



**drnørby**  
Leadership is contextual



## **External Complexity**

Understanding how external complexity affects internal decision-making

*More than 87 per cent of the leadership experts in my global leadership context study agree that external complexity can influence the choice of leadership behaviour – which makes this a key area for leaders to consider. Complex and varying legislative demands, many different stakeholders or operating across different markets are examples resulting in external complexity. In the leadership context, external complexity refers to factors outside of a leader's responsibility that nevertheless influence their decision-making. The more elements of complexity there are and the greater the differences between them, the more complex an external environment is considered to be. There are a number of ways that you can mitigate the effects of differing external complexities.*

## **Why is external complexity important in the leadership context?**

Leadership context comprises five layers of contextual factors. Awareness of these factors can help you make more informed leadership choices. Understanding the contextual factors and their interplay can also help you to actively shape your leadership context to promote the desired performance. External complexity is one of the factors that a leader can't directly affect. Still, you can use it to decide leadership behaviours that help teams manage the pressures it can bring.



Key issues related to external complexity raised in my doctoral leadership context research included:

- **High external complexity can hinder performance.** The business climate that organisations and leaders operate within varies across different markets, task-related technologies, the number of stakeholder contacts and variation in demands, the resource acquisition process, and the information landscape. The variation in these external task demands can hinder effective collaboration, coordination and planning if the leadership context is not aligned to handle the external demands.
- **Choices increasing external complexity can pose a challenge.** The higher the external complexity an organisation has lived with, the more an organisation tends to be good at adapting and learning. The receptivity and adaptability seem to be embedded in the culture. Conversely, this poses a challenge for companies operating in low external complexity for long when they make strategic choices increasing external complexity, for example, deciding to enter new markets. There is a likelihood that the learning culture can be lagging and needs to be shaped to be fit for higher external complexity.
- **Understanding external complexity together with external dynamism is key to effective contextual leadership.** The key to success lies within the effective alignment of leadership context to handle the external demands, for example, by building a strong empowerment culture, decentralising mandates and employing highly skilled people. In this respect, stability emerges when you successfully align the leadership context to the external environment – even when the external environment itself is not stable.



- **Leaders can mitigate the effects of a complex external environment** by increasing the analysis of ‘what is going on’ in the external environment, supporting decision-making. It includes pinpointing the most vital external complexity drivers and recurring interpretations of the adequate responses. Also, the study confirmed that the more complex the environment, the more you need to share leadership to create the necessary ability to perform across the variability of factors.

**Further advice from our panels of experts.** In my research, I also gathered thoughts from more than 125 experts in leadership, HR and academia. The analysis of comments confirmed that:

- **It is vital to engage your people.** Leaders facing higher external complexity should engage their people to leverage the ‘collective wisdom’ in sense-making and spur critical thinking. Also, you should engage in joint interpretation and sense-giving for your team about what is going on and the potential implications.
- **Direction setting becomes more important.** Higher external complexity increases the importance of setting and communicating clear direction and buffering the organisation from being bogged down by complexity. You should balance spending extra energy involving people and being directive and decisive to create clarity.



*High complexity reduces the speed of decisions dramatically.*

**Head of Manufacturing,  
Europe, participant in the global leadership context study**

- **Mitigate external complexity by shaping context.** Simple markets with low external complexity make decision-making and management processes easier. In contrast, a more complex external environment, for example, high levels of regulation or intense competition, makes decision-making more difficult and slower. This should be mitigated by shaping the leadership context, for example, the empowerment culture, to secure organisational performance.



*External complexity requires a more sense-making leadership style. Leaders should recognise that unpredictable, volatile external conditions mean decisions cannot merely follow currently available theories or models. Therefore, leaders need to seek input to achieve 'buy-in' and insight from those affected by leader decisions.*

**Professor of Leadership,  
participant in the global leadership context study**

- **Higher complexity can trigger uncertainty,** anxiety, confusion and unpredictability, impeding performance and making effective leadership more difficult. This increases the importance of active leadership, especially building purpose, setting direction and involving people in sensemaking.
- **Time pressure can act as an intensifier,** increasing the effects of external complexity on decision-making. Leaders should consider how empowerment, standards for decision-making, and clear governance can aid performance in meeting such time pressure.

*This blog series is based on my doctoral research studies into the leadership context, involving more than 125 leadership experts. My research identified contextual factors that can significantly help or hinder leadership or organisational performance. It also gave me insight into the contextual dynamics and how to handle these challenges.*

*My blogs aim to inspire leaders to exercise more effective contextual leadership, and assist companies and consultants in developing better recruitment, leadership and talent programmes.*

*Please get in touch if you have ideas, queries or wish to contribute to promoting insights about context and leadership.*

## ABOUT THE AUTHOR

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Torben is an expert in contextual leadership with more than 30 years of leadership experience. Since 2007, he has been a leadership consultant and the CEO of People & Performance, [www.pphr.com](http://www.pphr.com). He is a Doctor of Business Administration from Henley Business School in the United Kingdom.

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