



## VALUE PARTNERSHIP

*Expert guides* through organisation critical challenges

# 8 Leadership Team Foundations to Thrive in Today's Dynamic World

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## Business models and expectations under threat

### Long-established business models and expectations are under threat almost wherever we look:

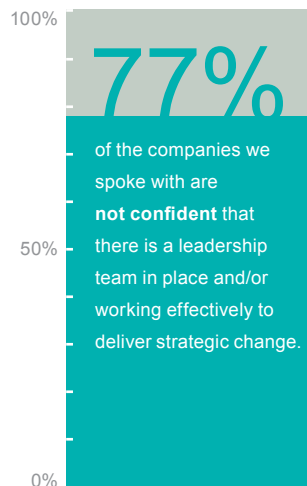
- The spreading digital economy is transforming established ways of connecting with customers, as well as creating competitive opportunities and new competitors
- New sources of energy are changing the economics of whole countries and industries, and threatening established supply chains
- New legislation and regulations are transforming long-established industries almost overnight
- Cost changes and technological developments are challenging the global off-shoring movement
- Political and social movements around the world are bringing new and unfamiliar pressures to bear on business.

As the Economist put it: “The pace of change... will arouse both anxiety and excitement”. There is no reason to believe that ‘normal service’ will be resumed in 2015, or perhaps ever again.

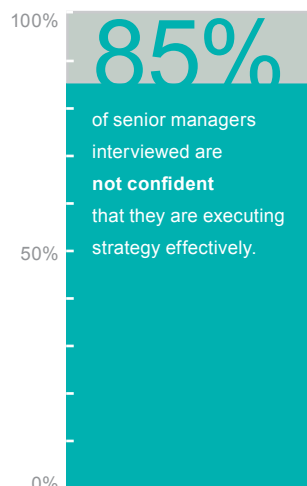
Change is everywhere, and the pressure to react quickly and decisively has never been greater. CEOs are under pressure not just for results, but also for the manner in which they are delivered.

In our work with a wide range of clients, across industries and borders, we see the unpredictability of the business context – and the impact this is having on strategy execution and on business performance.

This is not only our conclusion. In recent research with CEOs and senior managers, we found that senior managers in 77% of the companies we spoke with are not confident that there is a leadership team in place and/or working effectively to deliver strategic change.



And in even more companies, 85% of those we interviewed, senior managers are not confident that they are executing strategy effectively. Despite the fact that these senior managers are generally confident in their strategic plans, it matters little if they cannot execute.



The CEO, together with the business leadership team, are the central players in this story. Looking in more depth at what they and their colleagues are telling us, three underlying challenges emerge:

## A. Negative behaviour in the leadership team

Teams frequently suffer from a lack of commitment to sustained competitiveness. An overriding focus on quarterly earnings creates pressures that lead to tensions in the team about what will boost short-term performance. Destructive conflict often breaks out as team members seek to distance themselves from unsuccessful tactics or take credit for successes. Investor demands play a big role in this.

*How can we achieve a step change in the leadership team dynamic, and achieve a shared commitment to a sustainable business?*

Core to these challenges is how to develop and sustain the competitiveness of the business in these times of turbulence and unpredictability. For that we need to do more than implement a classic business plan, follow directions correctly or pursue our own hobby-horses.

What is needed is a strong set of relationships, with strong and appropriate commitments behind them, between the leadership team and the stakeholders in the business.

And we need to re-think what is important in order to create and sustain a high-performing leadership team. Why? Because it is becoming increasingly difficult to square the circle of the need for teams to have the time and stability they need to build trust, and an effective team dynamic that serves the business, and the need to constantly re-focus, to adjust and respond flexibly to a highly uncertain environment

## B. Too much similarity in the leadership team

Leadership teams typically lack the diversity of membership required to understand, plan for and steward the changes required.

*How can we more rapidly strengthen the membership and/or capability of the team to understand and respond to the external pressures?*

*Is your leadership team facing these challenges?*

*How concerned are you about these issues, and their consequences for your organisation?*

*Have you started to recognise what needs to change? And if so, how are you going about it?*

## C. Too many priorities and too little speed

Strategy execution suffers from a lack of prioritisation, and responses that are not timely.

*How can we focus and prioritise the critical issues? How should we create a culture for successful execution?*

## 8 Foundations for success



What follows are our thoughts about the **foundations** that need to be in place if your business needs a leadership team that provides organisational leadership that effectively sustains business competitiveness.

Before we explore these foundations though, we must make one thing clear: it is the role of the CEO to shape and develop his or her team. This is probably the hardest part of the CEO's role, especially in today's environment.

### **#1: Investors who share the leadership team's commitment**

Are the Board and the investment community sufficiently supportive of the leadership team's vision of the business, and their view of the priorities? In a fast-moving and ever-changing environment, priorities and plans must change. But this can create uncertainty and concern for the investment community, particularly where some may not be long term investors in that business.

This points to the need for the leadership team to regularly review whether its investor community is composed of those who are best placed to provide sustained support to the enterprise, and to take appropriate and timely action. It also highlights the need to build trust and confidence between the leadership team, the Board and investors, through dialogues and other investments in building such relationships.

## #2: Commitment to sustained performance

The nature of the commitment to the business that's needed by the leadership team is becoming more entrepreneurial: from quarterly performance to performance over the longer term; from sole concern with financial results to increasing concern for how to get there, and for risk and opportunities on the way; from a primary focus on personal reward to a focus on sharing in whole business success.

Unfortunately, many teams are a long way from this, often because of investor pressure (see Foundation #1). But, in a growing number of businesses, teams that are 'stuck' in the quarterly earning race are no longer equipped to sustain business performance – and, sooner or later, they will fail.

What's likely to be needed is a fundamental review of what it will take from the leadership team to provide the kinds of sustained commitment that will see the business through the whirlwinds ahead. Such a review requires strong leadership from the CEO, with backing from the Board and investors. Its goal: to lay the groundwork for the renewal of the leadership team, to one that is committed to sustained performance, and aligned on business purpose, strategy, relationships and organisational culture. In such a team, every member will be taking responsibility for contributing to achieving the commitment and capability the whole team requires.

A team that provides such leadership is likely to require both a continuity of membership in pivotal roles and fresh, diverse perspectives over time, to keep pace with the environment.

## #3: Appropriate diversity in the leadership team

In the short term or in a crisis, a group of people with similar backgrounds and thinking styles will gel more quickly and are likely to make fast progress towards a goal. But in a constantly changing world, this 'group-think' may actually be an enemy: it increases risks of inappropriate goals, and counter-productive methods to achieve them.

What matters is cognitive diversity, i.e. differences in mental processes, perception and judgment. What's needed is a range of experience, education, gender, culture and ages, and a mix of creative and analytical types. Cognitive diversity increases the ability of the team to envision the future and make good strategic decisions.

But recruiting and managing a truly diverse group of people takes significant effort.

## #4: A positive organisational culture

Leaders are role models for the mindset and behaviour they expect in others. Too often, when we talk with people in organisations, they describe the misaligned and self-interested behaviour they see in their leadership team. This could be driven by inappropriate reward structures, and is often coupled with the presence of dominant individuals who are more concerned with their own interests than the success of the business as a whole.

As a result, leaders lack the personal credibility within the organisation that is the fundamental basis for productive leadership. The prize of an appropriately aligned and effective leadership team is credibility and certainty, as seen by the organisation, on what matters around here.

## #5: Constructive conflict

In any team there are discussions about what to do and how to do it. When there are differences of view, not everyone can have their way. All too often the debate descends into 'winning' and 'losing' as the team becomes an arena for conflict. The language and style is aggressive or passive-aggressive, and the concept of collegiate responsibility disappears like snow in the sunshine.

There is a paradox here: you need people around the table who are passionate about what they believe and argue strongly for it but who are also prepared to accept that sometimes their view will not prevail. Ultimately there must be a decision. The quality of the conversations that occur at this level are therefore critical.

The focus must be on the needs of the business as a whole, rather than personal agendas. The most important and difficult issues need to be on the table. Teams need to pay attention to the quality of conversation in the room, in order to exploit the collective wisdom of the leadership team in the interests of the business.

## #6: Outside-in working

Far too often, teams focus on their internal struggles and interests, and forget the changing picture outside their immediate environment – the changing tastes or interests of customers, the competitive landscape, or the dynamics of financial markets. This can be fatal.

Team members need robust mechanisms in place to stay close to what external stakeholders are thinking and doing, and to be able and willing to respond to these changes in very short order.



## #7: Pivot capability

Well set strategies and plans need to be firm and robust enough to give direction and long term intent to the business, but broad enough to allow the business to flex and adapt to lessons from experience, and to changes in the environment. This ability to pivot a strategy in the light of learning is a key strategic capability for the senior leadership team. It requires not just a good level of outside-in thinking but also the ability to understand quickly whether the capabilities required to maintain alignment exist within the business. A perfect strategy is of little use if it is no longer relevant to the environment, and even less use if it cannot be implemented.

The leadership team must have a clear view of the organisation's capability, accompanied by a willingness to be agile and responsive in both crisis and calm. Changing and un-intended circumstances require improvisation. When a plan is not working, leaders need to be ready to pivot to a better one and know where the capability gaps are likely to be.

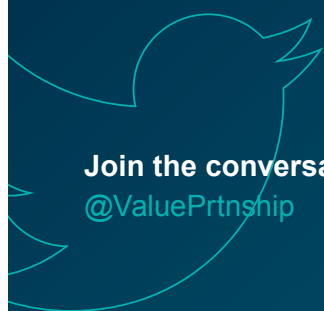
## #8: Strategy in action

How does the leadership team and the wider workforce know where they are on the road to successful strategy delivery? Far too many teams do not reconcile the stakeholder pressures they face with enough confidence or clarity and as a result over-promise and under-deliver

Moreover, the strategy needs to be translated into a compelling roadmap that is simple, visible to everyone involved, showing the lead measures and telling at a glance where we stand. Getting the lead measures right is an essential precondition for managing the progress of strategy execution as a leadership team. Profitability matters, but the best way of delivering it is by focusing on the drivers of profitability, which means understanding the market, the customer delivery required and the organisation that will make it happen. With this, the team can decide when and how to 'correct course' as it steers the organisation through the whirlwind.

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