will be leaders and talented contributors in our organisations who manifest a range of increasingly essential capabilities, which would include:

- Pattern recognition
- The ability to hold competing thoughts simultaneously
- Openness to new experiences
- The habit of reflecting on the effects of one's actions
- Willingness to fail and learn from it
- The capacity to tolerate disorder, confusion and ambiguity
- A high level of emotional intelligence
- Awareness of biases and blind spots

These are not necessarily the attributes we associate with our current generation of leaders – but they will characterise the next generation. The good news is that the capabilities required for these leaders can be developed in our existing high-potential talent using a range of tools, such as learning journeys, simulations, scenario and systems training, job rotatations, cross-functional and even cross-company mentoring, storytelling experiences and uncertainty coaching. Uncertain times will demand and reward untraditional talents – and we must invest in the next generation as soon as possible.

Intentionally evolve as an adaptive organisation

Just like the elusive "learning organisation," no one has ever seen a truly "adaptive organisation" in the wild. But we can certainly identify the hazy outlines of some vital characteristics of the responsive, enduring and evolving business of the future. It should be:

- Externally oriented
- Flexible and nimble
- Patient but opportunistic
- Capable of balancing exploitation of the known with exploration of the unknown
- Visionary but open to corrective feedback
- Attentive to stakeholders
- Capable of balancing both economic and moral wisdom

The question today is not whether we can see this vision on the horizon – we all can – but whether we decide to move towards it with conviction and sustained attention, or hold back in fear that we may only be glimpsing a mirage.

Add an "uncertainty mapping" dimension to strategic decision-making

We should also learn to acknowledge explicitly uncertainty as a matter of habit. In every conversation of consequence, we should acquire the discipline of asking what important uncertainties are in play – and challenge our beliefs and default positions. Over time, we can also learn about our deeply embedded assumptions, and come to understand better and improve our decision-making habits. This is a readily achievable and remarkably important tool; indeed, there is probably no single greater contribution to the mastery of uncertainty.

Finally, we must appreciate that there are very different forms and sources of uncertainty. In business, as in life, every important decision is actually a bet – that we understand the context of our choice, and that our sense of the future is reasonably accurate. In an increasingly uncertain world, the odds are lengthening against each and every bet, and the need for new thinking and better decision-making processes is growing. The ability to rise to this challenge will be the defining characteristic of the successful, adaptive organisation of the future.

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Avoiding unrest in a volatile environment

Navigating political uncertainty poses a significant challenge for business. As **Ethan Kapstein** explains, there are two broad approaches companies can take to help them steer a safe course

Think of some recent newspaper headlines: Nigerian rebels force the temporary closure of Royal Dutch/Shell's operations in the Niger Delta; Arab consumers boycott Danish products following the furore caused by newspaper cartoons; US Congress threatens to block Dubai Ports' bid for P&O; and the French government opposes Mittal Steel's hostile takeover of Arcelor.

Perhaps the greatest threats to the operations of global corporations, and those that are most difficult to manage, arise out of the political environment in which they conduct their business. One day, a foreign company is a welcome member of the local community; the next day, opportunistic politicians vilify it.

If companies had the choice, they would normally elect to invest in benign political regimes that provided security to their employees and property rights. But that is not always possible. In many developing countries, governments are weak and unstable, and civil conflict is widespread. And as the Dubai Ports and Mittal Steel examples suggest, even the most advanced industrial nations can be fickle places in which to do business.

Executives generally have a difficult time conceptualising political risks. Many of them are engineers by training, and they have never taken a course in politics or been much exposed to the issues that students of politics ask about multinational operations. As a result, they lack clarity about who wins and loses from the company's presence, and which groups in a given country support or oppose foreign direct investment.

Executives tend to think that, just because their companies bring jobs and revenues to a region – and especially to poor areas – they should be welcomed with open arms. What they have been slow to recognise is that their companies are symbols – political symbols. To their detractors, companies not only represent brands like Coca-Cola and Shell, but broader entities such as "the United States," "global capitalism," "corruption" and a multitude of other labels. Indeed, the presence of a foreign company in a politically contested environment is manna from heaven for those who oppose the government of the day. After all, one of the easiest criticisms that can be made of a local president or prime minister is that they "are in bed with" the evil foreign corporation. So long as that is the case, it means that companies will always be easy targets for rabble-rousers of various kinds.

Given this high degree of exposure to political uncertainty, how can companies manage their operations in a way that protects their business? How can they position their companies in such a way as to be buffered against exogenous political shocks over which they ultimately have little control?

Two broad strategies are on offer, and we find examples of both in the business world: first, the *enclave strategy*; and second, the *engagement strategy*.

The enclave strategy is most commonly found among multinational businesses that exploit natural resources in the developing world, such as oil companies. The idea behind this strategy is to ring-fence business operations from the domestic environment to the greatest extent possible, often by paying the local military to provide security.

The enclave strategy is easiest to put into operation when plants and equipment are located far from population centres and where interactions with local people are minimal. But as recent events from countries such as Nigeria demonstrate, even the enclave strategy is risky on several counts.

First, the presence of the military often attracts rather than deters those rebel groups, terrorists or others who are opposed to the regime in power and who want to make a statement by harassing foreign companies. That has been one of Shell's problems in Nigeria, and it is one that the company continues to have a difficult time managing. Indeed, the use of Nigerian military forces to protect the company's operations in the Niger Delta has probably only made the company a juicier target for those groups whose real objective is to fight the government. Again, the company becomes a proxy or a symbol for the issues at stake in the local political setting.

The more that companies can win local community support for their operations, the more politically secure they will be

A second problem is that, when companies ask local militaries to provide them with security, allegations of corruption or protection payments will not be far behind. That, for example, has been the experience of the French oil company Total in Burma, which has been accused of paying Burmese soldiers to guard its operations. Situations such as this force the company to devote scarce resources to defending itself against corporate critics.

Further, to the extent that militaries sometimes use violent or strong-armed tactics to protect corporate operations, the company becomes exposed to additional and unsavoury allegations of human rights abuses. It makes for the kind of disagreeable headline that most companies would rather not see in newspapers, much less in court rooms.

One might argue that companies like Shell or Total ultimately have little choice. They are operating in dangerous areas, with few assets available to protect their operations and people. Do they not have a responsibility to both local employees and distant shareholders to use the military if that is the only way of doing business?

But there is an alternative strategy that companies should also consider that has proved effective in difficult political environments. We call that alternative the engagement strategy. In this model, multinational companies "go local" by embedding themselves deeply in the communities in which they operate. This means that they go out of their way to hire workers who are representative not just of locally dominant groups, but of the diversity of social groups (ethnic and religious) that surround them. It also means that the company helps to build schools, hospitals and local infrastructure. Overall, the purpose of this strategy is to become an indispensable neighbour that has the political support of the region as a whole in which it operates.

For example, LaFarge Group, the manufacturer of building materials, has successfully used the engagement strategy for its operations in the politically troubled region of Banda Aceh, Indonesia. In the wake of the 2005 tsunami disaster, the company not only restored its operations in the province but also provided the community with financial and human resources to help in the reconstruction effort. LaFarge is widely appreciated in Banda Aceh, and harming its plant or people in any way would not make good political sense for those who wish to make a statement. As a result, LaFarge uses a locally recruited and trained security force – one that is representative of the region's diverse population – as its primary source of protection.

The engagement strategy makes good sense in developed world markets as well. The more that companies can win local community support for their operations, the more politically secure they will be. For example, Dubai Ports and Mittal Steel might have avoided some of the problems with their respective takeover bids by reassuring US and European unions about the benefits they would bring to workers, their families and communities.

To be sure, the engagement strategy entails its own set of risks. Specifically, one could hypothesise that the more companies do by way of public service, the less that local governments will do. By building schools and hospitals, for example, companies shift burdens onto themselves that, in truth, they would rather not accept. The challenge of the engagement strategy, therefore, is to strike the appropriate balance between what is the responsibility of the company and what is the job of the local government.

Managing political uncertainty will never be easy but, as we have seen, there are different strategies to choose from, and executives must give the alternatives no less consideration than they do to other investment decisions.

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