skills and the workplace should transpire the right mindset.

The new normal, says Bert Van Thilborgh, requires new forms of leadership: "A leadership based on principles of empathy, transparency, trust, teamwork, diversity, and inclusion. This means encouragement to learn new things, to share that knowledge with other team members. The leader of tomorrow will trigger their teams to innovate and renew."

In their influential business book Blue Ocean Strategy, [Professors Chan Kim and Renee Mauborgne](#), from INSEAD Business School, call for companies to stop obsessing over the competition and instead spend more time focusing on creating value. By increasing value through innovation, firms can unlock new strategic directions.

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Expanding your horizons

Leaders need to constantly change and adapt with the times. Researchers such as [Kim and Mauborgne](#) have been telling us for years that a significant shift needs to take place in how we develop leaders in a VUCA world. Not everyone listened. Perhaps there remained some skepticism around VUCA (you may have heard 'old school' leaders say, "business had always been tough, today is no different!"). After the events of 2020, no one remains skeptical.

Leaders can no longer afford to remain 'old school' or not change with the times. To lead effectively requires self-knowledge, empathy, teamwork, and vulnerability. That is what leadership for Horizons 2025 is going to be all about. Leaders will need emotional intelligence to continuously face a world of VUCA within hybrid environments, bringing together experts with different specialties to share knowledge and create cross-functionally. To achieve this, organizations through their leadership teams will need to foster an open environment in which everyone can contribute and can be heard, regardless of seniority. Skills, both hard and soft, are learned over time through exploration, experience, and reflection. To bring purpose, values, culture, and trust into organizations allows leadership to gain a fuller perspective of both business challenges and opportunities. In a VUCA world, everything goes more quickly. It's time to get ready for the future, today.

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To find out how to equip your business with the skills to lead in a world in constant flux, schedule a meeting [here](#).



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StratX ExL works with Fortune 500 clients to empower global teams and co-create solutions to prepare current and future leaders for the challenges of today and tomorrow. As L&D partners, we create and deliver experiential learning initiatives to accompany major transformations.

For more information about how we can support your organization, contact us today.



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