Leadership for Business Success: Creating a culture that drives performance and innovation
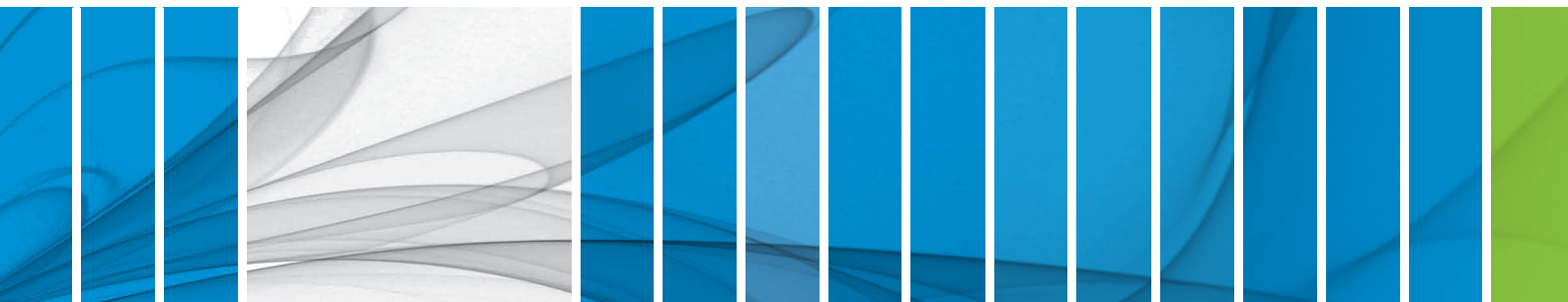
Munich Executive Summary

Introduction

Innovation is top of most business leaders' wish lists right now. But creating an innovation culture is far easier said than done. Leaders cannot demand innovation from their employees if there isn't the culture in place to support it or if they don't role model the same desired behaviours in their leadership.

Human Resources are strategically well positioned to manage talent, nurture cultures and develop leadership capabilities that promote innovation. To learn more about how this could be done, CorporateLeaders in partnership with the Center for Creative Leadership, recently hosted a roundtable meeting on 'Leadership for Business Success: Creating a culture that drives performance and innovation'. Held in Munich on 2nd March 2016 with representatives from leading global and national companies, the agenda included what could be learned from 'best in class' companies for leadership development, how companies can transform their business culture to drive innovation, and how HR is supporting the CEO's vision.

Talent and leadership development
along with **slowing growth** in emerging markets
are topping the Hot Button list.

Communicate to Collaborate:
The New Qualities of Leadership

To open the event, a keynote presentation from David Learmond, Senior Advisor Human Capital, The Conference Board, offered findings from an annual survey of CEOs "to try and find what are their hot-button issues." This annual survey from the Conference Board, now in its 16th year; fielded responses from 605 CEOs, Chairmen and Presidents in late 2015, and found their top two issues were human capital related - 'Failure to attract/retain top talent' and 'developing 'Next Gen' leaders. These came ahead of 'slowing economic growth in emerging markets' and new global competition.

"I actually find that encouraging," said Learmond. "When we did this survey a few years ago, these weren't top of the mind issues for CEOs... HR now has the chance to make a significant impact in this area."

The era of cost-driven efficiency measures is being replaced by "a growing realisation that to grow successful businesses, there have got to be more ideas coming into the business and we've got to speed up the rate of innovation", said Learmond. He recalled a conversation with a CEO a few years ago who said the 'war for talent' was no longer a big issue: "But guess what? It's back on the top list of issues...there is a shift from talent that is readily available in the marketplace to an internal focus on developing and retaining employees."

CEOs are asking their organisations to be more agile, supported by effective enterprise-wide communication and collaboration. Diversity and inclusion are also high on the agenda not for the good PR, but because of the contribution diverse teams make to an innovative, supportive organisation that drives business opportunities.

"But, of course, in order to do that you need to have an atmosphere of trust," said Learmond. "You need to have strong values. You need to have a strong purpose about what your company is about."

The companies renowned for this 'freedom in a framework' approach, said Learmond, include Siemens, where a global mindset is part of the definition of leadership, and Coca-Cola's public statement: "we want our people to act like owners who drive our global vision whilst remaining locally relevant in order to deliver business results." To drive this Coca-Cola whittled it's required leadership competencies down to eight. Cardinal Health, the large US health company, takes that simplicity one step further, saying "Development is as easy as one, two, three: focus on one development area, agree two actions, and follow up three times a year."

Collaboration is the new management skill, said Learmond, and tomorrow's leaders (and companies) will have to be experts at it.

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Over **85%** of executives report that their culture is not what it needs to be.

(2015 Study from Duke and Columbia University)

Culture is Collective Behaviour

The second keynote presentation from David Altman, Executive Vice President and Managing Director, EMEA, Center for Creative Leadership, delved deeper into the business culture required for innovation. A study by Duke and Columbia Universities in 2015 found that 85% of executives believe they don't have the culture they need to achieve the business results that they're accountable for, informed Altman. Likewise, two thirds of change initiatives – from restructuring to M&As – fail.

"So there is an odd paradox," said Altman. "On the one hand, a tremendous amount of work is being done on culture, and on the other hand, this is a major challenge for leaders across the world and across all sectors."

Culture is too often seen as the values that hang on the wall, what's published in the annual reports, or what people say it is supposed to be, as opposed to what it actually is. "There's

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a gap," said Altman. "Now, what do you think happens if the senior leaders are not displaying consistently behaviours relative to the stated culture? People are going to be confused, and then they dismiss the culture that's stated."

A clear definition of 'business culture' is an important start, and Altman offered the following: "It is the behaviours, individually and collectively, of the humans that work in an organisation."

Together, leadership and culture can have a profound impact on business results. Yet too many organisations have leaders that simply set the strategy and hope that culture will follow. "Culture eats strategy for breakfast," he warned. "You can have a brilliant strategy, but if you don't have the culture that supports the execution of that strategy, you're going to have a problem." Leaders create and sustain a culture every day, he said, whether they intend to or not.

The good news is that culture can be created, changed, and shaped: "Don't complain about your culture; you are the culture. Do something about it, because all it is, is collective behaviour... culture has to be viewed as something dynamic, ever-changing. You have to pay attention to it every day."

For an example of best practice, Altman looked to Google who recently studied 180 of their own internal teams to try to understand the components required to make the most effective team. The first factor was psychological safety: "Team members feel safe to take risks and be vulnerable in front of others," said Altman. "If people feel safe to be honest, to express doubt, and everyone is doing that, imagine the kind of 'teamness' that you would feel." Next on the list were dependability of team members, role/project structure and clarity, and impact. With such teams, innovation will flourish – as Google, one of the world's most innovative companies, have clearly benefitted from.

One of the top leadership practices most
needed and yet least practiced is
cross-functional collaboration.
(CCL Survey)

performance focussed, uncompromisingly results-driven culture, you can't change to being collaborative overnight."

A dilemma that unified most in the room was the difficulty of long established cultures to ape those of the younger start-ups that are most attractive to Gen Y workers. "If you visit Silicon

> *"It is the collective values and decisions taken that create a culture."*

Instigating Cultural Change

The ensuing roundtable discussion among the assembled executives in the room broadly centered around two areas: what's blocking organisations on this path to innovation? And what are the potential solutions and initiatives out there that are being trialled within companies?

Commenting on the barriers to change, one delegate described a problem with "people who are exposed to international business, but are still acting and deciding in a very local mind-set. It's not about exposure to international markets, it's about your mind-set being open and trustful to unexpected new things."

Past success in an organisation was also cited as an obstacle to trying out new ways of doing things: "Never change a winning system, we must be doing it right, right?" Other cultures also do not embrace failure or change, either exhibiting aggressive blame cultures or more conservative risk aversion, which stifles creativity.

The bureaucracy of some European organisational structures was also raised by one executive who said, "We need to involve a lot of people in every process. Every time we want to implement something new we have to involve the works council and many stakeholders who may have very different opinions." As the process drags on, flexibility and innovation can wither on the vine.

One delegate who had previously worked at five large companies recounted how each had "very distinct cultures, and divisions with different cultures, and they are either intentional or accidental. It is the collective values and decisions taken that create a culture. A lot has to do with decisions taken by the leadership. If you have been a

Valley and look at the work culture there, you understand what it could mean for our organisation to get young people as inspired, involved and innovative. But you can imagine in a traditional German working culture that is very hierarchical, lots of silos – it clashes with those aspirations. How can you create a culture of innovation, or safe islands of innovation, within an established and very successful business model?"

Creating Safe Islands and Innovation Cultures

This question neatly led on to the potential solutions. An HR executive from a technology company stated that his company is currently undertaking a global exercise to develop a brand new leadership model. Eight working groups, formed of cross-functional, mixed hierarchy teams, have been thrown together and asked to come up with their ideas for future leadership. "Then we will decide which is our model," he said.

Other delegates talked of the possibility of outsourced innovation to smaller, nimbler companies, or creating purpose-built units within their organisation, to "avoid the culture clash within the established organisation." One delegate had tried this with a small software group, but experienced difficulties in translating the learnings into the mainstream business because they had formed "a little bubble" that was hard to penetrate. Another executive informed she had hired three designers from a major company in another sector and allowed them to create their own design studio in a trendy part of New York City – "and it is working very well."

Someone questioned this approach: "It is a critical choice of whether the innovation you are trying to create can integrate into the mainstream business, or whether it is a standalone. If it's product design you might get by with incubating it. But if you want innovation as part of the core business, it is very hard to outsource that into a protected, incubated model... it may work for a while but effectively you are delaying the challenge which is integrating it back into the mainstream organisation."

Open innovation and crowdsourcing ideas with customers, even competitors, was suggested as an alternative way of bringing in outside perspectives while integrating it with existing processes.

The working environment and office design were also mentioned as important, and often overlooked, contributors to workplace culture and innovation: "We should not forget that the office, the room, the environment – how you meet people, bump into people... that stimulates ideas and networking and best practice sharing." Ferrari and Tetra Pak were cited as two best practice companies who had paid a lot of attention to workspace design.

Finally, the psychological requirements of changing leadership and organisational cultures were considered. One executive raised the spectre of a century-old French telecoms company that attempted a radical culture shift and saw huge mental health problems amongst workers who had the previous culture ingrained over decades of doing things a certain way. Mental strain and promoting resilience and wellbeing often "comes down to leadership behaviour more than wellbeing processes," said one executive. "Agility also comes down to psychological safety – if failure is not an option then I won't take that risk. It comes down to role modelling from leaders to display that behaviour, to show that it is wanted, that it is trusted, and that others can follow. You can roll out a zillion training programmes, but they won't be much worth without that leadership behaviour in place."

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Conclusion

A common thread during the session was the difficulties in instigating innovative, collaborative cultures. But equally there was a determined belief that to do so will be increasingly important to business success. It is being demanded of ever-changing, more uncertain marketplaces and business environments, something described as leadership in a 'VUCA' world: Volatile, Uncertain, Complex and Ambiguous. Speed and agility must be built on trust and collaboration.

With such cultures are also being demanded by the latest generation of workers, there was a sense that the old, established companies are living on borrowed time if they refuse to adapt. The former CEO of IBM, Louis Gerstner, was quoted as saying "culture isn't just one aspect of the game. It is the game. It's the foundation on which businesses succeed or fail."

Or as Altman said at the end of the roundtable discussion, "Individuals can be brilliant – but people who study innovation find that it is groups of people who innovate. If you really want to drive innovation, then create a culture within the team or the organisation that supports people in the pursuit of new ideas which produce quantifiable gain." That, he said, is the very definition of innovation. "Create the environment, and people will prosper within it."

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> *David Altman, Managing Director Europe, Center for Creative Leadership*

Speakers

David Altman
Executive Vice President and Managing Director, Center for Creative Leadership

David is EVP and MD of CCL-EMEA (Europe, Middle East and Africa). He leads a 100 person team of full-time staff and 130 Associates in their work supporting CCL's mission. He also serves on the 10 person Executive Team of CCL. EMEA has staff through the region and offices in Brussels [HQ]; Moscow, Russia; Addis Ababa, Ethiopia; and Johannesburg, South Africa.

David is also an Adjunct Professor in the Department of Public Health Education at the University of North Carolina, Greensboro and Adjunct Professor in the Department of Social Sciences and Health Policy at the Wake Forest University School of Medicine. He serves as co-director of the Robert Wood Johnson

Foundation funded Executive Nurse Fellows program. David has long supplemented his work in the public health field with a keen interest leadership. At CCL, he has attended the Leadership Development Program (LDP) as a Fellow of the W.K. Kellogg Foundation National Leadership Program, Leading Creatively,

Developing Leadership Talent, Assessment Certification Workshop, Coaching Certification Workshop, and Leadership at the Peak programs. He currently serves as a faculty member for the Leadership at the Peak program which is offered in Switzerland and Colorado Springs.

Previously, he served for over nine years as EVP of CCL's Research, Innovation and Product Development group. Prior to CCL, David was a tenured Professor of Public Health Sciences and Pediatrics at Wake Forest University School of Medicine in Winston Salem, North Carolina (10 years) and Senior Research Scientist at the Stanford Center for Research in Disease Prevention at Stanford

University School of Medicine in Palo Alto, California (10 years). David earned his M.A. and Ph.D. degrees in Social Ecology from the University of California, Irvine where he was selected as Alumni of the year in 2007. He completed a Postdoctoral Fellowship at the Stanford University.

David is active in a number of professional associations and is a Fellow of three divisions of the American Psychological Association and a Fellow in the Society of Behavioral Medicine. He is also a member of the American Public Health Association, Council on Epidemiology and Prevention of the American Heart Association, the Society of Public Health Education, and Academy of Behavioral Medicine Research. He serves on a variety of community taskforces and Boards. He has published over 100 journal articles and book chapters and five books.

Lynn Collins
Regional Director Germany, Austria, Switzerland, Center for Creative Leadership

Lynn is a senior professional with expertise in talent management consulting, business development and global sales and marketing management. She is accustomed to working with senior leaders to help guide decisions, define and create talent management solutions, aligned with the skills and competencies critical to strategy execution. She worked on an international basis for many years while based in Belgium and is adept at managing people's interests and expectations across many cultures and disciplines.

In her current role as Regional Director for the Center for Creative Leadership, Lynn develops relationships at key points across client organizations, serving as a trusted advisor for talent management decisions. She skillfully applies CCL Leadership points of view, frameworks, tools and processes to create strategic, sustainable solutions to solve client issues enabling organizational success. In addition, she engages with consulting teams, solution design experts and resource managers globally to meet client expectations and ensure seamless implementations.

A graduate of the University of Guelph, Canada, B.SC, Lynn's specialties include talent management consulting, customer engagement, discovery and alignment, executive engagement, co-design, development and implementation of learning solutions, international project and resource management, cultural diversity, strategy development and execution, marketing communications, global pricing and profitability analysis.

Speakers

Karsten Drath
Associate Faculty & Executive Coach, Center for Creative Leadership

An entrepreneur, coach, author and speaker, Karsten Drath is fascinated by the human potential to grow in the face of adversity and hardships. He is managing partner at Leadership Choices, one of the leading providers of executive development in Europe. As an executive coach he is working with top managers of global enterprises and for organizations like the Center for Creative Leadership, Brussels, and the World Economic Forum, Geneva. As an author Karsten has published several books on the topics of leadership, resilience and coaching, amongst this "Resilience in Corporate Leadership". As a speaker he is sharing his own experiences as a manager and coach combined with insights from research on resilience and leadership under pressure, uncertainty and complexity with an international auditorium at Airbus, Bayer, BearingPoint, Deutsche Bahn, Linklaters, Merck, SAP as well as the World Economic Forum and at Kellogg Business School.

For more than 15 years he has tested the limits of his own resilience and still does so today. As a consultant and manager of international units in organizations like Accenture, Bombardier and Dell he led large departments through periods of substantial change and was also affected by quite some degree of change himself. During his time as the leader of the European consulting business at Dell he led the acquisition and integration of different international companies into one new business unit. In parallel to his challenging role he also completed many marathons and triathlons, amongst this the prestigious Ironman competition.

Since 2006 he is supporting top managers and their teams in their development. Next to helping them to achieve their desired goals he always focuses on aspects like balance, agility and sovereignty and on the conscious consideration of limited resources like lifetime and performance. For Karsten the alignment of personal values and daily business plays a pivotal role in achieving true happiness. In his key notes he likes to create "aha" moments, when he is looking at supposedly known facts from a different and fresh perspective. People who have listened to Karsten describe him as an inspiring speaker with a great presence, capable of combining complex matters with lively stories and hence can convey difficult subjects in a light and easy manner.

Karsten is a trained engineer, Executive MBA and psychotherapist. He works in German and English and lives with his dynamic patchwork family near Heidelberg.

Regina Eckert
Faculty Team Manager, Center for Creative Leadership

Gina is a faculty team manager for the EMEA region, leading a team of diverse, multidisciplinary faculty members who work with clients across the whole region. She also leads on client engagements focusing on women leadership, cross-cultural intelligence, and work-life balance. Her clients come from industry (manufacturing and healthcare), academia (universities including Princess Nora University) and other organisations (such as the British NHS and inter-governmental organisations). Gina also delivers CCL's Assessment Certification Workshop. She speaks and presents on leadership to both scholars and practitioners.

Gina joined CCL in 2006 as a post-doc and divides her time in the Center between client work and research. Her focus areas are diversity, women leadership, and global top talent development. She engages in complex discovery and diagnostic engagements and designs, delivers and evaluates clientfocused interventions. Together with Philips and Wharton, she co-wrote the winning case in the 2011 EFMD Excellence in Practice Awards on Philips Octagon. Gina uses a range of methodical approaches to answer questions about leaders' career development, leadership and gender, globally responsible leadership, and leadership challenges around the world.

She has a sound methodical background in both diagnostic and facilitative areas, and has led various research projects across the EMEA region. She is co-author of Global6, a 360-degree instrument focusing on global leadership. Her research has been published in research scholarly journals such as the European Journal of Work & Organizational Psychology, Journal of Managerial Psychology, International Journal of Cross-cultural Competence and Management, or the Journal of Global Responsibility. Her work has been mentioned in the Financial Times, various publications of the Center for Creative Leadership, and the German Magazine of Personnel Leadership (Personalführung). Gina is a member of member of the Society for Industrial and Organizational Psychology (SIOP),the Academy of Management (AoM), European Association of Work and Organizational Psychology (EAWOP), and the International Association of CrossCultural Psychology (IACCP).

Before joining CCL, she has consulted on quality management in German healthcare, on organizational change and leadership development in the automotive industry.

Gina holds a degree in psychology from the University of Munich,Germany, and a PhD in Management from Aston Business School, UK. She also has a post-graduate certificate from Aston for teaching and learning in Higher Education, approved by the Higher Education Academy, UK.

Speakers

David Learmond
Senior Advisor and Senior Fellow, Human Capital, The Conference Board

David is a senior advisor and senior fellow in human capital at The Conference Board. In these roles, he supports the human capital practice, which includes Human Capital Exchange™, research, conferences, webcasts, and other human capital programs. He has also written and contributed to a number of reports from The Conference Board, including Bridging China's Talent Gap and

Go Where There Be Dragons: Leadership Essentials for 2020 and Beyond.

In addition to his work at The Conference Board, he is a principal industrial fellow of the Institute of Manufacturing at the University of Cambridge and a partner at Better Business Coaching, LLP, an international coaching business.

Learmond was previously senior vice president, human resources, greater China for Unilever, a position based in Shanghai. During his tenure at Unilever, he also held various senior human resources positions in the United Kingdom, the Netherlands, and Australia.

Jesper Lillelund
Partner & Co-Founder, CorporateLeaders

Jesper has been engaged in building valuable business networks on the international scene for over 20 years. Jesper combines his in-depth industry knowledge, access to a wide network of business leaders, and market development skills focusing on making business transformation and corporate excellence part of the business agenda.

Prior to co-founding CorporateLeaders, Jesper was instrumental in building a leading independent business transformation association from an informal business community to a global player. He also served as the Marketing Director at The Wall Street Journal Europe where he was responsible for managing brand, direct and on-line marketing. In his career at the Journal Europe, Jesper was also responsible for developing new revenue generating businesses. This included launching The Wall Street Journal Europe's conference operations starting with the highly sought after European CEO Summits to the regional Central European Economic Review conferences. Prior to the Journal Europe, Jesper held market analyst roles at MAN B&W Diesel and Danisco in Denmark.

Jesper holds an MBA in International Management from the University of Dallas and a BBA in Management and International Business from Baylor University in Texas.

Hosts

Center for Creative Leadership

The Center for Creative Leadership, a top-ranked global provider of executive education, offers what no one else can: an exclusive focus on leadership education, research and unparalleled expertise in solving the leadership challenges of individuals and organizations everywhere. For over 45 years (25 years in EMEA), we've equipped clients around the world with the skills and insight to achieve more than they thought possible through an array of leadership programs, customized products, digital learning, Coaching, Assessment, Tools and Support with nearly 750 faculty and an associate network of 1,000 members in North America, Europe, The Middle East, Africa and Asia.

CCL® has consistently been ranked as one of the top 10 providers of leadership solutions by the Financial Times and Bloomberg. For the last two years we are ranked Number 4 in the Financial Times rankings for Executive Education.

CCL is redefining the field of leader development beyond individuals to embrace the leadership development for you, your business and the world that together set direction, obtain alignment and commit to imperious change results. CCL believes that organizations need to bring leadership development and capability to the next level of maturity while implementing strategic imperatives. Organizations who can successfully navigate these turbulent waters will be success in managing complex changes they face.

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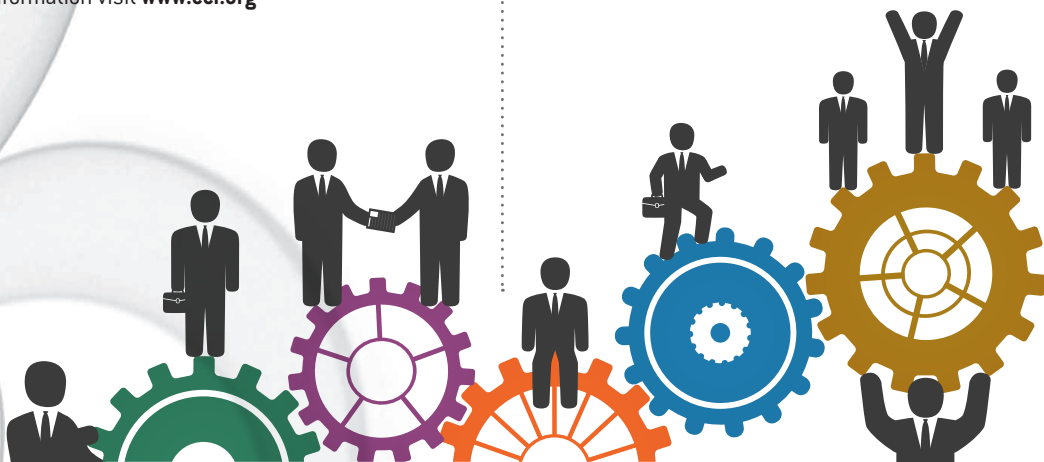
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