Can Your Leaders Deliver on Your Growth Strategy?
Cracking the Formula for Success
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Over more than 60 years of working with the world’s leading companies, we have observed that 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.

Sometimes a chief executive will articulate a vision and then set about ensuring that everyone is “on the bus,” only to find the wheels fall off before the strategy can proceed too far down the road.

The key is not the value proposition — or, more accurately, the value hypothesis — put forward by a CEO or a board of directors but 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.

We found in our research that the odds of success increase dramatically when the capabilities inherent within the organizations themselves are focused and developed through leadership processes that unlock the potential that lies within.

With the data collected from the survey, and insights drawn from Professor Kakabadse’s 20 years of leadership research covering 5,500 boards and top teams in numerous countries, 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 the corporate workforce to deliver on a mission.

Our work at Heidrick & Struggles is underpinned by the premise that building a team and a culture that will deliver enduring success is an output, not an input.

This means not just placing people into roles (input) but discussing current and future scenarios, examining the current and desired culture, and marrying talent requirements with the new mission (output).

Rather than asking, “Who can replace this executive (or board member)?” companies need to ask themselves, “What are we trying to achieve in our business?” When they do this, a much wider pool of candidates emerges.

Diversity then becomes an outcome of the process rather than an input. In our experience, companies are not able to harness the power of diversity of thinking by trying to place the “right” gender, nationality, or function into a role but by adopting a different framework out of which diversity of thinking naturally emerges.

This article summarizes the methodology followed by high-performing companies, as outlined in The Success Formula: How Smart Leaders Deliver Outstanding Value (Bloomsbury), and the seven disciplines required to operationalize the formula.
Success means thinking differently, together

In looking at many of the world’s leading corporations, through two years of interviews, and working from a base of data collected over 20 years from 5,500 boards and top teams in 34 countries, we have found that in terms of strategic alignment, fully 33 percent of top teams do not pull together at all.

Not only is there little sharing of mission, vision, and strategy, but many large businesses are actually undermining themselves. Leadership teams, managers, and boards are fighting each other.

Our research included a forensic look at the reasons behind the biggest corporate collapses around the world since 1970. We found that when leaders find themselves at the helm of companies in trouble, their insights about what to do increase hugely. But their capacity to use those insights minimizes to the point of paralysis.

Such organizations were focused on defending their shareholders, which meant they defined governance only as “monitoring.” They were out of touch with the people side of the equation.

But the boards of companies that did really well had a sense of dynamic governance. They got involved. They did not interfere with management but looked at top talent; they were adaptable, and they looked at what strategy meant. They tried to create a culture of diversity of thinking through mentoring and good stewardship.

High-performing organizations were using diversity to good effect and were relying on evidence rather than the clichéd “highest paid person’s opinion,” or HIPPO. Conversely, poorer-performing companies that have tried artificially to engineer diversity tend to experience disruptive diversity, where a cacophony of views leads to conflict and confusion.

The disciplines we identified in successful companies were:

1. Evidence-based decisions
2. Deep sense of mission
3. Alignment throughout the organization
4. Engagement with honesty and courage
5. Leadership with high IQ and morality
6. Dynamic governance, combining monitoring with mentoring
7. Wisdom, with a “continuous learning” mind-set

The essence of being on a 21st-century board, or being a top executive, is that you are, in one sense, naked. Everyone can see what you are like, whether you are performing or not. When you watched your boss or your board chair, say, 10 or 20 years ago, you could read him or her, couldn’t you? Well, the same applies to you if you are that executive today — your organization is reading you.
Not just diversity, but diversity of thinking

For the high-performing organization, the message from our research is that it matters little who you are or where you have come from. What is critical is that you have developed the diversity of thinking that is at the heart of the success formula. It is the sense-making part of value creation, and there are three distinct elements to it.

First, diversity of thinking will enable an organization to capture multiple experiences, contexts, and interests. Such thinking requires a new way of assessing and developing your team’s intelligence. The type of intelligence needed must be competitive and able to rapidly navigate a new world of volatility, uncertainty, complexity, and ambiguity (VUCA).

Second, solid evidence, or data, must be used to understand the opportunities and threats facing the organization if it pursues a given course or strategy.

Third, the data need to be interrogated (teased out, tested, and challenged) as the basis for strategic decisions.
To make better sense of value delivery, we developed a formula, which requires a focus on diversity of thinking from leadership to produce success. The logic of this formula is to first achieve consensus about where value lies and the organization’s capability to deliver it. Then, and only then, formulate a strategy to deliver that value and constantly test that strategy, and the assumptions that underpin it, with stakeholders and reality.

For those who remember their school algebra, the solution to an algebraic formula is to calculate the parentheses first and then combine that result with the numbers outside the parentheses. In our case, if either E or A is zero, then their product is zero.

But when there is no addition to Strategy, then there is no addition to Value. It is only if the multiplication of E and A results in a positive number that Value will be increased.

This formula is discussed in more depth in *The Success Formula*, but essentially the conclusions we have drawn from the research are that three elements are critical to value creation: strategy, engagement, and alignment.

When managers are comfortable with complexity and are able to leverage that defining difference, then leaders can genuinely claim that the organization delivers value. Value delivery and diversity of thinking are inextricably linked. They are the two sides of the same coin, and both are required to create organizational riches. The challenge for the leadership of the enterprise is to nurture a mind-set of value delivery together with a diversity of thinking so that true differentiation is realized.

Let’s look at the disciplines that together can create the mind-set necessary to produce the right outcome.
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 discredited because he tried to repeat the process later and failed miserably. Why? He lacked evidence. He was driven by intuition, not data.

Leaders who really work well 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 if the context changes.

As Ed Rapp, then-president of Caterpillar’s Construction Industries group headquartered in Singapore, 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.”

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 the leadership has a sense of stewardship, mission is powerful and long-lasting.

“Mission” carries with it the idea of purpose with humility: “I have been appointed to this position of command, and I would like to leave it better than I found it.” 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 an accident and emergency department, the mission is about providing reassurance to each individual patient — never about how many patients are treated in a 24-hour period.

It 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 to constantly challenge value creation to support the organization’s mission.
Alignment

Alignment is not just about building a structure — it’s about creating an alignment of thinking. But how do you do this? 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 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.

“What 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.

“So we have taken the company from a product-line organization to a customer-facing organization, with the focus on the consumer and also on business customer needs. We are on the way to driving international scale — though we have not yet established a strong enough functional integration across borders in order to drive those international scale effects, which are badly needed in an internet world, where markets are, by definition, without borders.”

Alignment is closely linked to engagement. Leaders will not achieve true commitment without first outlining the value proposition, listening to the reaction, and negotiating an agreement on the best course of action. The next step is engagement.

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.

Leaders who succeed in engaging their organizations usually encourage diversity of thinking at the board and top-team level and combine this skill with clever strategic thinking and execution.

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 percent 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.”

The inability to raise uncomfortable issues is a deep concern for 36 percent of top teams in France and 80 percent of senior managers in China. Similarly, the research suggested 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. US boards fare worse. There are boards where the chairman, CEO, or president is rarely challenged.

Our message is that managers and board members need not only to listen to but to digest unwelcome, undesired, or difficult-to-explain information. It can take six months of hard and intensive coaching work 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 he or she establish the basis for engagement.

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’

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CEO Rickard Gustafson negotiating with unions, the message is clear — take your team and stakeholders into your confidence and you will get results very rapidly.

Yet convincing those closest to you can be as much of a challenge as dealing with those who oppose you. Respect is central.

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 monthly paycheck. It is their commitment that attracts and retains followers.

**Governance**

Governance is the engine oil of the success formula. But governance is not simply a straightforward administrative exercise. Getting the balance right between monitoring and mentoring is a big challenge and should not be underestimated.

Once again, independence and diversity of thinking are keys. 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 should encourage different ideas to be surfaced. In this way, the board is able to challenge, nurture, and guide the management team where necessary. This requires strong relationships between the chairperson and the board, both collectively and individually.

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.
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. A dilemma may be defined as a no-win situation: whatever way you look at it, you are wrong.

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. This can be taught 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 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.
Setting up your organization for growth

At a time when generational change is converging with dramatic changes in business models, the findings from *The Success Formula* suggest that companies 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 success formula and the seven disciplines outlined in the book are a starting point for thinking about the way forward. The next step is to develop a portfolio of skills, behaviours; and processes that can help your leaders deliver sustainable and growth-oriented business model.

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