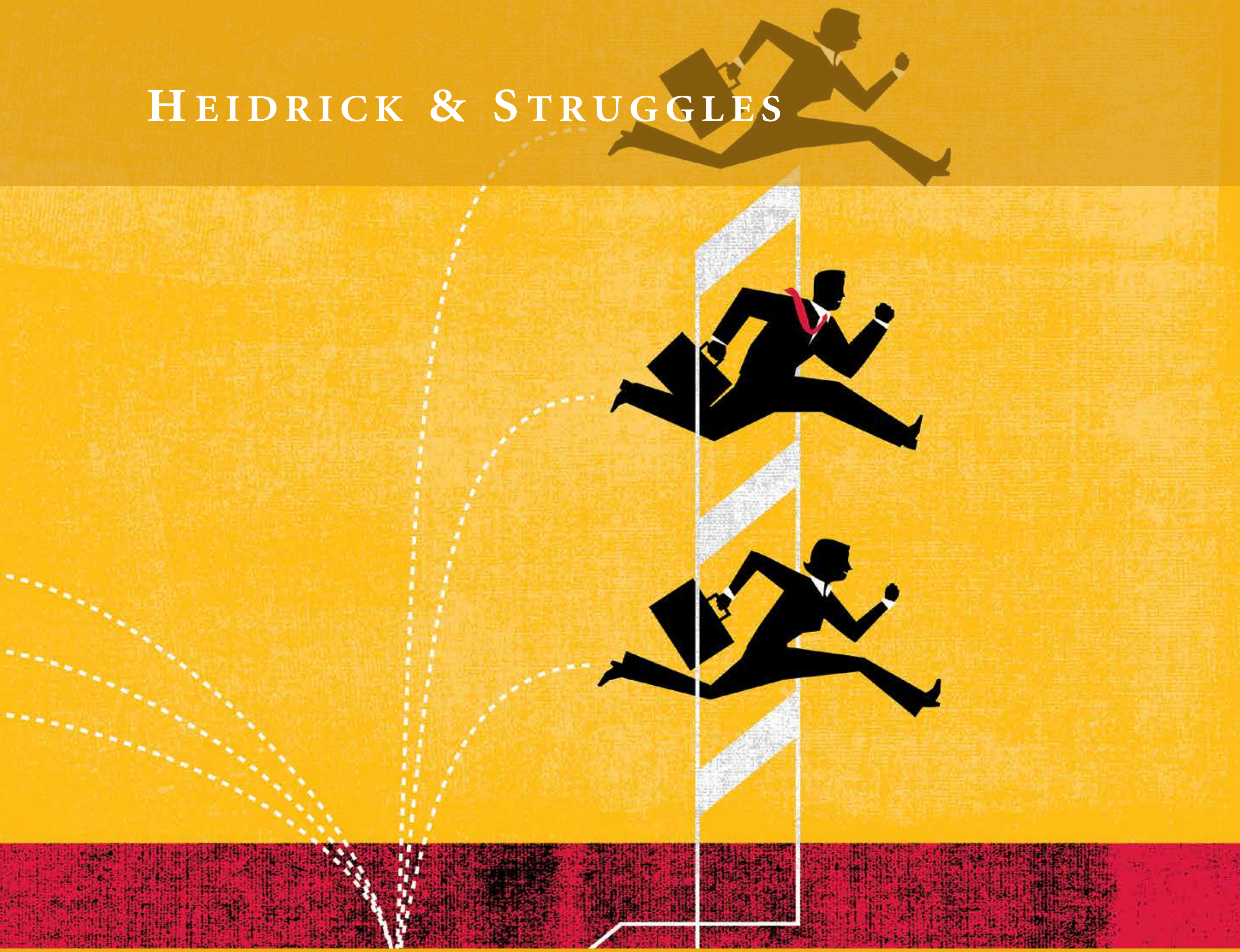


HEIDRICK & STRUGGLES

THE TEAM

Speed and stability: A winning dynamic for teams

These articles are drawn from "The transformation mandate: Leadership imperatives for a hyperconnected world," which is available here.

Leading transformation: Five imperatives for CEOs

The transformative CEO in a hyperconnected world defends the core market *and* plays offense as a disruptor.

As we enter the Fourth Industrial Revolution, *hyperconnectivity* is emerging as the defining characteristic of the era — with profound implications for CEOs, senior leadership teams, and entire organizations. In a hyperconnected world, incremental improvement is not enough to stay ahead of disruptive competitors. Winning requires continual transformation.

Technology that has enabled the always-connected consumer is generating massive economic opportunity for nimble, asset-light organizations. Uber, Alibaba, and Airbnb now have a combined implied valuation exceeding $300 billion. Each of these innovators has been able to quickly achieve scale with platform business models that efficiently match supply and demand to create value for all parties. The result has been major disruption to established brands in formerly capital-intensive industries that seemed impervious to rapid change because of high barriers to entry. CEOs around the world are now asking, "Can that happen in our industry?" or, more pointedly, "How can we disrupt our own industry or create a new one?"

The technological catalysts for transformation in the Fourth Industrial Revolution are already emerging. "Pervasive computing" exists in a world where the cloud, sensors, and mobile devices all intersect, enabling an Internet of Everything that makes machines smarter and people more capable. Driverless cars, 3-D printing, smart homes, smart factories, and smart cities demonstrate the range of possibilities ahead. Clearly, the hyperconnected world is ripe with opportunity. It is also fraught with risk. Competitive risks associated with disruption can quickly leave a market leader irrelevant. Risks of a malevolent nature, such as identity theft on a massive scale, cyber-piracy, and cyber-terrorism, can cripple an organization and threaten stakeholder trust.

Five imperatives for CEOs driving transformation

Make no mistake: transformation can be more difficult than disruption. Disrupters are often entrepreneurial upstarts, playing offense all the time. By contrast, transformation of an established enterprise with a substantial asset base and ongoing capital requirements calls for a strong defense as well as an aggressive offense.

From our work as a trusted talent and leadership advisor to CEOs and boards at many of the world's most successful and influential organizations, we offer the following five imperatives for transformative CEOs today. The first three specifically address our hyperconnected world; the final two have stood the test of time but have additional urgency in an era of constant change.

1. ***Strengthen the core* and *embrace disruptive change.*** The transformative CEO in a hyperconnected world defends the core market *and* plays offense as a disruptor. The CEO must work diligently to continuously improve the competitiveness of the core business beyond

incremental improvements to quality and cost, while simultaneously pursuing a strategy to reinvent the business. A healthy and growing core operation provides a stable platform (and necessary cash flow) to launch disruptive ventures with value-creating potential.

2. ***Invest with courage in both the short and long term.*** Winning CEOs move fast to act decisively on pressing priorities while maintaining progress on longer-term initiatives vital to sustainable success. Long-term investments can put pressure on current margins. Activist shareholders ratchet up the pressure for immediate returns on their investment. The forward-looking CEO thinks like an activist investor without being prompted, demonstrating a compelling case to clients, investors, and other stakeholders on the promise of value to be realized down the road.

3. ***Accept that the life cycle of a winning strategy is shrinking.*** Gone are the days of strategies defined in years. In today's economy, it is no longer solely what one knows but what one is prepared to learn. Agility is now as important as strategy because the playing field is continually shifting. Strategic plans must be adapted to seize opportunities when fresh information points to emerging trends — as well as to defend against heightened risks. Winning CEOs embed a culture of innovation and a low resistance to change into the organization.

4. ***Define an enduring purpose as your compass.*** We all want to be connected to something meaningful. A well-articulated purpose serves not as strategy but provides a sense of "true north," guiding the CEO — and the entire organization — through ambiguity and rapid change. Constancy of purpose provides a bedrock for the organization that would otherwise be unsettled by the constant change inherent in transformation.

5. ***Attract outstanding talent.*** The difference between good and great talent is orders of magnitude. The winning CEO's passion, energy, drive, and vision serve as a talent magnet, attracting top talent from various backgrounds and geographies. Humbled by the scale and scope of hidden opportunities and unseen risks, the winning CEO draws strength from a truly diverse senior team, comprised of talented individuals who each bring a unique line of sight to the challenges ahead.

The successful CEO in a hyperconnected world will demonstrate, model, and cultivate each of these imperatives across three dimensions: the leader personally, the senior leadership team, and the entire organization.

The second of these dimensions — the senior leadership team — forms the structure for the insights that follow. (For the full compendium from which these insights are drawn, click here.) We hope that our perspective informs and inspires your own thinking, sparks candid and productive conversations among your teams, and encourages your organization to both embrace and fulfill its purpose, bringing positive change to the world. ■

Tracy R. Wolstencroft
President and CEO, Heidrick & Struggles

Accelerating performance in teams

High-achieving teams enjoy a significant boost in performance over underachieving teams. Here's how they do it.

The ability of an organization to accelerate its performance — in other words, to build and change momentum to get results more quickly than its competitors — is critically dependent on its teams at every level. Most organizations, however, fail to sufficiently consider the performance of teams when seeking performance improvements overall. Indeed, the vast majority of management research on organizations focuses on either the whole organism or the individual leader; the team is forgotten. And yet teams innately tend toward chaos: personalities work at odds, purpose is muddled, and success factors are vaguely defined. When a team is dysfunctional, its energy dissipates, tensions build up, and fatigue sets in — costing the organization time, money, and talent.

After forensically studying data on the dynamics and performance of more than 2,000 teams, we have uncovered both bad and good news. The bad news is that most teams are below par and therefore suffer in their ability to build and change momentum quickly. Senior executive teams are especially poor at this. But on the upside, the energy that can be released by improving a team's ability to accelerate performance is enormous. Taking bonus payments as a proxy for corporate performance, our research finds that high-achieving teams enjoy a 23% boost in performance compared with underachieving teams. Moreover, we find that high-achieving teams reduce costs more quickly, go to market more effectively, and launch products more smoothly.

In this article we explore how high-performing teams get (and stay) that way. First, we present the results of our research on teams from a range of organizations, functions, and geographies. Then, we examine trends among both high-performing and underachieving teams. Last, and most important, we offer targeted recommendations for how to improve team performance throughout the organization and achieve performance breakthroughs — and achieve them faster than the competition.

Understanding acceleration

Our work focused on closing the gap in our collective knowledge about teams. We analyzed data from a significantly larger sample of teams than completed by researchers to date — 2,000 teams across a wide number of organizations, functions, and geographies, in industries as diverse as banking, private equity, insurance, engineering, telecommunications, healthcare, and charitable institutions. We measured a team's ability to achieve performance outcomes more quickly than others, through the application of a proprietary questionnaire — the Team Accelerator Questionnaire (TAQ) — a tool with robust statistical reliability and validity (for more, see sidebar, "The 15 tests of brilliant teams," on page 9).

Scores were calculated based on the number of respondent groups who rated the team an average of at least 3.8 on a 5-point scale across the TAQ. A team is considered:

- ***Accelerating*** when all four respondent groups — team members, team leaders, commissioners (that is, the bosses of the team leaders), and outside stakeholders — score above 3.8
- ***Moving*** when three respondent groups score above 3.8

- ***Coasting*** when two respondent groups score above 3.8
- ***Lagging*** when only one respondent group scores above 3.8
- ***Derailing*** if none of the respondent groups scores above 3.8

Room for improvement

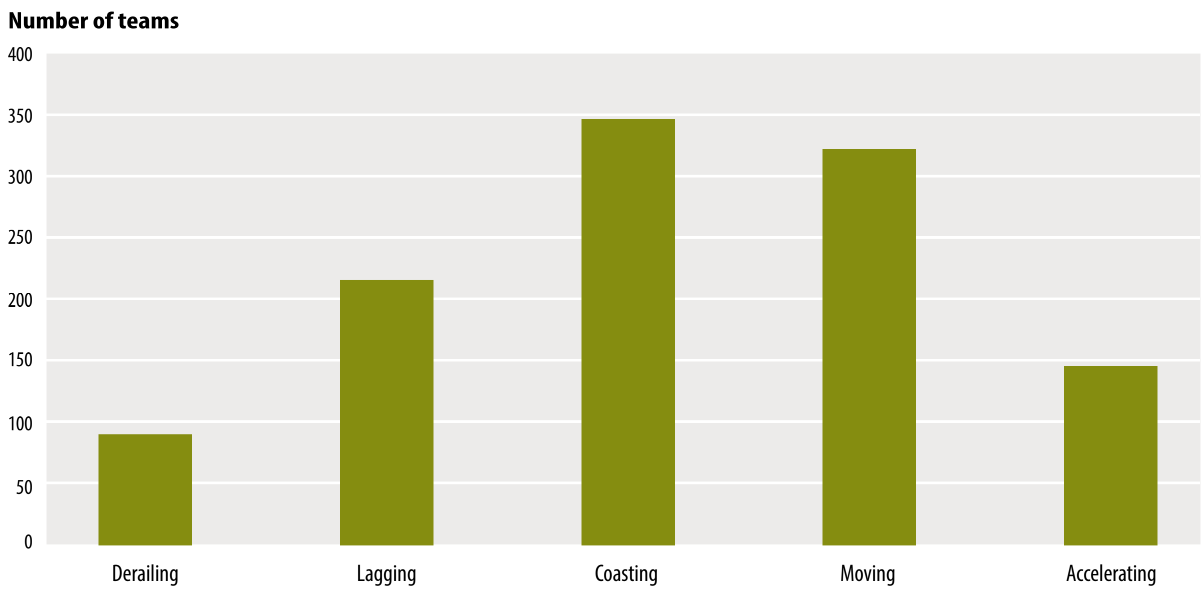
True to our prediction that high performance is not a natural state, only 13% of the teams we studied were accelerating, whereas almost 30% were lagging or outright derailing (Figure 1).

In a departure from previous academic research, we found that a commonly cited culprit — team size — actually has little to do with a team's ability to accelerate performance. In the teams we studied, there was no difference in the mean ratings on TAQ scores whether those teams were small (3–7 members), midsize (8–12 members), or large (13 or more members). What matters is what teams do and how they behave, whatever their size. Our view is not that a high-performing, accelerating team does completely different things than a lagging team. Instead, our findings suggest that an accelerating team simply gets things done faster and more effectively.

All teams — regardless of their ability to accelerate performance — set objectives, create a vision, and get rid of poor-performing people. However, the core difference is that an accelerating team does all its work quickly and effectively, whereas a lagging team does its work more slowly and poorly. What's at stake? Using corporate bonuses as a proxy for economic performance, we determined that accelerating teams, on average, had an economic impact that was 22.8% higher than the impact achieved by derailing teams (Figure 2).

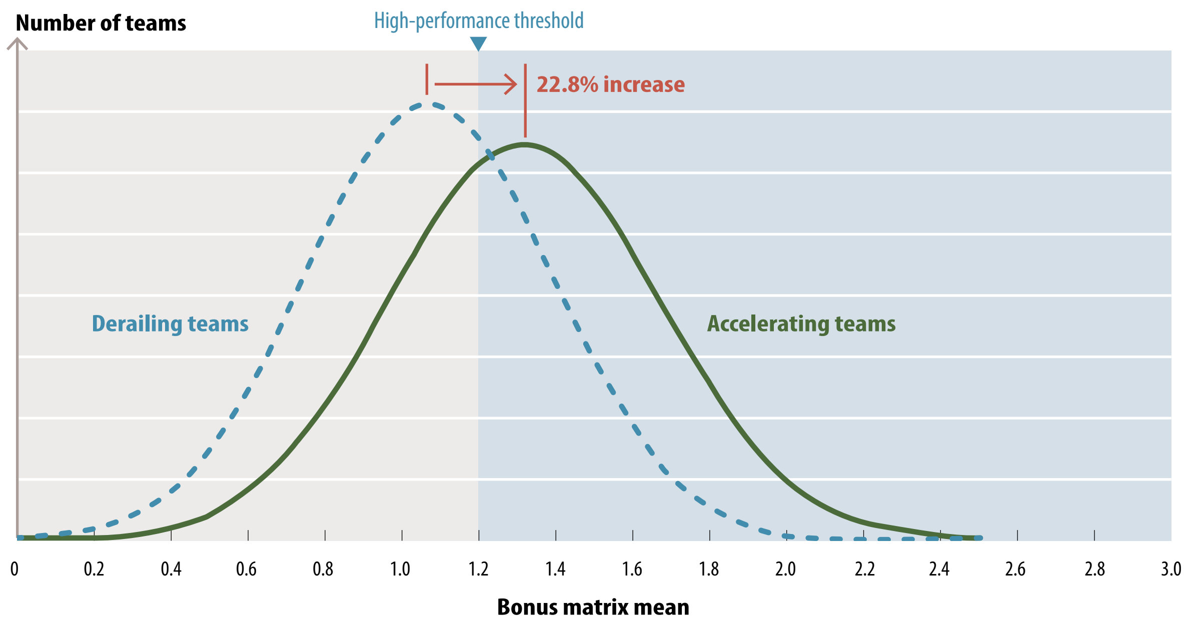
Figure 1: **Distribution of team performance**

n = 1,118



Source: Heidrick & Struggles

Figure 2: **Distribution of bonuses for "accelerating" and "derailing" teams**



Source: Heidrick & Struggles

Our research also found that, on average, 67% of accelerating teams are high performers, compared with only 41% of derailing teams that are.

When we observe an accelerating team in an organization, we are witnessing a team that builds on each member's energies and talents, generating synergy to deliver a shared purpose. We can recognize the team as accelerating because it:

- Mobilizes, executes, and transforms better — and faster — than its competitors
- Creates a shared agenda that produces competitive advantage
- Executes with a metabolic rate that drives outstanding levels of achievement
- Transforms continuously, setting stretching objectives and building improvement capabilities that outpace others
- Has high levels of trust and productive conflict
- Operates in a high-challenge, high-support mode
- Focuses on both performance and acceleration

The results of the TAQ reveal several elements and constraints that adversely affect team acceleration or the measurement of it. Several lessons can be drawn from the research and applied to team building in organizations of every sector, industry, functional specialty, and place in the corporate hierarchy.

Focus at the top

Senior teams tend to be the least likely to be categorized as accelerating among all teams in the organization. Indeed, junior teams were 1.6 times more likely to be accelerating than were teams composed of director-level members and above. In addition, we found that senior teams rate their team lower on 13 of the 15 tests of brilliant teams than do the members of junior teams. This finding aligns with previous Heidrick & Struggles research; in a survey of 60 top human resources executives from Fortune 500 companies, only 6% of respondents reported that "the executives in our C-suite are a well-integrated team."[1]

Why is it worse at the top? While junior teams are generally organized by geography, department, or product line, teams at the top of the organization are, by definition, doing quite different things: one person runs marketing, another runs manufacturing, another runs finance, and so forth. At the senior level, the challenge is to integrate a portfolio of activities into a coherent whole, and we think the explanation behind the data is that too much of the energy at this level is consumed in dealing with ego problems driven by instincts for self-protection: "I want more power than you," or "I will agree with your proposal only if you agree with my proposal," or "I'll stay off your turf if you stay off mine." Furthermore, senior team members have invested a lot in their careers by the time they've risen to the top of an organization, and by virtue of being visible and exposed, they are vulnerable. If they fail, they have a much longer way to fall. Those factors exacerbate the ego problem.

The bottom line: Just when the responsibility and impact of teams become most critical — when the team is operating at the most senior level — these teams are the least likely to have the ability to quickly build and change momentum to perform. Thus organizations must make their most senior teams the top priority. The upside of this finding is the sheer scale of opportunity for organizations to train and coach their senior teams to improve.

Connect with customers

Our research shows that the further a team is away from the customer, the harder that team must work to accelerate its performance. Teams that have their purpose for existence "in their faces" — that is, customer-facing teams — are 1.4 times more likely to be an accelerating team and 1.3 times more likely to be within reach of this goal compared with internally focused teams. In addition, customer-facing teams score significantly higher on 14 of the 15 tests of brilliant teams than do non–customer-facing teams.

The bottom line: Connecting with customers is important for team acceleration. For non–customer-facing teams, the story becomes familiar: shared purpose, foresight, and unique commission are what make the difference. Added to this mix is a focused grip on the work they set their organization to do. Concentrating on these areas will help to make a real impact on the performance of non–customer-facing teams.

Hold up a mirror

All team members tend to suffer from self-delusion, according to our research. Compared with the other three respondent groups — team leaders, commissioners (that is, the bosses of the team leaders), and outside stakeholders — team members tend to have a rosier view of their team acceleration and rate the team highest on 10 of the 15 tests of brilliant teams.

This discrepancy between perspective and reality can be ascribed to a concept described in social psychology as the fundamental attribution error — the tendency to emphasize personality rather than external factors to explain behavior. For example, if you play 100 games of tennis against somebody who is equally as talented at tennis, you would each expect to win 50 games and lose 50 games. What's fascinating, though, is that when that happens, people believe that they won 50 games because of brilliance and talent and skill, and they believe that they lost the other 50 games because of bad luck or even because their opponent cheated. In other words,

[1] Richard M. Rosen and Fred Adair, "CEOs Misperceive Top Teams' Performance," *Harvard Business Review*, September 2007.

we tend to ascribe good qualities to ourselves while rationalizing our bad qualities away — or being ignorant of them entirely.

Fundamental attribution error likely explains why the team members in our research — so far, with no exceptions — are more positive about their own team than is everybody else. The team members are not lying; they genuinely believe what they are saying. But they're nonetheless wrong. So if you talk only to your team members about how good your team is, expect a deluded and inaccurate point of view.

The bottom line: Involve multiple outsiders in your evaluation of team performance — not just team members but also the team leader, the manager of the team leader, and the stakeholders. The stakeholders' views are especially critical because they will decide whether they support the team's actions, allocate it an adequate budget, and open doors — or not.

Question optimism

Along the same lines of team members fooling themselves into a rosier view, we found that every team — regardless of its ability to accelerate performance — thinks it will be better in the future. However, the accelerating teams predict only a small improvement, while the teams that are derailing predict an enormous improvement. This is known as the optimism bias, which describes how most of us have an unrealistically positive view about the future. It is important to question this optimism because, without intervention, these teams are unlikely to achieve their performance ambitions.

The bottom line: We urge senior executives to be cautious in uncritically accepting rosy predictions of the future. When your organization's teams predict their future level of performance, apply a healthy discount to that estimate, because half of those evaluations are based on inherent, excessive optimism.

The prescription: Tailor your approach to team building

Consider two elite athletes. One is a 125-pound female table tennis player who is quick as lightning and can run around the table in half a second. The other is a 200-pound male heavyweight boxer. They're both healthy and incredibly skilled. However, their pattern of acceleration — how they build and change momentum to perform — is completely different, requiring different strategies, muscles, and reflexes. If the table tennis player gets in the boxing ring, she risks injury, and if the boxer competes in table tennis, he will likely be beaten. Athletes need to be more than just healthy; their pattern of acceleration must be appropriate to the task at hand.

All 15 of the TAQ tests are foundational for accelerating teams; however, it pays for teams with different starting points to focus on different tests. We looked at the average scores of the 15 tests of brilliant teams across all respondent groups and found the following:

A team that wants to improve its ability to accelerate performance may find it helpful to focus on:

- Aligning the team around a *shared purpose*, as a team that collectively increases its shared purpose score by one point has a 6.9 times greater chance of being an accelerating team
- Building *stakeholder influence* by connecting team members to all the different constituencies with which the team interacts. This can lead to a 3 times greater chance of being an accelerating team

Teams that are either lagging or derailing may find it helpful to focus on:

- *Unique commission* (a clear understanding of stakeholder expectations), as increasing this score by one point brings about a 6.7 times lower chance of derailing
- Defining what the future plan is to deliver, as increasing the *foresight* score by one point translates to a 7.7 times lower chance of derailing

The 15 tests of brilliant teams

According to the results of our Team Accelerator Questionnaire (TAQ), teams that operate at peak performance are strong in five distinct areas:

Mandate

A team has a clear mandate if it meets three criteria:

- ☐ **Unique commission:** The team has a deep and shared understanding of the expectations of its stakeholders.
- ☐ **Shared purpose:** Team members are mutually accountable for, and collectively committed to, a shared purpose. Focusing on work only the team can do, the team members leverage their unique position as integrators.
- ☐ **Coherent direction:** Both the vision and the strategy are aligned, tightly integrated, and clearly articulated.

Governance

A team has strong governance if it meets three criteria:

- ☐ **Tight composition:** The team contains the right "fact holders" with the right skills and mix of perspectives, while avoiding the burden of excessive size.
- ☐ **Aligned incentives:** The team is incentivized to deliver its strategy, achieve targeted outcomes, and role-model behaviors, balancing collective and individual accountability.
- ☐ **Agile processes:** The team interacts flexibly with effective cadence and with clear individual and collective decision rights.

Behavior

Team behavior supports acceleration if it meets three criteria:

- ☐ **Distributed leadership:** The team leader operates as a "first among equals," leveraging the full capabilities of the team.
- ☐ **Productive conflict:** Empathy trumps ego, and the team is able to rupture and repair, support and challenge.
- ☐ **Explicit standards:** Team members support each other when it counts, and the foundations of respect, disclosure, and directness are in place. They role-model this behavior for the organization.

Connections

A team creates strong connections if it meets three criteria:

- ☐ **Compelling story:** The team translates its strategy into a compelling story and uses it to powerfully engage target audiences.
- ☐ **Focused grip:** The team follows through and drives for impact, commissioning work that results in competitive advantage.
- ☐ **Stakeholder influence:** The team actively considers, then consciously shapes, the wider context in which it operates by managing key relationships.

Renewal

A team capable of continuous renewal meets three criteria:

- ☐ **Foresight:** The team has sufficient focus on the future and avoids shortsightedness.
- ☐ **Learning:** The team takes time to reflect and learn, drawing on external and varied perspectives and translating them into productive improvement.
- ☐ **Energy:** The team works in a way that creates rather than saps energy. It channels the energy of the organization in pursuit of accelerated performance.

- Communicating key messages powerfully across the organization, as increasing the *compelling story* score by one point leads to a 3 times lower chance of derailing

Furthermore, our research found that the top four constraints that thwart accelerated performance relate to purpose. Struggling teams would be wise to focus on tackling these areas first:

- Allowing too many priorities to pull the team in competing directions
- Becoming mired in "troubleshooting" mode and focusing only on today's problems
- Finding it difficult to integrate the different portfolios of each team member into a coherent purpose
- A tension between the team's priorities and the expectations of its stakeholders

The potential benefit of improving team acceleration is huge. Our research reveals several clear action items: team building must begin at the top, adapt for customer-facing and non–customer-facing teams, and question the team's optimism for both current and future performance. Executives who take a hard look at their teams through the lens of the 15 tests of brilliant teams will be well positioned to improve the acceleration of their teams and increase their odds of achieving breakthrough performance gains faster than their competitors.

About the authors

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Five steps to better team performance

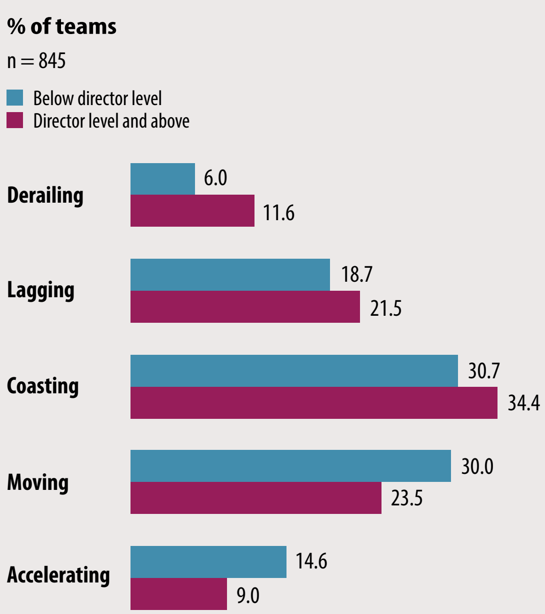
The following figures explore how top teams accelerate performance to achieve enduring competitive advantage.

Our research into team performance (see "Accelerating performance in teams," on page 4) finds that teams operating at their best have a clear mandate, demonstrate strong governance, distribute their leadership, engage in productive conflict, translate their strategy into a compelling story, manage key stakeholder relationships well, and are capable of continuous renewal.

The result? They are more healthy and thus more able to build and change momentum to get results more quickly than their competitors — in other words, to achieve *accelerated performance*. The following figures highlight the approach that teams can take to get there.

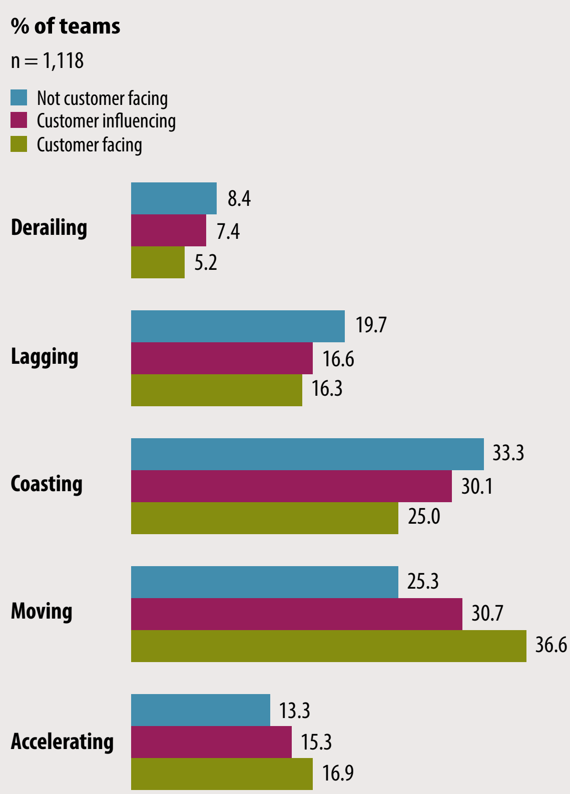
Focus at the top

Senior teams are less able to build and change momentum quickly than are junior teams — just as the responsibility and impact of doing so become more critical. Start here.



Connect with customers

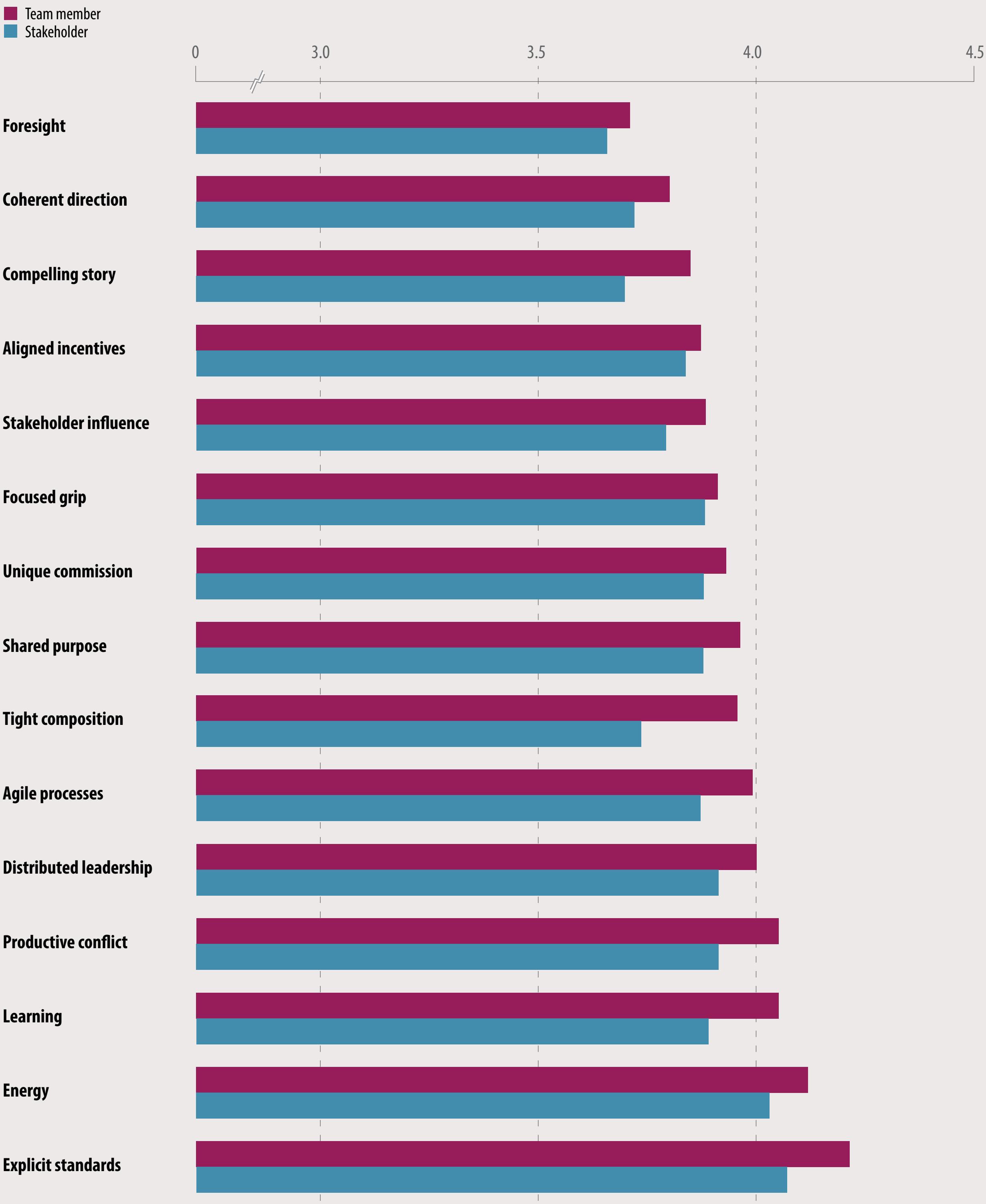
Encouraging teams that are not customer facing to spend time connecting with customers may increase the team's ability to accelerate performance.



Hold up a mirror

Gathering an outside-in view of the team is critical to ensuring teams meet the needs of their stakeholders, as stakeholders view teams differently than the team sees itself.

Mean score on Team Accelerator Questionnaire: performance ratings on 5-point scale, by criteria category
n = 662–670



Question optimism

While both accelerating and derailing teams tend to rate their current performance in line with the performance data, the teams that are lagging the most (or derailing outright) tend to be the most optimistic in their predictions of future performance. So when your organization's teams predict their future level of performance, apply a healthy discount to that estimate.

Performance ratings on 5-point scale

n = 260

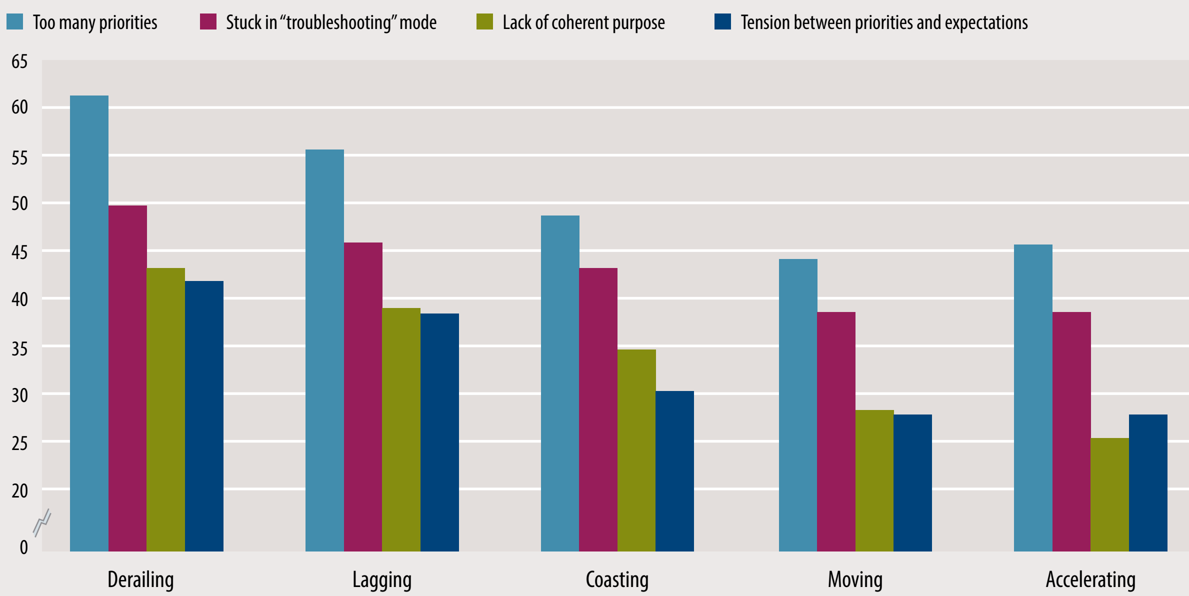
XX Current overall performance rating XX Future performance prediction

	Derailing	Lagging	Coasting	Moving	Accelerating
Current overall performance rating	2.9	3.0	3.3	3.5	3.7
Future performance prediction	3.7	3.7	3.8	4.0	3.8

Start with purpose

The top four constraints — what gets in the way of high-performing, accelerating teams — relate to purpose; therefore, spending time on clarifying a team's purpose is time well spent.

% of teams experiencing given constraint



Source for all figures: Heidrick & Struggles analysis

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Can your leaders deliver on your growth strategy?

Seven management disciplines can help top teams (and companies) foster innovation, align culture with strategy, and improve performance.

Against a backdrop of volatile, uncertain times and increased business complexity, it is useful for business leaders to remind themselves of one essential fact: any strategy imposed on an unprepared or unwilling organization is doomed to fail. Persuasive and charismatic leaders may succeed in driving a strategy that achieves a turnaround. But unless that change is embedded in the fabric of the business, it will not last.

A chief executive may articulate a vision and then set about ensuring that everyone is "on the bus," only to find the wheels falling off before the strategy can proceed too far down the road. The key to such failures is not necessarily the value proposition — or, more accurately, the value hypothesis — put forward by a CEO or a board of directors, but rather the value delivery.

For the past two years, we have partnered with Professor Andrew Kakabadse, of Henley Business School in the United Kingdom, on a global study taking in 100 face-to-face interviews with chairmen, directors, chief executives, and senior executives to test business models against current realities. With the data collected from the survey, and insights drawn from Professor Kakabadse's leadership research, we looked at how to create diverse teams to foster innovation, ways of facilitating diversity of thinking, how to align culture with strategy, and how to engage teams and organizations to deliver on a mission.

We found that the starting point for many companies is bleak. In looking at many of the world's leading organizations, through two years of interviews, and working from a database collected over 20 years from 5,500 boards and top teams in 34 countries, we observed that in terms of strategic alignment, fully 33% of top teams do not pull together at all. Not only is there little sharing of mission, vision, and strategy, but many large businesses undermine themselves. Leadership teams, managers, and boards are fighting each other.

High-performing teams, by contrast, do things quite differently. This article summarizes the methodology followed by leadership teams in high-performing companies, as outlined in Kakabadse's book *The Success Formula: How Smart Leaders Deliver Outstanding Value* (Bloomsbury, 2015) and explores the seven disciplines required to succeed in volatile times. Taken together, they suggest ways that ordinary teams (and indeed companies) might become extraordinary and offer useful food for thought for CEOs and board chairs facing the difficult task of aligning and engaging their organizations to get there.

1 Evidence

One of the most famous success stories in global banking in recent years was the takeover by a small regional bank in Britain, the Royal Bank of Scotland, of a bank three times its size, NatWest Bank. It was an audacious move and one driven by a singular personality who was later discredited because he tried to repeat the process and failed. Why? He lacked evidence. This leader was driven by intuition, not data.

Leaders who get sustainable results are not the ones who are able to see things very quickly, or pull off a business coup once or twice, but those who are able to succeed over time because they have created a culture of evidence.

Business history is replete with examples of CEOs who went on acquisition sprees — buying companies not because they were adding value but because they were empire building. Value propositions can be left behind in a headlong rush to pursue imaginary or elusive alternative sources of value.

Interestingly, too, the very same traits or behaviors that made leaders successful earlier in their careers can derail them. Indeed, what has been a highly successful strategy for a CEO over many years can unwind in spectacular fashion when the context (inevitably) changes.

As Ed Rapp, president of Caterpillar's Resource Industries group, explains: "The biggest risk in this job — and I would say any job of leadership — is isolation and filters. Every time I look at a presentation, the question I ask myself is, how many filters has it been through before it got to me? If you maintain access throughout all levels of the organization, it really does give you the ability to bypass the filters that develop in a large company. The worry is if people don't always put reality on the table. What I keep trying to help people understand is that we've got a lot of talented people, and if we put reality on the table, I'm convinced as a group we can fix it."

2 Mission

The terms "vision" and "mission" are often used interchangeably. But a visionary leader is not necessarily imbued with a sense of mission. In organizations where leaders have a sense of stewardship, mission is powerful and long-lasting.

"Mission" carries with it the idea of purpose with humility. Its essence is authenticity, built around strong values. It is not vulnerable to personality or charismatic styles of leadership.

Values and mission are intertwined. For healthcare providers, for example, waiting lists and tick boxes may have a part to play, but they are not the same as creating patient value. In the emergency room, the mission is about providing reassurance to each individual patient — never about how many patients are treated in a 24-hour period.

Mission is about values. Do leaders live the values? And do they do so in a fast-moving context? The measure of a good leader is his or her ability

> *The measure of a good leader is his or her ability to constantly challenge value creation to support the organization's mission.*

to constantly challenge value creation to support the organization's mission.

3 Alignment

Alignment is not just about building a structure — it's about creating an alignment of thinking. But how? Look around your team. Look at your corporate center. And in your mind, identify where alignment of thinking does not take place. What's the consequence? Is it a situation that erodes you, slowly, and still nothing is done?

Creating alignment requires both IQ — the bandwidth to explain complexity in such a way that people understand what is required — and EQ, or the ability to handle the politics in a positive way. It's the ability to say, "Look, this is a difficult situation, but we're going to turn the impossible to the possible," and to take the organization along with you.

In one of our interviews, a former European telecommunications chief executive describes alignment as a common view on key market developments, customer needs, priorities, and the strategic road map, as well as a strong common orientation on the company's values. He says the challenge is to find the best alignment of structures and processes in product development — across borders — and to establish a global and local model.

Transforming from "the old telco world into the IP world" has been more than a technological transformation, he adds. "It has changed everything we do. We have developed a much better focus on customer services, proven by a lot of KPIs, which are objective so it's not just my wishful thinking. And we have integrated the different operations, particularly wireless and fixed line and content distribution services, into one face for our customers."

4 Engagement

The difference between a value-proposition leader and a value-delivery leader is the ability to engage the team. And that takes courage. This courage is often quiet, humble, and not threatening.

Our research demonstrates that when the top team does not agree, each member pulls in a different direction. The mixed messages that ensue drive general managers further away from the center. The result is a structural nightmare, with the center being seen as providing no value — a misaligned organizational quagmire rather than a dynamic, value-adding hub.

We found that for between 20% and 50% of the world's top corporate teams, strife and tension are the norm. The most common reason for the corporate lack of cohesion is disagreement over the nature of the strategy being pursued, and the next most common reason is tension over how that strategy is implemented.

A German country manager of one major multinational said: "It is not so much the global marketing strategy that is the issue but more the fact that no one in Chicago will listen to what I have to say about the buying habits of the German housewife. Just because it works in America does not mean to say it will work here. Every time I raise the issue of adapting the strategy, everybody thinks I am challenging the corporate center."

Our research suggests that the inability to raise uncomfortable issues is a deep concern for one-third of top teams in France and eight in ten senior managers in China. Similarly, the research suggests that many British board members turn up at meetings to examine the numbers and proposals but not to dig deep enough to surface the market impact of a disengaged management. Boards in the United States fare worse. We observed boards where the chairman, CEO, or president is rarely challenged.

Our message is that managers and board members need to not only listen to but digest unwelcome, undesired, or difficult-to-explain information. It can take months of hard and intensive coaching to enable a top team to listen.

The chairman or CEO needs to have the sensitivity to investigate the nature of the issues at hand and the capability to listen to unwelcome messages. He or she also needs to know the range of covert agendas and the capacity of each top-team member to face up to unwelcome truths. Only then can leaders establish the basis for engagement.

5 Leadership

Leadership that carries a high ethical and moral consciousness at the board and top-team level is now absolutely critical to competitive advantage and value delivery. Today's successful leader does the right thing because it is right, even though it may cause personal pain. Case in point: the family-owned business owner willing to sack a family member if he or she isn't suited to the role. Leaders must live their values without contradiction.

Honesty by the chief executive is a powerful force for business transformation. From the famous example of IBM's Lou Gerstner, who told his senior managers the firm was "sleepwalking off the edge of a cliff," to the more recent instance of Scandinavian Airlines' CEO Rickard Gustafson negotiating with unions, the message is clear: take your team and stakeholders into your confidence and you will get results. Respect is central. Notes Gustafson: "I think that the union representatives respect what we have done, that they realize we did it in a decent way, and that we treated people fairly throughout the process. It is painful, and they don't like it, but they respect it."

Real leaders also lead for a purpose. They believe in the organization and the value it creates. They are not simply going through the motions to collect a paycheck. It is their commitment that attracts and retains followers.

6 Governance

Governance is critical but often oversimplified. It is not simply a straightforward administrative exercise. Getting the balance right between monitoring and mentoring is a big challenge that should not be underestimated. Monitoring is all about the controls, protocols, and procedures that provide early warning signals and enable the board to take action to prevent wrongdoing or bad decisions.

The other side of governance is mentoring, which must encourage different ideas to be surfaced. In this way, the board challenges, nurtures, and guides the management team where necessary. This requires strong relationships between the chairperson and the board, both collectively and individually.

Unfortunately, boards often underplay mentoring in favor of monitoring. This is dangerous. Boards need to carefully mentor strategy execution through the governance fault lines. This type of stewardship takes time, commitment, and consideration of how and with whom to engage.

7 Wisdom

Wisdom is often hard-earned through years of experience. But experience alone is not enough. The factor that magnifies and empowers experience and turns it into wisdom is humility — knowing you cannot possibly be the fount of all wisdom. Practically speaking, it means a willingness to keep on learning.

If IBM's leaders had listened to the voices of diversity within the company when it was on the brink of collapse, pre-Gerstner, the company might have avoided much pain. Those who spoke out were seen as being disruptive and not following the company line.

A major indicator of wisdom is a leader's ability to work through a dilemma or handle seemingly no-win situations. The way to rise above dilemmas that have business, ethical, and personal sensitivities is for a leader to be committed to the team and the greater whole.

Context and corporate direction will dictate how wisdom is balanced on top teams and boards. "Old" does not necessarily mean wise, just as "young" does not necessarily mean innovative. Wisdom comes from a mind-set of diversity and openness — skills that can be learned and reinforced through coaching and mentoring.

For example, the Whirlpool board spans four decades, providing what CEO Jeff Fettig calls "crossover intelligence." He says: "We have one member in his 70s, two or three in their 60s, two or three in their 50s, and two in their mid-40s," with a balance of wisdom and subject-matter expertise being the result.

He says that wisdom is the ability of wise, savvy people to face tough situations and cut through complication to either tell the leadership to "do the right thing" or support them fully in a difficult situation or opportunity.

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At a time when generational change is converging with dramatic changes in business models and businesses everywhere are facing an unprecedented degree of volatility and uncertainty, the findings from our research suggest that senior executives need to focus on:

- Value-delivery (versus value-proposition) leadership
- Better alignment and engagement of the board with the leadership team
- Aligning the culture through the engagement of all key stakeholders
- Facilitating and nurturing diversity of thinking as the glue for engagement with the company's culture

The seven disciplines outlined in this article are a starting point for thinking about the way forward, and indeed there are no easy answers when it comes to achieving sustainable growth. Nonetheless, when organizations start down the path of embedding the seven disciplines in their skills, behaviors, and processes, they dramatically improve their odds of achieving extraordinary, enduring, and transformative improvements in performance. ■

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These articles are drawn from "The transformation mandate: Leadership imperatives for a hyperconnected world," which is available here.