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PEOPLE + STRATEGY

THE PROFESSIONAL JOURNAL OF THE SHRM EXECUTIVE NETWORK

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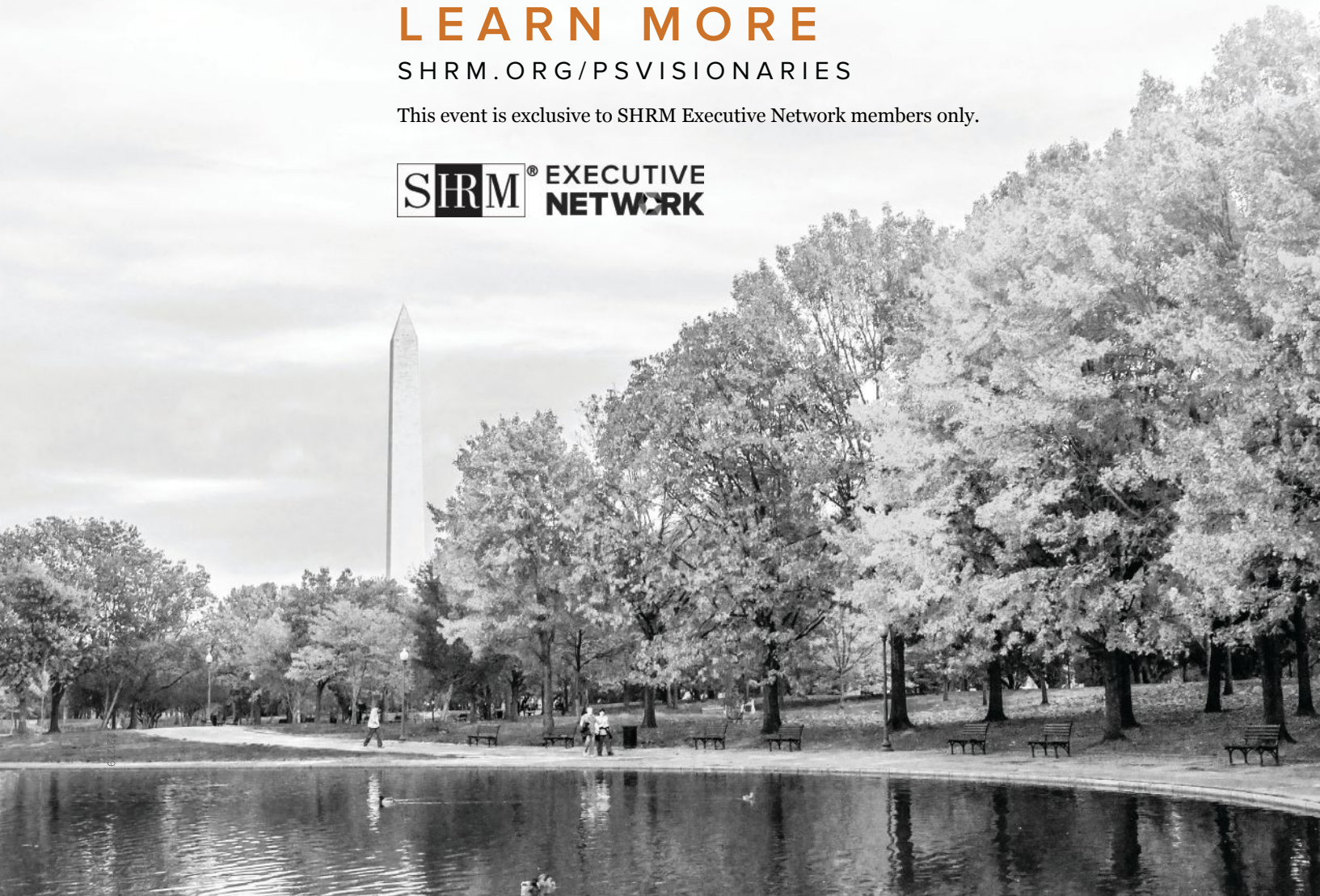

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Message from the President

Make No Mistake, Your Employer Brand is Your Brand

Businesses spend considerable time, money and energy building their brand in marketing to a target audience. They carefully curate the messages they send to the public. But the brand is more than just the messages you put in the public space; it's also the aggregate of customer experiences that form how consumers see your brand. A well-crafted brand image can break through the clutter of competition to vie for audience attention.

Far too often, we present different faces to the end consumer and target market than we do to our workforce and prospective candidates. However, who you are in either sphere is ultimately revealed. Compartmentalizing your public brand and your employer brand isn't sustainable.

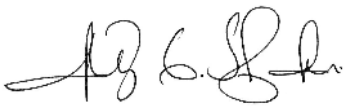
What your employees think matters. How do your public-facing employees treat your customers? What would your employees tell your consumers about your business outside of the workplace? A poor relationship with the workforce can undo the goodwill built in the public sphere.

Good news travels. Unfortunately, bad news travels faster and further. Who you are eventually spills out into the public space. Employees share their experiences with friends, family and the public in conversations, in the news, on social media and in courtrooms. When the market begins to wonder if you are who you say you are—or when what you say and do aren't consistent—you look disingenuous to both your workforce and the public. This dissonance between a public image and how companies value their workforce damages credibility and ruins reputations. Your reputation allows the market to trust and believe what you say about your products. Breaking public trust can be catastrophic, undoing millions in capital investments. Having a public brand image at odds with the employee brand is an invitation to disaster.

Like your customer base, employees represent your growth potential. In fact, HR leaders often use the terms "internal customers" and "external customers" to distinguish between the people on the outside and our employees. As business leaders, our impact on customer experience is moderated through our workforce, our internal customers. Cultivating a mutually beneficial relationship with our internal customers impacts how well they create positive experiences for our external customers.

Culture is still king. Organizations must be as intentional and meticulous about building, maintaining and protecting their employee brand as they are about their public brand image. To do that, they must be clear about their culture, who they are and how they operate. Culture drives you to hire people with a shared vision for getting things done. Healthy workplace culture is the catalyst for a positive employee brand as it fosters employee engagement and facilitates positive workplace experiences.

Identifying and leveraging synergies when engaging internal and external customers is essential. A consistent brand image allows you to attract and retain people—clients AND customers alike. When the employer and public brand images align, businesses are poised for sustained success.



Johnny C. Taylor, Jr., SHRM-SCP
President and CEO, SHRM

WHEN YOUR CEO TURNS TO YOU, YOU CAN TURN TO SHRM

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Leadership: 2030

A year ago in these pages I described an emerging problem-set popping up in more and more conversations with senior executives of all stripes, and with board members in public, private and nonprofit companies: It was getting harder to align on what "good leadership" looked like staring into this next decade. Twelve months later, that problem has emerged from the wings and moved to center stage.

The title of this issue, "Leadership 2030," takes as its jumping-off point a position that a chapter of global history closed in the beginning of 2020. Along with it closed a chapter about business leadership, upon which were based many of our shared views on management effectiveness, leadership development, assessment and selection processes and the ways we measure an executive's impact.

So much of what we take for granted in this space came out of excellent work by a range of thinkers from Peter Drucker to Jim Collins, not to mention decades of IO psychology, data collected by search firms, management consultants, academics and other pattern recognizers. Collectively, we built a leadership industry, based in part on an increasingly shared set of ideas about what a great 20th century executive looks like.

From Past to Future

The thing is, we're not in the 20th century anymore. It just took us an extra couple decades to recognize that.

All that robust benchmarking, it turns out, rested on bedrock assumptions that were themselves fragile. Here are a few examples:

- Globalism is inevitable, making supply chains and transport of goods so reliable as to eliminate the need for redundant systems.
- Market forces are the surest way of spreading democracy, or at least the rule of law.
- Global financial systems, while imperfect, are effective at keeping money cheap and disruptions isolated either geographically or temporally.
- American democracy, with its separation of powers, its impartial electoral processes and its ability to police global transport lanes would—however messily—serve as a source of constancy in a world of change.

Among other implications of these and similar assumptions, the world of the last 70 years seemed to become an increasingly predictable place. Good CEOs offered to-the-penny guidance on quarterly earnings. International agreements made it easy for capital to follow cheap labor. And complex goods could be atomized for inexpensive production, then moved across borders multiple times before their eventual final assembly.

The future would certainly have its challenges, but in general, we were looking at a long period of slow GDP growth (even China's booming growth curve was expected to taper off over the course of a decade or two), and so the primary job of business leaders was to outgrow GDP, and out-innovate competitors.

Francis Fukuyama's book *The End of History* (University of Wales Press, 1992) projected a long corridor of relative sameness, and Thomas Friedman's *Hot, Flat and Crowded* (Farrar, Straus and Giroux, 2008) offered a layman's view of the same principles. One of Friedman's now-regretted maxims was that "No two countries with a McDonald's have ever gone to war with one another."

Things change.

I'm not being remotely snarky about Fukuyama or Friedman's lack of futuristic precision—they were using the best data and analyses available at the time. And I think it's safe to say that few if any business leaders foresaw the conditions we are now navigating on the way to 2030.

In retrospect, the cracks in the assumptions listed above were already visible prior to 2020. Geopolitics were becoming less stable. The rule of law

The 70 years of stable systems we grew up with were an anomaly, and the messiness we're seeing today is much more what 'normal' looks like if you get outside our direct lived experience.

was under strain in America and elsewhere, and financial systems were creaking under various pressures. But viewed through the lens of our—and our grandparents', and *their* parents'—lived experience, those changes tended to feel like temporary wobbles. Surely, normalcy would return.

A Generational Jump

It has been widely noted that the pandemic accelerated the adoption of technology and flexible work arrangements by a decade or more in a period of weeks. This has become so obviously true that it's hard to read those words rather than skipping over them.

But what's noteworthy is a different pattern set triggered by the pandemic: Those underlying, baseline assumptions about stability and sameness didn't just hit pause for two years—they've been blown away. Just as technology leapt ahead, so have a cascading series of business and social norms. And we haven't really fully grappled with those yet.

A useful summary of our current moment in history is the economist Peter Zelhan's 2022 book, *The End of the World Is Just the Beginning: Mapping the Collapse of Globalization* (Harper Business). [It's important to note that he's not claiming the collapse of civilization—his title is daunting enough!] His analyses are thoughtful and meticulous, and his key point is that we need to challenge all of our assumptions about the way economies work. That's because the 70 years of stable systems we grew up with were an anomaly, and the messiness we're seeing today is much more what "normal" looks like if you get outside our direct lived experience and look across centuries, rather than decades. Except now we have nuclear weapons and AI and the Paris Climate Accord.

All this has significant implications for leadership, which are only beginning to be understood. In boardrooms and C-suites around the country and around the world, executives are asking questions like: How do existing business models change if capital stays expensive? How does supply chain theory have to be revised and updated if assembling goods across borders becomes patchier, or getting items transported around the world (say, getting grain across the Baltic) becomes fraught with risk? What defines a good CEO—or a good middle manager—when, in addition to employee wellness and business performance, executives are also responsible for commenting on state-level legislative policies that affect wide swaths of their employee base and on which employees themselves hold polarized views? And what if a country decides our company's goods or services pose a risk to national security?

So, again, what does good leadership mean now—the kind that guides us to 2030 and beyond? It's not the same as the past.

This is not a call for sackcloth and ashes. While, at the species level, we might pine for whatever we think of as normal, this is a time to raise our eyes to the horizon and look for opportunities. We are innovators. We are adapters. How we build leaders now, how we leverage technology, how we build resilience into our organizational fiber—these are exciting questions. But they rely on our looking ahead—to 2030 and beyond—and imagining a new set of assumptions. There's no retreating to the past.

Kind regards,

David Reimer
Executive Editor

Next Gen Leadership: How Do Harvard MBA Students See the C-Suite's Future?

The past few years have been a period of breathtaking change for organizations, and the pace of change is likely to accelerate in coming decades. What are the expectations of future leaders for how business needs to evolve?

Adam Bryant, the articles editor of *People + Strategy* journal, and Diane Gherson, the former CHRO of IBM and a member of the journal's editorial board, interviewed three Harvard Business School students whom Gherson taught during her tenure as a senior lecturer at HBS.

A roundtable discussion with three MBA candidates at Harvard Business School, each of whom has at least four years of experience working in global organizations.

- **Florian Mandel**
- **Samrath Oberoi**
- **Shruti Rao**

***People + Strategy:* What do you want more of or less of from leaders in the future?**

Samrath Oberoi: One thing I expect of our leaders is to follow data-driven decision-making. I see organizations as upside-down triangles. All the data is on the bottom level, and all the decisions are being made at the top. But a lot of time, the information doesn't flow in companies. For that to happen, there needs to be a lot of trust from the people who are making decisions so that we're able to freely send that information up to them. Oftentimes that doesn't happen because sometimes people in leadership don't look like you, and the trust hasn't been established between people on the grassroots level and people who are at the decision-making levels. I think that needs to change. Or perhaps decision-making power needs to move slightly lower for organizations to run effectively.

I've decided to go into entrepreneurship, and one of the reasons is that I didn't have enough autonomy or decision-making power when I was working for large companies. My learning as a professional was being impacted because my voice to some degree wasn't being heard. And because of that, I want to seek out more opportunities where I can have a more fulfilling career.

Shruti Rao: As I think about the type of leaders I want to work for, and the type of leader I want to be, there are two main things. First, I want to respect that person, which might actually be new for my generation. Choosing the leader I want to work for is such a big decision. And I have been surprised by how someone's views about politics and other issues that are directly related to the job really do matter to me. I am very understanding of a wide range of viewpoints, but I want to work for someone who carries themself through society in a way that I respect.

The second part is transparency. How does what I do in this organization matter to you as a leader, and how do you make your decisions? It's almost impossible for any leader to make everyone in a company happy, but there has consistently been a lack of transparency from people at the top about why they are making certain decisions. To me, it's low-hanging fruit for leaders to communicate more about what they are doing and why.

Florian Mandel: Building on what Samrath said, there's a big difference between the ideal of data-driven decision-making and reality. I used to work at a company that said data acts as our thermostat. In reality, I noticed that a lot of people, from middle managers to senior levels, often did not come from a data background. There was a massive appetite for data to be used, but there was not necessarily a lot of support for setting up the back-end systems to make sure you have actionable insights from it. So people would often rely on gut to both question data and make decisions.

One reason I went to business school was to build my data skills so that I could be the kind of leader who uses data when I'm leading larger teams. Another thing that I want and expect from future leaders is a much deeper awareness for how anything and everything that we do touches the climate crisis.

***P+S:* Your points are well taken about using data to make decisions, but in the most senior leadership positions, data only gets you so far, because you are often encountering brand-new challenges. Strategy, at the end of the day, is really about making bets on educated guesses.**

Mandel: But even making gut-driven decisions should involve coming up with a hypothesis and then asking a certain number of questions to test it. And you can probably use data to answer about half those questions. As a leader, you want to make educated guesses based on actionable insights. To get those insights, you need to start somewhere with data. That's where I often see things breaking down at the moment.

Rao: I do think that great leadership is still about having a lot of intuition. Data can help you make very concrete business decisions, but I don't think that AI or data can tell us how to lead. Data is useful for telling us whether to go right or left on more micro-level decisions. But on more open-ended questions of, for example, whether we should expand into a new geography, you do have to trust your gut a bit. We have to learn how to harness data and use it more effectively, but I don't think that data will ever replace leadership.

Oberoi: I agree that we need to harness data better, because I think we can all agree that you can make a spreadsheet say whatever future projection you want. This is why the purpose of an organization is so important. If an organization is a tree, the values are the roots, the beliefs would be the trunk, the strategy would be the branches, and the actual decisions would be the leaves. That's where purpose-driven decision-making comes into play.

***P+S:* A lot of purpose statements can be so high-altitude and general—some variation of "make the world a better place"—that I wonder how useful those statements are in guiding decision-making.**

'It's low-hanging fruit for leaders to communicate more about what they are doing and why.'
—Shruti Rao

Mandel: Purpose is tied to values and culture, and I would want everyone on my team to have the guts to disagree and enrich the conversation when decisions have to be made. The values have to be codified in a way that allows you to go up to someone who is a couple levels above you and challenge them because their decision isn't supported by data or because it isn't in line with the mission. You need something that levels the playing field for those conversations. It gives you permission to dissent or to just propose alternatives. And the more discussion, the more alternatives we have, the better the solution will be.

Oberoi: I'm more on the side of keeping the purpose vague, especially in large organizations. Because there will be so many different teams working on so many different projects, keeping the purpose vague helps cast a wider net and also allows different segments of your organization to craft their own derivative version of the larger purpose and drive strategy based on that. It's a different story for small to medium-sized companies, but keeping that 10,000-foot, high-level purpose is a smart strategy for large companies.

Rao: People are seeking purpose, but I think that these pie-in-the-sky statements from companies to pick up on this sentiment is a bit of a lost opportunity. In order for these mission statements to really be effective, they need to be authentic to the company and be reflected in its actions. For example, many companies put out statements in response to Black Lives Matter about how they support the protests, but they lose a ton of credibility because there may be only one person of color on the entire leadership team. Purpose statements can be powerful, but they have to be authentic.

P+S: **Is the CEO job sustainable the way we expect people to do it now?**

Oberoi: There is a shift because so much technology has come into the decision-making process. Many decisions that CEOs were primarily hired to make can now be handled more by data and technology. So the responsibility of the CEO shifts to mobilizing employees, influencing them, giving them a sense of purpose and pushing them forward.

You have to think about what motivates employees to give 100 percent. For a lot of people, jobs are just a 9-to-5 proposition, and they're giving it 75 to 80 percent effort. But that delta of 25 percent really matters, and that compounds over time as you get bigger. So the purpose of the CEO has become more about finding ways to motivate employees.

Mandel: I wonder if all the challenges of being a CEO is a crisis created by the CEOs themselves. I don't support the idea of the CEO as a supernatural figure who needs all the power and information and who is being paid 150 times more than the average worker. The CEO is just one person, and the focus should be on the organization. Maybe the way out of this is distributing more power among teams within the organization. We have all these new tools and there's so much opportunity to distribute decision-making so that it doesn't flow through one person.

P+S: **CEOs don't necessarily want to make all decisions, but a lot of the big decisions—that have huge consequences and for which there is no clear right answer—do roll up to the CEO.**

Rao: The CEO job is getting harder. CEOs are transitioning from being leaders of their organizations to being tasked with acting as leaders of society. These societal issues bubble up and start to become their problem in a way that they probably didn't necessarily expect it to be. I can imagine that that is immensely challenging.

But to me, another interesting question around sustainability of roles is, what is it like to be a junior employee in a company? What is it like to be a mid-level manager in a company? Employees at those levels have always faced challenges, but we are only now starting to increasingly understand them and talk about them, especially now that so many people have to be on email and in Zoom meetings all the time.

It's very hard because you don't have a level of autonomy to be able to say to a senior person, "This is where I stop, this is when I start." How do we create organizations that make it easier for people to find purpose and meaning in their work and have a full life? To me, that's a worthwhile conversation, as well.

P+S: **As organizations and their employees try to figure out the future of work, it seems like there can be a mix of reasonable and unreasonable expectations in the conversation. What are your thoughts?**

'Many decisions that CEOs were primarily hired to make can now be handled more by data and technology. So the responsibility of the CEO shifts to mobilizing employees, influencing them, giving them a sense of purpose and pushing them forward.'
—Samrath Oberoi

‘I don’t support the idea of the CEO as a supernatural figure who needs all the power and information and who is being paid 150 times more than the average worker. The CEO is just one person, and the focus should be on the organization. Maybe the way out of this is distributing more power among teams.’

—Florian Mandel

Mandel: One issue I would bring up is that it’s unreasonable for employers to assume that every one of their employees is going to be 150 percent all in. And I don’t think you want to structure your organization so it can only succeed if you find these type of employees. That’s a pipe dream. You might be able to get them really excited about something for a brief period, but people’s priorities change. When you have a family, just figuring out day care can be more important than getting a raise. There’s a rigidity of the system now that needs to change. It should become more fluid and allow for more individualization.

Oberoi: I don’t think monetary compensation is going to prevail as the most important draw for the best talent anymore. Companies need to find unique ways to attract the very best talent.

Another thing that’s changing is transparency around issues like decision-making and compensation. For example, because companies are now required by state legislation to share more information about compensation, it has changed the entire game for tech hiring.

Rao: In this post-COVID world, being 100 percent required to be in the office just feels incredibly unreasonable. I also think that being fully remote is not necessarily the best way to run an organization either. And so a lot of these in-between compromises work best, because we need to have some in-office interaction but we also need to provide employees some flexibility to live their lives. There is a lot of joy that you can provide for people by giving them autonomy.

Mandel: I agree we need more individualization, and it can also happen more at the team level. If you think of a company with 15,000 employees, you can keep breaking down the work so it’s organized around teams of, say, 10 people each. Right now, there are a lot of policies spread like peanut butter across entire organizations. Companies should be a bit more flexible. Yes, there will be people who will try to game the system, but everyone will be slightly better off in the aggregate.

The Student as Teacher: What’s The Message to Their Previous Employers?

In addition to pursuing an MBA at Harvard Business School, each of these roundtable participants has worked for at least four years at global organizations. People + Strategy *asked them this question: If you could write an open letter to the leaders of companies you worked at so far, what would you tell them?*

RAO: BETTER TREATMENT = BETTER RESULTS.
I used to work on Wall Street, which is notorious for being a hard industry to work in. But over time, the industry has become more focused on treating its junior people better, which is great. A lot of very strict policies have been put in place to protect people’s time, including weekends. And they did work. But I think it’s also been confusing for senior leaders who didn’t have these policies when they were more junior.

So you have gaps in understanding and expectations. The work is still getting done to the highest caliber, but people are being treated a bit better. Why wouldn’t we want that? But I’ve learned that it can be really hard in industries where there’s a legacy of people who operated in a different environment. These changes are permanent, and they need to understand that.

MANDEL: MORE COMMUNICATION, CONSTANT FEEDBACK.
One point I would make is around communication. I would be hard-pressed to name any person who actually communicated enough. That is a recurring theme among leaders of teams and their managers and their skip-level managers. Everybody always thinks they communicate everything and they’re super transparent, but just having a weekly half-hour call with a few minutes for questions doesn’t really cut it.

Another point would be about feedback. My company used to do biannual performance reviews, and for some reason they always managed to make it a bad experience for everyone. Everyone was always dreading them, and managers would resist writing them. But giving feedback is one of the most crucial roles of being a leader. You want to give everyone on your team constant feedback. But people seem to want to make this unpleasant, and then the process ends up being unpleasant. I wish there wasn’t the expectation that feedback has to be painful.

OBEROI: ENCOURAGE CROSS-FUNCTIONAL GROWTH.
Feedback was one of my main points, too. It’s almost like the 360 review is just nonexistent in many organizations, and it should be core to how they operate.

I also think that organizations could do more to encourage cross-functional growth. My value as an employee increases when I understand how my role fits in through different parts of an organization. And a lot of times, organizations just don’t encourage that. There are not enough programs out there for the employees within an organization to grow cross-functionally. That’s something that’s very valuable, but companies are missing out on it.

Is It Time to **Reimagine** the **C-Suite**?

Given the growing demands on leadership teams, particularly the CEO, the current structure for leading companies may no longer be sustainable. The CEO and co-chair of global design firm IDEO engage in a whiteboard exercise about alternatives.

By Tim Brown and Derek Robson

The fundamental role of the C-suite has changed. In the past, the leadership team's job was to keep the existing machine humming, optimizing for efficiency and profitability. But now the challenge goes beyond delivering business results to driving transformation—in effect, building a new machine that will thrive in the future and, ideally, the present.

And the demands placed on most senior leaders of organizations have grown exponentially. Not only are they required to be constantly reinventing the company, but they must also navigate the growing expectations of employees, investors and other stakeholders who believe that corporations and their leaders should play a larger role addressing broader issues in society that historically fell outside the purview of business. And the demands these leaders face will only increase given that relentless disruption and uncertainty are now facts of life.

Who can live up to this superhuman job description? It's time to start contemplating a mindset shift and possible reimagining of how the C-suite operates. We see four fundamental shifts that can help executives teams evolve.

How might we shift from answers to questions?

It used to be that chief executives were expected to have all the answers to any question, as if they were Athena, the goddess of wisdom. But in our conversations with CEOs over the last few years, many share the opinion that the primary role of chief executives has to shift to being constantly curious rather than all-knowing.

In a sense, the CEO needs to move from being chief executive officer to chief inquiry officer. The ability to ask the right questions is arguably more important for the CEO than having the right answers. That's because questions provide long-term focus for companies, whereas the right answer in one context can quickly become the wrong answer amid shifting contexts.

That then raises the question of whether one person can realistically be expected to be able to have all the knowledge, expertise and insight required to explore new territory and create those questions. The answer to that is almost certainly no, and that creates a bit of a dilemma for the CEO.

Where do they get the help to be constantly curious? It may be too much to expect that support from their direct reports, given that their primary responsibility is to execute the strategies that emerge from those questions. The board may not be much help, either. Boards, for the most part, are not expert enough. They have an important role to play, and maybe some board members can play that role. But it's not something that boards are generally set up to do. They are governance mechanisms more than knowledge-seeking mechanisms.

One possible solution for providing more support to CEOs is for them to have a small set of peer advisors around them to help them figure out what the right questions are. For this to work, the CEO would need to be able to treat that group as true peers. And they not be on the payroll of the organization, so that the CEO doesn't have to also worry about the motivations of employees who might be looking to be promoted.

In most of their day-to-day interactions, CEOs have to be concerned about side agendas and ulterior motives. And for this advisory group to work, it would have to have a singular goal of helping the CEO think through challenges and questions, in the same way that U.S. presidents have assembled "brain trusts" to offer guidance on issues. The goal for the group would be to provide a series of perspectives on a problem, rather than trying to provide the answer, and help the CEO build their confidence and courage for navigating uncertainty.

How might we create more fluidity in executive roles?

This question underscores a fundamental tension in the role of the CEO and other members of the C-suite. At a time when people expect more of their CEO and their leaders—authenticity, humanity, inclusivity, greater visibility, constant communication—these senior executives also need more time away from the office to simply think, to calm the noise and figure out what questions they should be asking but aren't. And there's no way to do that other than being either intensely disciplined about it or by sharing the load. That thinking time is crucial, even if it is just to step back and ask yourself whether you are making progress on the big goals that you've articulated for the organization.

In theory, the responsibilities of leadership in organizations should be shared and spread across the other executives. One challenge there, as we mentioned earlier, is that the C-suite is primarily focused on executing the strategy, rather than contemplating new strategies.

In addition, those roles themselves are facing their own existential crisis. Not only are the responsibilities of each traditional role expanding rapidly with the complexity of the world, but we are seeing more C-suite leaders wearing multiple "chief" hats.

For example, many chief human resources officers are now also responsible for real estate, given that the future-of-work policies they are devising have enormous implications for their requirements for office space. As if that weren't enough, they are also taking on responsibility for communications—both internal and external—since it makes sense for them to be aligning corporate messaging with efforts to recruit and retain employees.

As new issues come up, responsibility for handling them will likely fall on the shoulders of the existing leadership team. But this model isn't set in stone, and it should be revisited.

We can look for lessons on fluidity from outside the world of business. Some years ago, we worked with the government of Dubai to create new ministries—including establishing the Ministry of Possibilities—and merge existing ones to address the evolving challenges and issues that society faces. Should businesses start to think the same way? Should we start to imagine C-suite leadership roles that are more agile and can be continuously restructured to deal with the challenges of the moment while also considering the future?

How might we reduce leadership complexity?

What we often see in organizations is that leaders respond to the complexity of the world and the challenges the organization faces by adding more layers, creating heavily matrixed structures. That organizational complexity doesn't necessarily lead to better outcomes, because those additional layers can actually slow down organizations rather than speed them up. But companies need to focus on doing the opposite. How do they simplify the business down to its essential elements so the structure is built to best serve the core?

The fundamental questions of leadership are still the same—are you managing your people properly, and are you managing the brand and its brand assets properly? As companies add more layers and structure, they don't necessarily make things better; they are just adding more stuff. A more simplified approach to the organizational structure, although it sounds heretical, is what's needed in many corporations.

What's the strategy? Does the organizational structure match it? In many cases, it doesn't. You kind of drift away one

In a sense, the CEO needs to move from being chief executive officer to **chief inquiry officer**. The ability to ask the right questions is arguably more important for the CEO than having the right answers. ... One possible solution for providing more support to CEOs is for them to have a small set of **peer advisors** around them to help them figure out what the right questions are.

degree every year, and suddenly you're a long, long way away from delivering against what you've set out for your shareholders and for the company itself.

How might we balance performance with regeneration?

As we contemplate the future of C-suite roles, another question arises: Can we structure the jobs so they aren't so reliant on people who have a tremendous amount of stamina and energy, or those who have the capacity to work constantly?

It's almost as if a requirement for the job now is to be able to score well in the equivalent of an NFL "combine," where potential draft picks are tested in various speed, skill and agility drills. To sign up for these C-suite jobs requires a certain amount of internal drive but also pure physical endurance.

Is it possible to imagine doing this job without requiring that level of relentless physical and mental effort? Sports are often used in useful ways as a metaphor for business, but there is a key difference between the two. In sports, you don't spend all your time just playing the game. You spend a lot of time training. And the same is true for other pursuits like dance and music—you are practicing most of the time and performing for a relatively small amount of time. But in the workplace, we don't have that concept, and so we assume that leaders can both practice and perform at the same time all the time. And if you really want elite performers, that may not be humanly possible.

We may be expecting simply too much out of human beings to have them be practicing and performing to extremely high levels for thousands of hours a year. So, what can be done about that?

Organizations have to spread the load so leaders can regenerate some of the time and perform some of the time. But businesspeople are not very intentional about how we regenerate today. We are quite intentional about it in the world of sports, where there is a whole science around what it takes for an athlete to regenerate both physically and mentally. Could we be intentional in the same way in the world of business, rather than having leaders run so hard all the time that they're not giving themselves time to recover?

There are no easy answers to these questions, but they need to be asked now, before the C-suite becomes unsustainable. Rather than worshipping at the altar of the CEO, organizations need a more collaborative approach as we look to the future. Ultimately, the goal would be to create more of a collective leadership body, rather than relying on one person, the CEO, or their direct reports.


Derek Robson, left, is CEO and **Tim Brown** is co-chair of IDEO, a global design company with offices in Chicago, San Francisco, London, Tokyo, Shanghai, Munich and Cambridge.

MASTERING THE MATRIX

Develop a system to win in the marketplace.

By Mike McMullen and Harry Feuerstein

Leveraging a matrix structure is a team sport at its highest level. It relies on a high degree of collaboration that must be part of a company ethos, yet many leaders have never fully cultivated the skills to make true collaboration a reality. The cost of failing to do so can be steep—many companies have failed to capitalize on technologies they already owned because their silo structures and hierarchies prevented them from exploiting their advantages.

For the companies that get it right—they know how to work the matrix and harness their resources to maximize their competitive advantages—there are enormous opportunities to scale, innovate and deliver strong results. But greatness means leading in ways that are not comfortable for many leaders, and they begin with a commitment to key fundamental principles and to an unwavering belief in the power of the matrix.

At Agilent Technologies, the journey for one of us (Mike) started in 2015 with being named the new CEO. It was time to consider different ways to scale that would enable business unit leaders to focus on their portfolios and growth without some of the distractions—and duplicative costs—that can encumber leaders.

Initially, Agilent created a matrix organization by using a familiar playbook that called for a select number of functions to be centralized, with services provided to support each of the business units. Even that traditional approach was met with considerable resistance, and it took a relentless focus on a common purpose to align a leadership team that had grown up in a far different structure.

In 2021, Agilent doubled down on its reorganization plan and moved to a more matrixed structure that included Centers of Excellence (COEs) among a broad array of services. For example, Agilent consolidated five sales organizations down to two, and then ultimately moved to a single "One Agilent" commercial sales group.

The consistent thesis behind these changes was to build a structure that allowed P&L leaders to focus on differentiation and their unique competitive advantage to win in the marketplace while partnering with the COEs to deliver on that proposition to customers. A crucial mindset shift for these COEs was to understand that they exist to support the business. This structure enabled them to hire and develop the skill sets not only to provide subject-matter expertise but also to provide those services at a scalable speed.

Much like Agilent, there are countless organizations that create an internal rallying cry for alignment by putting a "One" in front of their company name. To be successful, such efforts require a push for common goals that align the leadership team. Without this shared clarity around priorities and strategy, such efforts are unlikely to gain traction. They also require an honest assessment of the skill sets required to execute within a matrix structure. Chief among them is the need for leaders with low egos and high interpersonal skills. They must be committed to driving enterprisewide goals while still delivering on what they own. And, not surprisingly, compensation has to be structured to incentivize that commitment to achieving broader corporate goals.

Don't Ignore the Barriers

There is a universal truth that exists within all organizations: There will always be competing priorities among different groups. And that is true for all teams, regardless of whether they operate within a matrix structure. For leaders, those competing priorities, which lead to a lack of direct control over all aspects of their business, create inevitable stress and tension as they try to influence colleagues to provide necessary support and resources to achieve their goals. This highlights a fundamental leadership challenge that organizations must acknowledge: *Matrix structures are hard.*

By contrast, command-and-control is a much simpler way to lead. It is also easier for teams, because any disagreements over priorities can be resolved within the traditional silo structure. As one Fortune 50 senior leader shared with us, "I intellectually get that we can't keep duplicating the same expertise, but competing with others for resources is frustrating, and I readily admit that it is easier to have a 'shadow' organization to get stuff done." We hear this often, and it is a danger for organizations because they are adding "shadow" headcounts to maintain the silo approach. It also means that leaders are not building capabilities for the demands of the future.

Organizations driving cultural transformation always have a challenge of keeping what is best about the past and shedding aspects of their culture that don't work. The same is true for individual leaders, most of whom have built their careers with a focus on working within their function, rather than horizontally across the enterprise. Many of those skills are valuable, but those leaders also have to shed old habits and build new approaches.

If you spend time researching the curriculums of the top MBA schools across the globe, you will learn that rarely do they teach their students how to leverage a matrix structure, think enterprisewide or build horizontal partnerships. Instead, leaders are trained in their specific function and then work for years in hierarchal, siloed structures. Then one day they are told to lead differently and to rely on a completely different, and much more complex, model of leadership than command-and-control.

Think About the System to Win

Leaders must learn to operate in an increasingly unpredictable world. It is not enough to be comfortable with ambiguity. Leaders need to create clarity—not necessarily certainty—out of ambiguity. That same skill is the starting point for any leader looking to navigate and leverage the matrix.

Creating clarity starts with stepping back to get a broad look at your business and exploring ways to leverage every resource to deliver great results. And that means overcoming the predictable resistance that many leaders will have to structural change. As one senior Fortune 25 tech executive said about his reactions to the new operating model, "The pressure is on, and the first instinct was to find a way to own all the decisions. I lost half a year fighting the system until the light went on and I started to think about how to leverage the system."

Building a new leadership approach to embrace the matrix starts with three grounding questions for senior leaders:

- What are the leadership implication of my strategy?
- What are my most critical outcomes to achieve?
- Who are the stakeholders that are critical for the success of my part of the business and the broader enterprise?

A classic leadership blind spot is to plan and implement a strategy without also taking into account the culture that is required to enable that strategy. The world of sport provides a useful analogy. The most successful coaches develop a unique system to win first, then focus on recruiting and training players who can thrive in that system. Similarly, in the business world, the most successful CEOs focus on creating a culture that will enable their strategy.

Leaders need to build the matrix mindset into their system, own it and commit to driving it deep into the culture of their teams.

Three Steps to a Matrix Mindset

There are three key shifts that leaders can make to help others build a matrix mindset.

They start with clarity and communication about the enterprise strategy. As basic as that may seem, most companies undervalue the importance of devising and then sharing the enterprise strategy down through their organization.

At The ExCo Group, where one of us (Harry) serves as president, we have found in our work with 20 global companies that there are large gaps in how leaders who are one to two levels below the C-suite level are able to connect to the enterprise strategy. That undermines the power of common purpose that is so important to inspiring employees.

Leaders at all levels must own the responsibility of linking their work to the broader strategy, regardless of whether the C-suite is providing that clarity. Be transparent with your team about what you need to do as a leader to manage in this new environment, and make clear that you expect the leaders and managers who report to you to do the same and also teach others below them to adopt a similar approach. Hold yourself accountable, hold the leaders below you to the same level of accountability and use HR as a strategic partner to reinforce this new way of operating.

The third key shift is to focus on outcomes rather than priorities. The distinction is important. Priorities are more generalized—and often evergreen—statements about what is important. By contrast, outcomes are more time-bound—what are you trying to achieve in a specific period?

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Organizations have a habit of simply adding new priorities without wrestling with the trade-offs that competing priorities should require. And so instead of making hard decisions, they simply start ranking the priorities rather than editing down the list to better execute on the ones that matter. If everyone focuses on a long list of competing priorities, that will create inevitable tension and problems rather than rallying an organization to solve for what really matters.

Many organizations learned the power of focus and alignment during the pandemic. But those muscles can atrophy when the intense pressure is off. Aligning the organization around clear and shared outcomes can have the same rallying impact of a crisis, especially when those desired outcomes show a direct link to winning in the marketplace.

Leaders cannot simply hope that employees will adopt this mindset on their own. They need to create a process to ensure there is alignment around goals across the organizations. "It starts with clarity about the behaviors you expect," said Bryan Wiener, the CEO of Profitero, an e-commerce company. "And that includes telling people they have to talk to each other to work out problems. And that's why getting clarity about alignment and shared interests is so important. We publish our OKRs [objectives and key results] on a quarterly basis, and all the department heads have to review each other's OKRs—not in granular detail, of course, but enough to understand what everyone needs from each other."

Relationships With a Capital R

Once they have achieved clarity around desired outcomes, leaders have to then focus on who they need to engage across the organization to deliver results. Doing so can be a difficult task, as "stakeholder mapping" has become a lost art (if it ever was an art at all).

Ask most leaders about their stakeholders and the list typically will be short at first. But it will grow through persistent questioning about who else is critical for driving success. A Fortune 50 senior engineering leader described his own process of developing his stakeholder map this way: "I was so sure I had everyone down that I needed to know and it wasn't until getting ready for a meeting with the finance team that I realized I had no relationship with our CFO. My entire business plan required a certain headcount, yet I knew everyone else but our CFO. Changing that relationship was a difference maker for my scaling our business."

The strength of a leader's relationships with colleagues is the single biggest break point for whether they will succeed or fail as they operate within a matrix. We see too many leaders who see their network as largely transactional. The problem with transactional relationships, of course, is that in times of conflict or competing priorities, it is harder to drive to resolution without a solid base of social capital between leaders. Yet building up that social—or relationship—capital requires a committed effort that doesn't have a defined end point. It has to be part of leading in this new business world.

Start with the commitment to prioritize relationships, and build time into your schedule to invest in them. It is not enough to make a list of names—that is akin to a company saying they have certain values but never detailing the specific behaviors to bring those values to life.

To make the most of those relationship-building meetings, learn how to ask questions that help clarify priorities and how your colleagues see their role within the enterprise strategy, and then follow up with actions that show you were listening.

Embrace Conflict

In order to fully master the matrix, leaders have to accept that conflict is inevitable. Some leaders are better at managing disputes than others. And by its very nature, the act of allocating resources will introduce conflict, and there is no single chart or formula for mapping decisions rights that will solve for everything. In the end, most conflicts in a matrix need to

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get resolved by relying on the strength of relationships and investing the time to sort through the right decision for the enterprise.

In the early 2000s, Siemens USA launched a "Siemens One" initiative, led by Siemens executive Ken Cornelius, to present a unified voice to the customer for large horizontal solutions opportunities. "There was always the inevitable conflict between what is right for the enterprise and individual sales leader goals that may not be totally aligned," recalled Cornelius. "We needed to develop strong relationships with the division heads and align them first on the enterprise opportunity and how, with the right approach, everyone benefits. The key was investing the time to build relationships and trust and having the right dialogue to sort through conflict."

Human nature presents another unique challenge to leading in a matrix. Even when leaders seemingly agree, they often communicate competing messages to their teams. When conflicts emerge, they likely will want to protect the interests of their team rather than insisting everyone work through any points of tension. These team-to-team conflicts often intensify when the discussions are focused on priorities—a proxy for signaling what's important to the organization long-term—rather than on specific and time-bound goals and outcomes.

Organizational Trust

Mastering the matrix requires leaders to coach their teams to build new skills. It means spending time to explicitly connect their work to the strategy, teaching them how to build relationships across the enterprise, focusing on outcomes rather than priorities and empowering people to drive to solutions with colleagues who are outside their chains of command.

Complicating all of this is the need for organizational trust. Yes, trust can be an amorphous concept—ask 10 leaders to define it and you will likely get 10 different answers. But what is certain is that trust takes time to build.

Some people start out by fully trusting colleagues and then deduct points if those colleagues prove not to be trustworthy. Others start at zero, and their co-workers have to earn trust over time. Others believe it is a mix of the two approaches. In the same way that values need to be defined with concrete behaviors, leaders should define what trust means to them, role model those behaviors and share their expectations for colleagues in order to build trust as a pillar of their culture.

There Is No End Point

Leaders who crave certainty will struggle to find comfort within a matrix structure. In the same way that ambiguity now defines the world at large, it is now a fact of life of working within an organization that is trying to drive transformational change—and yes, that means every company. There is no end point, and leaders must commit to endlessly evolving the matrix structure. The business environment will change, new opportunities will emerge, and leaders—and the demands of leadership—will evolve. Navigating this new approach means that leaders will face huge challenges, and yet the rewards, in personal growth and business results, can be enormous.

To master the matrix is both simple and hard: Start with your mindset, be clear about the leadership implications of the strategy, focus on outcomes, build relationships and coach your teams to work with colleagues across the organization to stay focused on delivering great results. Matrix structures without intentional leadership can be enormous drags on performance. But done right, they can be enormous competitive advantages and accelerate transformation.

Mike McMullen, far left, is the CEO of Agilent Technologies.
Harry Feuerstein is president of The ExCo Group.

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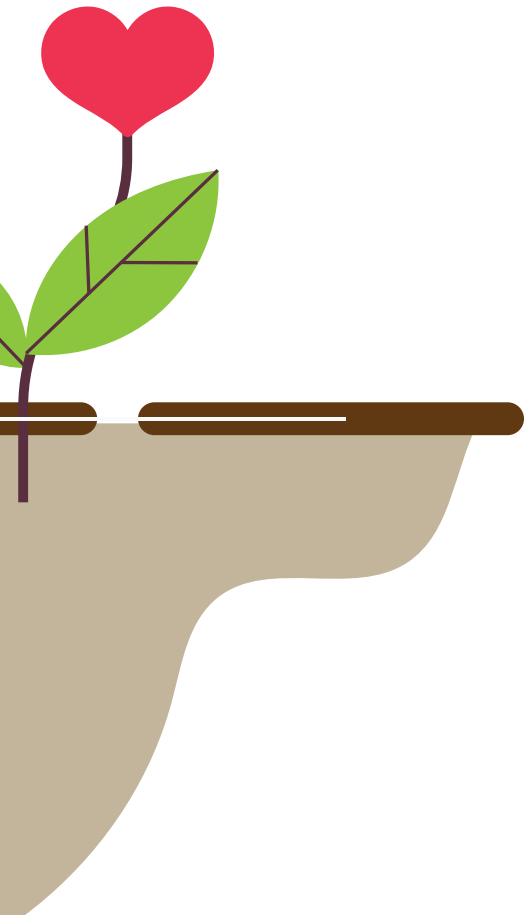
The Manager Reorg

How today's new workplace requires a new breed of leader.

The role of management has changed dramatically in the past few years, along with expectations for managers to be more human. Here's how the chief people officer at UKG says organizations can help their management teams navigate this challenging new environment.

By Pat Wadors



Promoting people into manager roles used to be a much simpler proposition. The traditional approach and thinking was that if someone was a subject-matter expert, companies assumed that that person would be best qualified to direct the work of people on their team. It wasn't about motivating the employees; it was about productivity and efficiency.

But with the pandemic and all the social unrest of the last few years, the worlds of work and life have crashed into each other. And all the topics that were once considered off-limits for organizations are now part of everyday conversations among colleagues. Employees have pushed the shift, and managers, as a general rule, have never been trained and equipped to have these difficult and challenging conversations.

Because there is often no clear answer, and because those conversations often carry the risk of saying the wrong thing, managers often just shut down. They don't ask how their employees are doing and steer clear of potentially fraught topics. They just stay focused on the job. And don't forget—they are employees, too—going through the same emotional and societal challenges as their teams.

At a time when managers have plenty of reasons to step back from these challenges, organizations need them more than ever to step up and lead. Spend enough time in the HR field, and you will know that the quality of a company's managers has an outsized impact on all aspects of the organization—from business results to the development, retention and engagement levels of employees. And according to a recent study done by our team at UKG, managers have more impact on the mental health of their employees (69 percent) than those employees' primary doctors (51 percent) and therapists (41 percent)—and even the same as their spouse or partner! If anybody is stuck working for the stereotypical "brilliant jerk" of a manager, then it's almost inevitable that they are going to take that burden home to their families.

Managing is not extra work, it is the work. If you're not willing to lean in and be human and vulnerable and inclusive, then you shouldn't lead. It's a privilege to lead, and people who do not understand that should gracefully be moved out of those roles.

Lead or Get Out of the Way

As organizations are getting smarter about the value of a healthy culture, healthy teams, psychological safety and effective managers, the world has become exponentially more complicated, creating new challenges for managers that they never had to deal with before. With this highly complex environment, companies are scrambling to put scaffolding around their managers and trying to create clarity around the metrics for measuring manager success.

What is a leader? How do you build trust? How do you lead with vulnerability? There should also be much less tolerance now for allowing people to lead others if they're not willing to do the work that managing and leading requires. Managing is not extra work, it is the work. If you're not willing to lean in and be human and vulnerable and inclusive, then you shouldn't lead. It's a privilege to lead, and people who do not understand that should gracefully be moved out of those roles. Frontline managers have to lead with care, compassion, transparency and vulnerability, and they need to set a tone and listen and include others in decision-making and problem-solving.

If people are unwilling to do the work of managing, there are mechanisms in place to find out if people are in management roles who shouldn't be. Organizations need to truly understand how well their managers are navigating these challenges. Employees' tolerance of a bad user experience with their boss is dropping. Employees are finding ways to be heard internally and externally. They're raising their voices. Fortunately, there is a growing industry of tools and platforms for companies to know what their employees are thinking and feeling.

The better companies out there listen with intentionality and triangulate the data to get a realistic assessment of why someone might be struggling in a manager role. However, we can't let the outlier data points drive our judgment. We need to understand context within the organization, as well as look for trends and connect the dots. Did the company set the right goals and expectations for the manager? Did we teach them what good looks like? And you have to be diligent about assessing the effectiveness of all your managers and leaders. After all, you're only as good as your least good leader. Another way to say that is if you promote the jerk, then the jerk becomes your culture. If you think like that, then you're more reticent to promote or tolerate the jerk in a management role.

Four Messages to Managers

While it can be easy to overwhelm new managers with dozens of skills they need to develop, it is important to provide them with a few ideas to guide their work. At a recent gathering of more than 200 of our VP-level-and-higher leaders, I shared with them four key messages:

First, managers need to be aware they have a "leadership shadow," and they should know what it is, how it's interpreted by employees and be intentional about creating the shadow they want. Once you're aware of your shadow, you can't become unaware. A simple example might be a manager canceling a regular check-in with a direct report. They may have the best of intentions—they fully trust that direct report and are confident about how they are prioritizing the work they have and wanted to give them the time back as a courtesy. Meanwhile, the direct report may interpret the canceled check-in as a sign of disinterest and a lack of respect for what they bring to the table.

Second, I share with them a simple analogy of "left foot, right foot." The left foot refers to your subject-matter expertise. Your right foot is the enterprise mindset. Start with your right foot when striving to understand how to make the best decision or strategy for your team. Do you understand the context of the business, the enterprise, the customer? Do you understand how the various functions go after the various challenges, and how your team fits into the broader context? If you don't understand the bigger picture first, don't lean on your left foot. Remember, you must seek to understand with your right foot first and then dive deeper as it relates to the impact on your team—your "left foot." This approach is effective at every level.

Third is about the importance of embracing a growth mindset. Managers at all levels—and all employees, in fact—should adopt a growth mindset. If you do that, it unlocks so much productive energy, and gives permission to frontline managers to be imperfect. It acknowledges that we are all learning. That vulnerability can be hard, because managers rightly assume they were promoted into the role because they're great and they deliver the goods. But to be great and grow their team, they've got to be vulnerable as a manager, which may be antithetical to how they thought they should act. So you've got to change the paradigm and shift their mindset really early on in their career.

Finally, you need to be a leader for all. How do you build trust, vulnerability and appreciation for everyone on your team? Do you understand the value of inclusion? How do you ensure that hidden voices are heard? The skill of pattern recognition, while important in many contexts, can also be problematic while hiring and managing people, because we often use our pattern-spotting abilities to reduce risk. For example, that's why people think they should hire from the same schools. That approach worked in the past, so why not continue doing

the same thing? There's natural angst with change, but managers have to seek out people and perspectives that may challenge their pattern thinking. This "challenge" will help everyone get smarter in the dialogue.

Those are the big points I convey, but we are also focused on more tactical shifts. In performance reviews, for example, managers are required to explicitly ask for feedback from their direct reports on how they can help them be more effective. What should they do more of, less of, differently? Am I available to you? Am I recognizing you? Am I appreciating you? Do you think I understand your impact? And then capture that in writing so there's more accountability. Those topics can be revisited over time to ensure the manager is delivering on what the employee asked for.

The Risk of Reluctant or 'Accidental' Managers

We also want to make sure our managers, in fact, really want to be managers.

To find out if our future leaders understand what it takes, we have an "If you're thinking about being a manager" course. We provide a realistic picture of what leading others entails at our company, including hiring, firing, performance reviews, compensation decisions, having tough conversations, dealing with budget constraints, etc.

We remind them over and over that it's a privilege to lead, and that they must be ready to lean in, learn, listen and be as transparent and vulnerable as they can be. As said before, leading is the work, and these are the things bosses need to do on their journey to build trust. If they're passionate about doing that work, we coach them on how to let their own boss know that they want to move into a manager role. Once people start on the path, we provide tools, coaching and templates to help them be an effective manager.

But managing people can't be a side hobby. That's why we make sure there is an individual-contributor track in the company for people who don't want to be managers in order to move up. Because we don't want reluctant managers who are doing it because they see it as the only route to move up and earn more money.

We also want to avoid the "accidental manager" phenomenon. They typically are effective influencers, they're good to their people, and they have vision for where we're going and how we can get there. And they end up in manager roles because the organization turned to them at one point and said, "Look, we had a reorg and someone left. Can you be the interim leader?" And then this accidental leader becomes the leader over time.

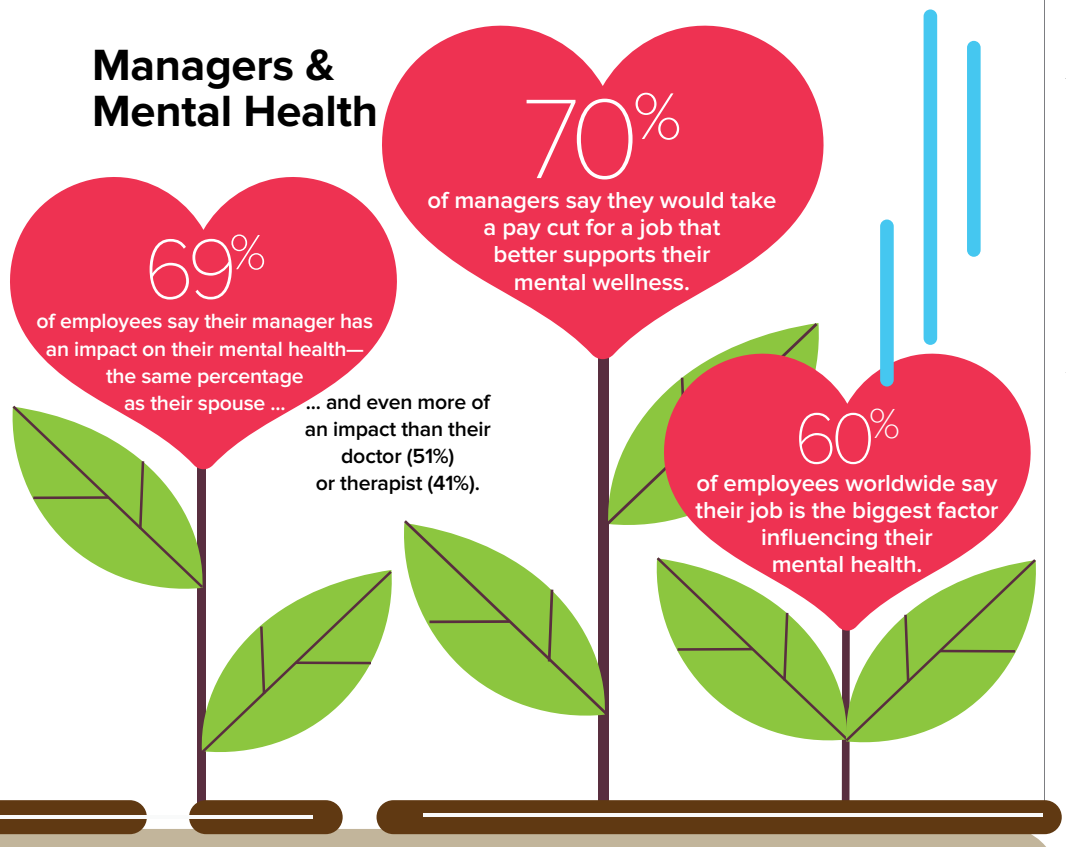
But if you leave that accidental leader in this position and they don't ever really warm to the role and its responsibilities, you actually create harm for them. Some people just don't want to lead others, and so as an organization, how do you know who those people are?

In every organization, you'll have accidental leaders who are waiting to be rescued. How do you find them? That can be hard, because employees often love them. They're doing the company a favor, but managing and leading is not their passion, and they're losing joy over time.

As much as the manager role represents a greater challenge and carries more responsibility, I think the job can be more attractive now than it's ever been. The reason is that people now have a certain freedom to be perfectly imperfect.

As a first-time manager, you can be more confident that you're going to get some training and some scaffolding. You're going to get help and guidance, and you can also seek input from your team about what they need from you. We're also in an environment now of co-creation. Inclusive behavior means that nobody has to have all the answers as you navigate the road map. Instead, questions become your best friends.

So being vulnerable, and being comfortable not knowing everything, being imperfect, and having a growth mindset should put managers at ease. Before it was more of a fixed mindset environment, where you were expected to step into the role and instantly perform at a high level. As a manager now, you can fail fast and iterate and learn. That's exciting for anyone who understands the privilege and responsibilities of managing and leading others.



Source: The Workforce Institute at UKG, Mental Health at Work survey of 2,200 employees and managers, 2023.

Pat Wadors is the chief people officer at UKG, a global HCM technology company. She has also served on the board of directors for several prominent technology companies.

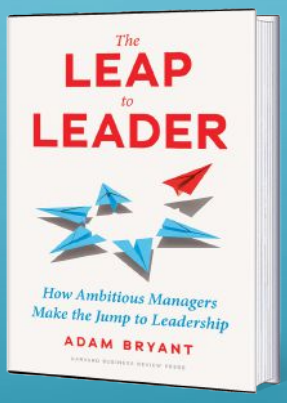
Do You **Really** Want to Lead?

The challenges of leadership have never been greater. In this excerpt from his new book, *The Leap to Leader: How Ambitious Managers Make the Jump to Leadership* (Harvard Business Review Press), *People + Strategy* articles editor Adam Bryant argues that leaders should be crystal clear about their motivations for wanting to lead.

Phil Martens remembers vividly the day he heard the news that Lehman Brothers was declaring bankruptcy—just one of the many implosions of the 2008 financial crisis. At the time, Martens was running an automotive supplier that was preparing to go public, and the shock waves from the Lehman announcement would ultimately scuttle that plan. Martens was driving to work when his chief financial officer called, and Martens started to laugh at first, because he assumed his colleague was joking.

As the news sank in, Martens pulled off the highway and just sat there, wondering what he would do. When his CFO called back an hour later to ask him what they should do, Martens said, "I don't know." After a few similar experiences in his career, he came to refer to them as "stoplight moments," and he counsels up-and-coming leaders to prepare for them.

"You're going to be driving home one day after some big, new challenge came up at the office," he said. "You're going to get to a stoplight and you're going to start realizing that you don't know what to do. And then you're going to realize the stoplight's been green for a while and you've been staring off into oblivion. That's when you realize how lonely the job is."



Earlier in her career, Mary Elizabeth Porray built a reputation as a reliable fixer at the consulting firm EY. "The more broken, the more complex, the more difficult the situation that needed to be turned around, I was the person who was called," she said. "That strength became a payoff for me, like a drug." But at some point, she realized that to move into higher leadership positions, she couldn't keep doing all the work herself. "I had to figure out what to let go of in order to lead," added Porray, who is now the firm's global deputy vice chair of client technology. "Time is finite, and so how you spend your time becomes incredibly important. So I looked deep in myself and said, 'What are the things that I couldn't possibly think about giving away?' And I gave them away."

What True Leadership Means

These are just a few of the countless ways that people experience the leap to leader, a jump that has little to do with your title and everything to do with your mindset. It is a realization that you are fully accountable, that you must grapple with the hardest decisions, and that you need to let go of doing the work that earned you promotion after promotion earlier in your career.

It means writing the playbook for your job, rather than running the playbook that your bosses hand you.

It means imagining what could and should be, rather than delivering on expected outcomes.

It is about understanding that leadership is not a popularity contest, and that earning people's respect matters more than having them like you.

It means setting a compass for a new direction and letting others create the road map for executing the plan.

It means unlocking the potential in people that they may not even see for themselves.

It is about giving credit to others and taking blame when things go wrong.

It means always doing what is best for the organization, even if that requires letting go of valued colleagues.

It is about having the courage to take a stand, even if it costs you your job.

It means thinking first about what you can do for people, rather than what they can do for you.

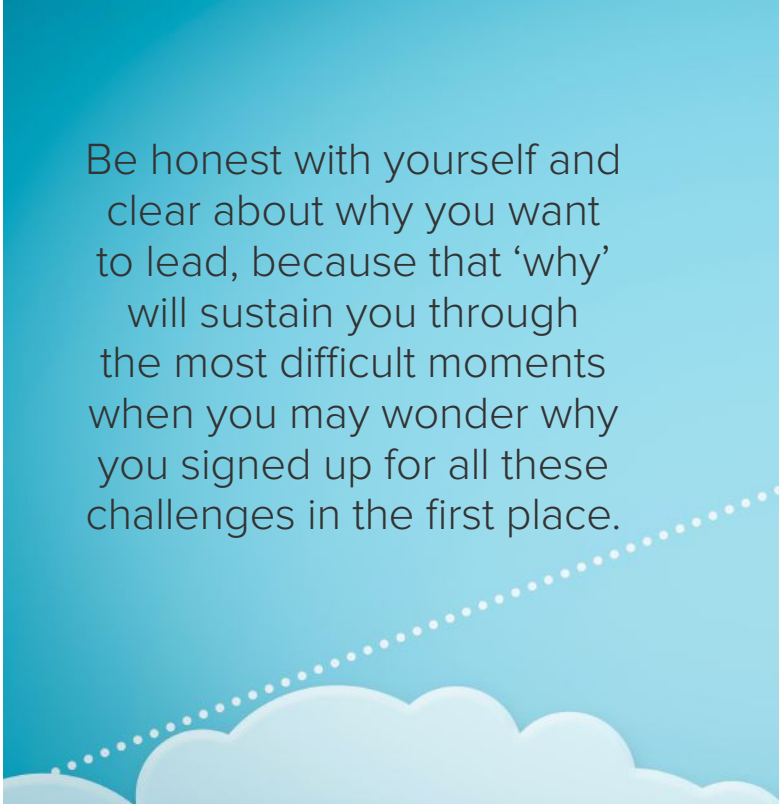
It is about building other leaders, not just followers.

Opening the Cage Door

For some, the leap to leader can be exhilarating, just as it was for Margaret Heffernan, a serial entrepreneur who is also a bestselling author and popular TED Talk speaker. When Heffernan worked at the BBC early in her career, she had to spend a lot of energy working through the thickets of rules that had built up over the decades at the government-run broadcaster.

"There were policies nested in other policies nested in other policies nested in other policies, and you had to be very careful how you navigated through them all," she said. She left the BBC when she was 36 to take the leap into her first CEO role. And there was a moment as she was settling into her new job when she asked her assistant about the company's policy on a certain issue. "She turned to me and said, 'It's whatever you say it is,' " Heffernan recalled. "And I thought, whoa, this is really going to be fun. It was absolutely liberating."

But for others, as Heffernan has seen time and again with the executives she has coached, that freedom can become overwhelming. "As you climb the corporate hierarchy, you're constantly constrained by what you can and can't do," she said. "You have your job description, your goals and targets and your boss's goals and targets. And when you get to the top, you have quite a lot of freedom, but you haven't ever had that before. Many people who find themselves in leadership positions can feel a bit like the cage door is open, but nobody's confident to go through it. The reason is that the constraints in their minds are so profound and ingrained. They have had such long careers of looking for approval that the idea that they can think freely for themselves takes quite a lot of getting used to. That transition can take some work."



Asking One Key Question

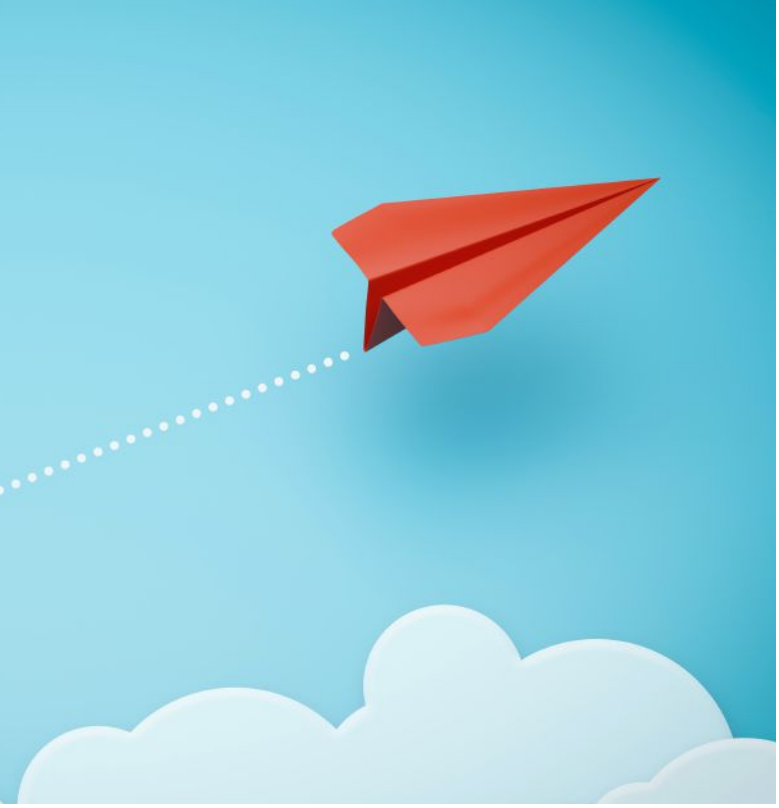
Before anyone steps into a leadership role, there is a threshold question that they need to spend some time wrestling with first, to be certain that they are up for the challenging climb ahead: Do you really want to lead?

It is a question that should be asked more often than it is. As organizations assess and develop leaders, invest in their high potentials and work on succession plans, they often do so with the assumption that if somebody is a high performer, then they will of course want to make the jump from sole contributor to manager to leader. But that thinking needs to be revisited, says Shawna Erdmann, senior vice president of talent and learning at Comcast.

"One aspect that we overlook sometimes is individual ambition and what a person really wants to do," she said. "Often the leaders of a company, including boards and HR, will pick and choose among upcoming executives for promotions, but no one ever has a conversation with that individual first to ask them, *'What do you want to do? What are your ambitions? What do you see as your goals or your next steps?'* Or, *'Do you want that job?'* So often we miss that critical piece and then we wonder why, when we elevate someone, they might not do as well as we expected in their new role. We need to get better at having those individual conversations."

That conversation should start with a reality check on what leadership roles entail. After all, many people think they want big leadership jobs until they actually start doing them, when they discover all the challenges that they wished they had known about before they raised their hand. And leadership has become many times harder since 2020, the year the global pandemic started and George Floyd was murdered, setting off tsunamis of wholesale change across society and the corporate landscape.

The pandemic accelerated digital transformation at light speed, upended old notions about whether people could work productively at home and made humanity, compassion,



vulnerability and authenticity—not to mention an ability to thrive in the ambiguity of relentless disruption—the qualities that separate leaders. Heightened awareness of racial injustice has led to pressure on organizations to make bolder commitments to diversity, equity, inclusion and belonging. As huge swaths of the population shifted to working from home, we spent more time contemplating the meaning and purpose of our work, which led not only to the Great Resignation but also to a growing sense among employees that they should have a voice, if not a vote, in setting company policies.

Leaders now must prep for all-hands meetings as if they were politicians, ready to field questions on just about any pressing issue facing society. When, where and how should you take a stand on various issues? What do you do if someone asks you to set aside the corporate talking points and share your personal belief? In this era of stakeholder capitalism, leaders must work through difficult conversations with many more constituents, who often have competing demands.

Younger generations of workers are rewriting the employer-employee contract by asking not what they can do for their companies, but what their companies can do for them. They want to work to live, rather than following the live-to-work ethos of previous generations—a big part of the #quietquitting movement—but they also want their companies to be more reflective of their personal values.

The Expanding Role of Leaders

"It's a new world across the board," said Ryan Roslansky, who took over as chief executive of LinkedIn three months into the pandemic. "Everyone is hungry for corporate executives to show up on every critical issue in the world."

If that's the job description for leaders today, what is your gut check as you read that list of new challenges? Do they strike you as a set of endless headaches and make you run for the exits? Or do you see them as fascinating challenges and an opportunity to build new models of leadership at a time of breathtaking change?

If you are nodding your head "yes" in response to that last question, and you feel inspired to take on the many challenges of leadership, then let's proceed to the question of "why." Can you step outside yourself and interrogate your desire to lead? Is it to make more money and enjoy the bragging rights that come with a bigger title? Do you want power? If the answer to those questions is "yes," then you should pause and consider the hard-earned lessons of many executives. The money will not feel like it's enough to offset the sacrifices you will have to make in these top leadership roles. And you will be flying into a stiff headwind if your goal is to wield power, because command-and-control leadership has fallen out of favor.

So, what does drive people to lead and to choose the harder paths in life that mean longer hours, tougher problems and greater exposure to risk and failure?

It is one of the many questions I have tried to answer through my conversations with leaders. One of the most common threads that comes up is the quality of being "drawn to the fire." Rather than wanting to avoid hard challenges, they are excited by them, and they see them more as opportunities than problems, more energizing than draining.

"If somebody isn't interested in leading during a period like this and hopefully learning from it, then they probably aren't the right person for the job," said Anne Mulcahy, the former CEO of Xerox, who now serves on many boards, including as lead director of Johnson & Johnson. "The exciting part is that you can define the role and shape it, perhaps much more so than in the past. And I find that tremendously exciting for leaders who have an appetite for that."

Does that describe you? Not every moment of every day, of course, but most of the time? The point is to be honest with yourself and clear about why you want to lead, because that "why" will sustain you through the most difficult moments when you may wonder why you signed up for all these challenges in the first place.

It's okay to have doubts. Leadership is not binary. It is not a question of whether or not you are a leader, and some leadership roles may appeal to you more than others. Because of the circumstances of your life, you might be more or less inclined to take on a bigger role during different phases of your career.

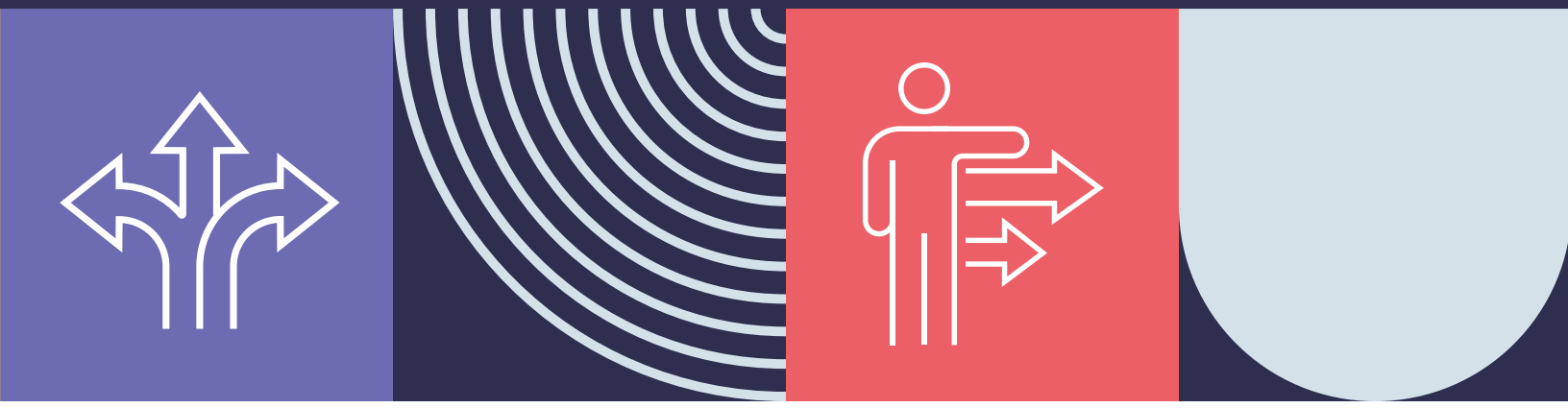
Leadership is complicated, so you should not be surprised to have a complicated relationship with leadership. So it's important to be honest with yourself about why you want to lead. Because those qualities that are becoming increasingly important in leaders today mean you must check your ego at the door and be self-aware of your goals and motivations. We are in an era when it seems like any question is fair game for employees to ask of their leaders. So, imagine if you were on a stage in a town-hall meeting, and someone raised their hand and asked, "Why do you want to lead?" What would you say?

Adam Bryant is senior managing director of The ExCo Group and a member of the editorial board of *People+Strategy*.

The End of Executive Coaching?

One-to-one coaching can be powerful and beneficial for both individuals and organizations. But to realize that potential, coaching must take four key steps to adapt.

by David Reimer



This is not an article about ChatGPT.

It is an essay about the structural and methodological limitations of the executive coaching industry as organizations attempt to build future-ready leaders. While the field has spent decades gaining broad acceptance, these limitations risk marginalizing coaching once again.

The road to 2030 is riddled with new uncertainties for leaders and managers—they've inherited past complexities while adding new ones to the list, seemingly daily. Executive coaching has not evolved as rapidly, yet methodological updates, technologies and measurement factors provide a genuine opportunity for reinvention. L&D and HR professionals have a window to break through the flaws in traditional use-case coaching models, in effect fast-tracking the industry's adaptation to deliver a different kind of individual and enterprise impact.

Two caveats up front. First, the executive coaching "industry" is atomized and vast. Globally, there are somewhere between 71,000 and 5,500,000 executive coaches delivering services. On LinkedIn alone, a search of "executive coach" yields 248,000 individuals serving as coaches. The largest coaching organizations in the world offer networks of roughly 2,000 coaches, most of whom also have private practices and/or subcontract with multiple coaching providers.

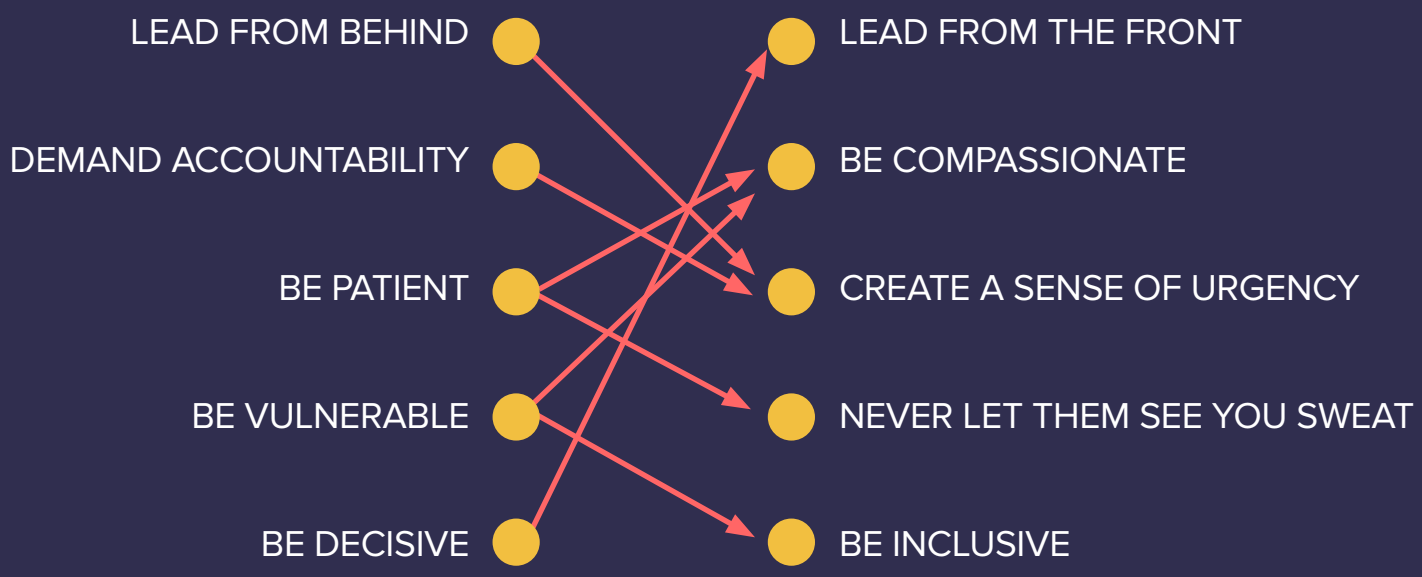
The reality is that *there is no accurate headcount*. Similarly, while various reports estimate the industry's 2019 revenues at between $2.8 billion and $15 billion, most large organizations today cannot say with certainty how much they spend annually on executive coaching.

Second, I want to acknowledge my bias. I have been in and around the executive development space since 1998. As an executive, I have personally run coaching divisions or had P&L responsibility for people who did so, across Asia Pacific and in the Americas. For the past 13 years, I have served as CEO of a global firm focused primarily on developing senior executives, using former CEOs and experienced GMs as mentors and coaches.

My data set, in effect, includes thousands of client experiences and HR professionals' stories, as well as hundreds of CEO and board conversations about how each constituency defines effective executive coaching. The insights from my years in this field inform my views on measurement, accountability and impact.

One-to-one coaching can be powerful and beneficial for both individuals and organizations. But to realize that potential, it must adapt.

2030 LEADERSHIP TENSIONS



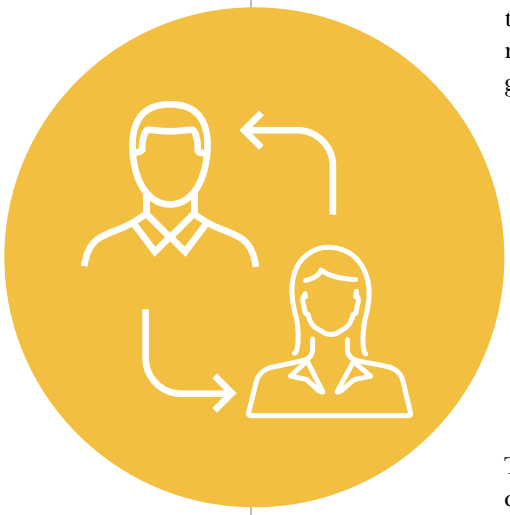
4 STRUCTURAL FLAWS IN THE 20TH-CENTURY COACHING MODEL

Executive coaching achieved widespread acceptance as a development tool for critical talent over the past six decades. While the sector is booming, many of its core tenets rest on assumptions from the largely stable world of the post-World War II era. But those assumptions neither match today's leadership challenges nor help organizations prepare for the world of 2030.

Four structural flaws pose the greatest risk to the industry. Ranked in order of importance, these are:

Flaw 1: Non-Contextual Methodologies

Traditional executive coaching remains committed to a "nondirective questioning" approach. Nondirective questioning in executive coaching borrows from numerous therapeutic techniques including elements of cognitive behavioral therapy.



At the risk of oversimplifying, this approach assumes that:

a) the answers to a client's attitudes lie within, and

b) that by sticking with questions (rather than attempting to advise), the coach can help the client reframe and reconsider approaches, ask themselves why they respond to different relationships in certain ways, and adjust how they process the world around them.

Over time, the client internalizes these patterns of questioning and establishes a portable toolkit for self-awareness, self-discovery and self-regulation.

There is nothing wrong, per se, with this approach. But it is not sufficient for the leadership demands of 2030. These last few years have driven, by some estimates, a full generation of business change. Executives today are dealing with problem sets that are not only new to them personally, but that are new to business collectively *around the planet*. The pace is frenetic, the expectation for leaders to keep up is relentless and many of the new demands are paradoxical.

Against this backdrop, non-directive questioning as a stand-alone technique does not address today's contextual challenges, nor is it sufficiently focused on outcomes.

Conversations defining "good leadership" are not abstract or generalized—they are specific to each company and can be different even within an organization. What does stakeholder management mean *here*? How do we handle politics, religion and societal conversations in our ecosystem? How is hybrid work impacting how we measure a team's performance—or how our own performance as leaders will be gauged? How will we respond to employees impacted by divisive legislation when we may have a 50/50 split in opinions on the topic in our boardroom, our C-suite and our overall employee base?

This makes context king for leaders and managers today. Confronting such problems, managers and leaders need more than nondirective questions in a coaching partner because it's likely that the answers to their biggest challenges *do not lie within*. A coach's qualifications need to include the expertise to serve as a thought partner for navigating dynamic contexts.

A final—and perhaps more controversial—challenge of traditional methodologies is the limitations of psychometric benchmarks when confronted with real-world messiness. This is not a blanket argument against psychometrics, as they can be helpful for providing insights. Rather, it is an argument that some of the most common uses (particularly in succession conversations) of historic databases as benchmarks to assess future readiness rest on faulty, non-contextual assumptions of what good means now and in future.

Flaw 2: Misaligned Measurement

The debate over coaching ROI has been problematic. Some organizations avoid the conversation entirely. Others claim returns—inviting deep skepticism—ranging from $50,000 per engagement to 788 percent of the coaching investment.

To be fair, measuring impact is hard. There are fundamental questions of causation and correlation. There are also (though these are mostly red herrings) questions of confidentiality. When does reporting on impact break trust with my client? The industry has largely defaulted to two forms of approximation. The first focuses on activity and client satisfaction, frequency and duration of meetings, and the client's Net Promoter Score (or equivalent) rating.

The second method reports on priorities and general goals of the coaching engagement. This is more substantive than activity and happiness. But goals are not the same thing as measuring impact, and they often suffer from a "translation problem" within organizations. What if HR's definitions of successful prioritization, for example, is different than that of the client's manager, or the CEO?

MORE ONLINE ...

Read these three case studies by David Reimer on emerging trends in executive coaching at SHRM.org/exec-coaching:

- **Measuring What Matters**
- **Making the Wrong Framework Work**
- **Patterns of Decision-Making**

SO WHAT IS AI'S IMPACT ON EXECUTIVE COACHING?

ChatGPT is not the end of executive coaching. Saar Gillai, a veteran technology leader, writes that the missing ingredient from large language models (LLMs) is that of wisdom. Fast-evolving LLMs put a wealth of information at your fingertips and lay it out in readily accessible prose (or slides, spreadsheets or visuals). This does put pressure on executive coaches whose primary value, aside from nondirective questioning, is the sharing of information, articles and the know-how to interpret a particular assessment. LLMs will replace that capability shortly.

Writing this article, I tested ChatGPT about several standard coaching topics, such as time management, strategies for public speaking and managing an employee with a completely different communication style. In each case, the application offered generic and high-level questions about how we would set goals and what we might accomplish through conversation, but nothing that approximated actual coaching. This is not presently an existential threat.

AI chatbots that deliver nondirective questioning pose a much greater risk to the profession. This ilk of AI offers the ability to ask nondirective questions in a number of styles, to stimulate genuine self-reflection and—based upon data from therapeutic use cases—prompt constructive change in individuals over time.

The real risk to executive coaching is not in either stand-alone AI capability, but a longer-term combination of those two, added to an AI/ML overlay to data mine for emerging patterns and for outcomes/impacts that result from such conversations. In that scenario, if the answers to a manager's development do truly lie within the individuals being coached, and do not require outside-in wisdom, executive coaching as an industry should be able to be completely automated.

At present, these three capabilities are more parallel strands than an integrated braid, and therefore only a theoretical threat. As Gillai pointed out when I asked him about this potentiality, "We've been saying that self-driving cars are three years away for at least a decade now. That final 10 percent of execution is the hardest." In the near term, the executive coaching industry is at greater risk from failing to produce measurable business impact than it is of being displaced by AI.

— David Reimer

ChatGPT is the next evolution in our quest to organize and process data.

Source: Saar Gillai, 2023

Whenever major stakeholders are using different scoreboards to define success, declaring victory will be problematic. An experienced and trusted coach helps all parties align up front, so that the coaching goals are clear and shared. But that's still not measuring impact. If the client improves in each identified area, then what?

The industry to date has largely been built on the belief that by helping executives modulate their behaviors, coaching will help them improve the performance of their teams. But hope is not a development strategy.

The better question is, if the leader has improved, how and where has the organization become more effective, more productive, more innovative or more profitable as a result of that leader's evolution.

Note: Read a related case study on this topic, Measuring What Matters, at SHRM.org/exec-coaching.

Flaw 3: Structural Fragmentation

The distributed nature of the industry adds difficulty to collating accurate data, even when measurement criteria are clear.

Contractually, many coach-client relationships exist on a metaphorical island. The reason most organizations don't know how much they spend on executive coaching is because many coaches contract directly with an executive. Most organizations have made great strides to consolidate suppliers, forcing more coaches into subcontractual relationships with bigger coaching providers. But it doesn't change the tendency for a coach to view a client as "mine."

That island mentality can exacerbate the problem of misaligned goals, with sourcing, the individual client, the client's manager and coaches themselves having different beliefs about an ideal outcome.

Yet changing the status quo is hard. A Fortune 50 CHRO who engaged our firm to lead a 12-person executive committee offsite included in her briefing that, "A lot of the C-suite have coaches. They're all happy with their coaches, but it's not really helping us function better as a team or as a company. And it's not worth the political capital to terminate those relationships." In effect, they were hiring us to create shared goals and generate real-world impact, even though they were spending nearly $2 million a year on executive coaching within the team.

Technologically, since coaching engagements are often distributed across vendors and practitioners, consolidating data can be an intensely inefficient and highly subjective process. Newer coaching platforms—in particular, BetterUp and Ezra—have created robust data aggregation tools, effectively allowing HR to outsource data analytics on the impact of coaching.

This is a major advancement. Even so, this potent technological advantage has a short- and a medium-term challenge. In the near term, its measurement is still focused on activity and self-reported effectiveness rather than actual impact. Over time, and with more data, that should improve. In the longer term, a battle is brewing on the data front: Does the client company get a fancy dashboard that summarizes the data of their employees (the default now), or do they get the underlying data to run their own analytics?

Logistically, the biggest challenge for the field is its lack of barriers to entry, lack of agreed standards of impact and questions about the real-world abilities of executive coaches to help leaders navigate 2030's challenges. This has been written about many times by many other authors.

The only thing I will add here is that market forces will ultimately decide what constitutes value (and at what price point) from a coach. At present, the only parts of the market where fees are rising tend to be where coach-practitioners bring specialized insight and experience over and above their coaching backgrounds.

Flaw 4: Conflicted Incentives

Most executive coaches are independent contractors whose income derives from coaching engagement fees. This model incentivizes them to extend each individual relationship as long as possible, and penalizes them for ending an engagement, even or especially if they have achieved the initially cited goals.

This is not to suggest that most coaches are unethical in seeking coaching extensions. I am merely pointing out that in real-world terms, the business model penalizes a coach for completing an engagement. This should be navigable if a coach is adding long-term value, but to date the industry has not coalesced around that capability.

SO, WHAT DOES 'BETTER' LOOK LIKE?

Advisory and coaching in some form have a long-term future. It just won't look like the past. Practitioners—in both the L&D and HR fields as well as coaches, mentors and consultants—have a chance to reshape norms to better address emerging needs. Four initial steps will help.

1. Establish Context and Evolve it Continuously

Coaching metrics, methodology and measurement must be re-grounded in a company's strategy—it's *actual* strategy, rather than a consulting firm's HBR-published framework on the seven layers of strategic effectiveness nestled within their 14 leadership archetypes.

Every company faces its own specific headwinds, opportunities and risk factors. What problem-sets do leaders need to solve for in your company, and how is that different by level? What stakeholders will they need to manage? What aspects of culture will they need to cherish or change? And all at what

pace? The shifting interplay between contextual factors is company-specific if you're building the leaders of tomorrow instead of the leaders of yesterday.

2. Extract Emerging Patterns and Understand Core Values

When an organization remains committed to competency models that were fit-for-purpose in another era, that intransigence hurts the credibility of those charged with leading those conversations in the boardroom or sometimes even with managers and senior executives themselves.

As with non-directive questioning, competency models are not "wrong," but they are insufficient to address the dynamism of the problem set. As one Fortune 25 CEO told us recently, "The job has always been complex and ambiguous, but I don't think it's ever been this *fluid* before." Given rapidly shifting stakeholder dynamics, unpredictable macro-factors and fundamental technological and business model changes, competencies are only a single reference point in a leadership development toolkit. Executive coaching must account for at least two other elements.

> While the executive coaching sector is booming, many of its core tenets rest on assumptions from the largely stable world of the post-World War II era. But those assumptions neither match today's leadership challenges nor help organizations prepare for the world of 2030.

First, effective coaching should surface emerging issues that are creating new leadership challenges across the organization. Those can then be addressed both individually and collectively.

Second, whatever newfound challenges emerge today, the fluidity cited by that CEO is a reminder that none of us know what the next leadership gantlet will be. This compromises the value of traditional roadmaps for problem-solving. In effect, we need to better understand a leader's ability to read a compass when no map is available. Core values provide such a compass. Values drive behaviors, yet as a profession we've focused far less on them than we have on competencies and psychometric profiling. Effective coaching should help create clearer understanding of the values a leader brings to an uncertain future.

Speaking pragmatically, an HR leader may be stuck with legacy competencies and benchmarks. Perhaps there is a lack of alignment that the current model is obsolete, or perhaps there's a level of change fatigue that means fixing today's competencies isn't an enterprise priority. But HR leaders can still drive meaningful impact for succession or in broader executive development by engineering around irrelevant terminology to create and measure real-world impact.

Note: Read a related case study on this topic, Making the Wrong Framework Work, at SHRM.org/exec-coaching.

3. Measure Impact over Activity (and Don't Call It ROI!)

In a Fortune 50 company undergoing global business model transformation, a large coaching organization amassed a database of assessment and development areas among the company's top 300 leaders. Their findings: Key leadership was divided into empathizers and tyrants. What was needed, they announced, were leaders who could balance empathetic leadership with accountability. But while the firm could diagnose the problem, they were not built to fix it.

One of the traditional criticisms of executive coaching and of consultants in general is an ability to diagnose problems but not deliver solutions. HR often gets stuck in the middle of this with the quality of reporting from coaches, and the focus of their engagements.

If HR leaders have an existing leadership framework, they should insist on mapping the priorities of coaching engagements against it. There will still be some degree of personal

development, but those should not as a rule exceed 20 percent of all coaching priorities. (If a company is driving transformation, the percentage should be even lower.) Second, be on the lookout for whether the individual priorities that are rolling in start to reveal an unexpected pattern, showing you where people are struggling.

In the organization of empathizers/tyrants, we were able to quickly diagnose a problem: Executive coaching had over-vectored on making managers more empathetic to their teams ("We're in it with you, and we know it's hard") but had severely underestimated how much their teams needed pragmatic leadership, too.

Team members wanted help from managers in terms of leveraging the full power of the matrix on behalf of customers. They needed help with prioritization and accountability, too. Tyrants were failing personally in addition to managing their teams badly. Having long operated in siloes, the shift to matrixed collaboration required them to build entirely new navigation skills. All of this drove a set of enterprise coaching priorities that now involved decision-making, problem-solving across the matrix and cooperating in the marketplace in entirely new—and trackable—ways. Once the scoreboard became clear, the majority of leaders were able to demonstrably make the pivot.

The takeaway here: By all means, use NPS scores or activity levels to ensure that your executives aren't disengaged or dissatisfied with their coaching experiences. But measure and report impact using the language and metrics of your real-world leadership and business priorities.

Note: Read a related case study on this topic, Patterns of Decision-Making, at SHRM.org/exec-coaching.

4. Build a Leadership Ecosystem, Not Just Individual Leaders

Executive coaching is, by definition, a one-on-one sport. But effective coaching is about more than measuring individual impact. Collective targets and high-level areas for impact should be set at the enterprise level up front, and patterns in reporting data should be used to highlight challenges and opportunities around alignment.

The art is in finding the level of flexibility that will create a shared understanding of what good leadership means for today and the future, while allowing for individual adaptation and pinpoint development solutions to meet the needs of the moment, context and uniqueness of each leader.

Ideally, this stems from your organization's leadership framework, firmly rooted in your strategic realities. However, even if that framework isn't in place (one Fortune 50 had 13 active leadership frameworks across the company when we first met; a Fortune 10 had none), do not despair. In these cases, expect patterns to emerge from the coaches' briefings that reveal subtle insights you didn't know before the engagements began: What problem-sets are leaders encountering in common? These are likely different from, though not unrelated to, the reasons you engaged the coach in the first place.

Whether you are starting with a framework (ideal) or working the data to have one emerge (realistic), these shifting definitions of what good looks like serve as powerful, developmental "enterprise backdrops" for gauging impact. Collectively, individual data measured against this backdrop will not only give you a current-state assessment of your leadership ecosystem but will allow you to deliberately shape that ecosystem over time.

ADAPTING EXECUTIVE COACHING FOR A 2030 WORLD

Executive coaching as a form of customized, one-to-one development has gained broad general acceptance. By and large, its NPS scores are high, but its actual business impact is opaque. Core elements of the industry don't lend themselves to measuring outcomes.

Meanwhile, nearly every organization faces a reconsideration of what defines effective leadership within its strategic, operational and cultural contexts. How do we intentionally shape the leadership ecosystem we want, while navigating the leadership ecosystem we have?

Human resources and leadership development executives are in a unique position—a once-in-a-several-generation moment—for reframing and stewarding enterprise-specific goals and desired impacts. Such frameworks will supply external coaches with an accountability and outcome focus that the industry itself has not produced. By taking such steps now, HR and L&D professionals can play an ever more impactful role in shaping their organization's long-term success.

I have shared ideas in this article, but ultimately the goal is to start a conversation rather than conclude one. It's why the headline ends with a question mark, not a period. We need productive discussions among the constituents in the leadership ecosystem—boards, C-suite leaders, HR, consulting firms and executive coaches—to help everyone more fully align on the use cases of coaching to address a future rife with tensions and rich with possibilities. Companies' futures will be determined by the effectiveness of their leaders, and it is in our shared interests to ensure that they are as prepared as they can possibly be.

David Reimer is the executive editor of *People + Strategy* and the CEO of The ExCo Group. Read the online version of this article, which includes three case studies on emerging coaching trends, at SHRM.org/exec-coaching.

The Judgment Premium in Today's Boardroom

Companies are now looking for board members with diverse knowledge of emerging trends and disruptive forces—not just traditional industry and functional experience.

Just as a global pandemic, uncertain economic environment and social pressures have led to an updated paradigm for what it takes to be a successful CEO, dynamics in the boardroom have shifted as well. The 21st century skills matrix for a board extends far beyond the specific experiences of directors in a particular industry or committee function. A "judgment premium" has become arguably the most valuable attribute in board directors.

At a time when stakeholders are pushing companies to take a position on societal challenges and communicate with clarity as well as nuance, old formulas are less effective. What matters now is a keen understanding of how a company is positioned. Consider how The Walt Disney Company has had to navigate political pressures in Florida.

In addition, when a company is in crisis, balancing the legal, reputational and market risks means making calls with imperfect and incomplete information. Both experience and judgment matter, and the latter is more difficult to assess. Board directors play a key role as a resource to pulse-check, challenge and support decisions that require judgment to help management teams navigate them.

A judgment premium requires being able to see around corners, ask the relevant questions and consider seen and unseen risks. This means a more diverse set of experiences is needed on boards, and a new generation of board directors is emerging.

Of all new board appointments made to the S&P 500 in 2022, active CEOs made up only 13 percent of seats, down by almost half from a decade ago. In addition, next-generation directors (under the age of 50) now make up 18 percent of new directors and 6 percent of all directors, while the average age of new directors appointed is declining.

By Duriya Farooqui

SIX QUALITIES OF A MODERN BOARD

The attributes that NYSE-listed companies are often looking for are diverse candidates with experience in the new frontiers that are disrupting and reshaping industries. Expertise in new technology and a closer connection to the pulse of consumers mean that younger directors are becoming valuable experts in the boardroom.

To help CEOs navigate global challenges, make decisions for the future during uncertain times and manage stakeholders beyond shareholders, boardrooms today demand this "judgment premium" to drive better, faster decisions. Boardrooms now need representation and insights into emerging trends and disruptive forces, beyond traditional industry experience and functional knowledge that boards have relied on in the past.

Twenty-first-century boards with a high judgment premium need a combination of these six qualities:

1 Transformation Experience

The rate of change is unprecedented. Giants that dominated their industry for decades are under pressure to transform their operating models or find new ways to differentiate themselves. Tech companies, for example, are becoming players in the hospitality industry, encroaching on a field that had long been dominated by hotels and airlines. Consumer product companies are having to consider generational shifts. And banks are being disintermediated by payments companies and digital currency.

Companies that have enjoyed stability for decades are having to develop new muscles to drive transformation. And change management is uncomfortable, especially when culture has to evolve. It is critical, particularly with legacy companies that have experienced uninterrupted prosperity with a relatively static business model, for a board to have some experienced leaders who know what a successful transformation journey entails. This enables board members to more effectively support their CEO in steering the Titanic before it hits an iceberg.

Because of all the uncertainty in the world, boards have to be comfortable making and supporting decisions with imperfect or limited data, where judgment becomes critical. Waiting for complete clarity can be costly in this environment.

2 Decision Agility

Because of all the uncertainty in the world—with geopolitical conflicts, a pandemic that has catapulted us into a new era of risk management and emergent crises like the one that began with Silicon Valley Bank—the business context can change very quickly and also remain in flux for extended periods. Boards have to be comfortable making and supporting decisions with imperfect or limited data, where judgment becomes critical. This means that trust and collaboration become even more important with the CEO, who needs a board that can brainstorm about the implications of various paths when there is no easy or obvious answer.

Waiting for complete clarity can be costly in this environment. CEOs and boards have to use judgment to determine when it makes sense to act quickly or to wait, both for managing risk as well as driving shareholder value. Clarity and alignment in communications and transparency also become key for bringing along stakeholders.

3 A Global Mindset

The pandemic, supply chain disruptions and swings in global financial markets impact businesses everywhere, regardless of whether they have a global footprint. The move to establish regulations around data privacy and climate in Europe is making its way to the United States as both challenges continue to accelerate. Board directors today need to build expertise in those issues and consider the emerging risks and implications, particularly for businesses that are global.

Public companies are increasingly adding directors to their boards who are from countries other than where they are headquartered, to add representation from regions where they have significant operations or growth ambitions. Global UK companies are seeking to add U.S. directors and vice versa. International directors add to the perspective and judgment in the boardroom to provide valuable context for discussions about the future growth strategy of the company, while managing risks that vary by geography.

4 Industry and Financial Acumen

Industry knowledge is table stakes for board directors. And so is the ability to evaluate the P&L, balance sheet and leadership of a company to hold it accountable to business results. This doesn't mean that everyone on the board should have experience in the same industry or have sat in the CEO or CFO chair (though it is helpful to have at least one director of each kind). If you only had former bankers on the board of a bank, you would get a limited experience-set around payments, digital transformation, cybersecurity and customer loyalty, which are important priorities for banks today.

To foster creative, outside-in thinking and learning from other industries, the common denominator is relevant business acumen. This comes from executive management experience and a wider skill set that can help a CEO make good decisions. Board qualifications have moved past the expectation that everyone must have been a chief executive, making it possible for leaders who are earlier in their career but have a strong judgment premium to become effective board directors.

5 Diversity in Gender, Ethnicity, Generation

By now there is overwhelming evidence that diversity in perspective, lived experience and demographics is better for businesses. The push for more diversity has become stronger in recent years, as the various constituents who make up the ecosystem of stakeholder capitalism become more vocal in their demands to see greater diversity at the top of companies.

If your leadership team mirrors the customers you serve, you will anticipate their needs better. If your leadership team has gender balance and greater racial representation, you are more likely to inspire all employees in the company. The same is true for boards, and "being in touch" with market trends means that gender, racial and generational representation on a board matters.

The chair's role is critical for fostering an environment that is inclusive and welcomes contributions from all board directors. Younger and minority directors may be deferential in the beginning, but critical mass helps.

Research shows that having at least three women on a board leads to a clear shift in dynamics, since no female director carries the burden of representation by herself. In 2022, 72 percent of the 395 new directors appointed to S&P 500 companies were from historically underrepresented groups and almost half were women. NYSE companies consistently request help in finding female board candidates who can chair an audit committee.

6 Expertise in New & Accelerating Frontiers

There is no doubt that AI and ChatGPT will have tremendous impacts on how we consume, create and share data as well as other information. Those new technologies also represent enterprise risks that need to be managed.

When we were in the thick of the pandemic, supply chain disruptions were a constant conversation and there was no playbook for navigating them. Now that public companies have to disclose their climate mitigation plans, there is a scramble to develop a reasonable strategy that leads in ways that still preserve or build on a company's competitive advantage. For ESG, determining the right pace and sequence of acting on those priorities represents another reason the "judgment premium" is so valuable.

Boards are updating their skills coverage to include expertise in climate, supply chain, regulation, cyber and tech/AI. The new and emerging frontiers all require expertise combined with judgment about where we think the world is headed, and where it is important for a company to lead versus follow.

In the last few years, the role of individual nonexecutive directors and of boards collectively has grown more complex as they help their executive leadership teams build the muscle to navigate endless disruptions across all industries. In addition to skills and experience that are table stakes, the "judgment premium" across leadership drives how well a company navigates crises, storms, disruption and opportunities to build and grow.

The imperative to diversify boards is timely because one person's judgment is, by definition, going to be imperfect and incomplete. Building a collaborative culture on a board where diverse perspectives and voices can be engaged is important for optimizing the collective judgment contribution of a board. Only by building the capacity to look at problems from multiple angles are we able to build boards that can help companies stay sustainable and robust over time, while leading when and where it counts.

Duriya Farooqi is a board director of NYSE, Intercontinental Exchange and InterContinental Hotels Group.

How to Operationalize Resiliency

Lessons learned by supply chain leaders during the pandemic can help your organization inject more agility into its culture.

By Ernest Nicolas

The pandemic unleashed multiple waves of lasting change on the business world, including digital acceleration, stakeholder capitalism inclusive of hybrid work and remote learning. Each requires leaders to show up with more humanity, compassion and transparency. COVID-19 also tested us at a deeply personal level, especially our individual resilience. Amid all the stress, uncertainty and disruption, those who were able to find a way to create an internal sense of control were able to better navigate this unprecedented period.

But what about *organizational* resilience? What lessons have we as leaders learned from this period that we can add to our collective business playbook, so we can better weather the volatility that now seems simply a fact of life for anybody operating a business with a global footprint?

These are questions I experienced daily since the start of the pandemic, given my roles as chief supply chain officer—first at Rockwell Automation and now at HP.

Some industries were hit harder than others by the pandemic. But any business dependent upon a supply chain of any sort was suddenly facing the same new challenges: forecasting demand, sourcing raw components, securing production capacity, and assuring accurate, timely delivery, while the underlying conditions for doing so changed dramatically over a very short period. It was as if the chessboard that our profession had spent decades working on—refining and improving our skills for playing the game—was suddenly overturned and replaced with a new game that we had never seen before.

But the changes in the problem-set are not isolated to supply chain. Every senior leader is facing the multidimensional challenge of addressing rapidly evolving customer and stakeholder demands while anticipating the future, based on a mix of strong and weak signals from a volatile market. This has become a mindset challenge for every senior leader as we strive to instill resiliency into our business models and cultures.

Learning Curve: From Lean to Agile

Early in my career, the trend to outsource manufacturing to low-cost countries was ramping up. As an engineer at GM, I decided to move beyond engineering and focus on learning more about the end-to-end supply chain. Fast-forward a few years to the turn of the century, and as production supervisor, I witnessed the disconnect between sales incentives and the company's manufacturing cost structure. While the program successfully boosted production, margin expansion eluded us due to the high product cost structure.

I left GM in 2006 and joined Rockwell Automation, where I honed my knowledge of planning and sourcing principles, while learning more about cost structures, fulfillment strategies, revenue models and how to navigate the complexities of quickly evolving regulatory and geopolitical environments.

Through all of this, most businesses adhered to the underlying supply chain philosophy of lean manufacturing models. Having evolved over decades, lean supply chains were alive and well pre-COVID. Our commitment to lean—whether we talked about it or not—was built on a "the world is flat" concept that Thomas Friedman captured in his bestselling 2005 book *Hot, Flat and Crowded* (Farrar, Straus and Giroux).

In that mental model, goods and labor were cheap, readily available and easy to move across a global marketplace. For supply chain leaders, it was a game of optimizing inventory, a discipline that evolved to a Ph.D. level of statistical rigor. There was little friction in the global system, which in turn created a world of options for managing the inventory. It was a completely different game then—the rules were much more consistent, and you could search the world over for suppliers who would deliver the best quality at the lowest price.

Some supply chain professionals started to notice warning signs of the changing game even before the pandemic. The U.S.-China tariff escalations were a very public example, but numerous countries began taking regulatory steps that made the trade environment more complex. Periodic global shortages began to emerge. For instance, a sudden drop in the availability of multilayer ceramic capacitors, or MLCCs, led to shortages of products like Sony PlayStations and Apple iPhones. That made people in my profession start to rethink the lean model and, in some cases, to start to build buffers within our systems so that we weren't so reliant on a single supplier, country or region for critical parts.

While lean was still the dominant philosophy, some leaders began to discuss the risks inherent in streamlining to the point of creating single points of failure for our organizations. A layer of intricacy crept into how we were managing supply chains, and we started talking more about supply chain *agility*.

Building Agility Out of Crisis

Supply chain agility is the extent to which a supply chain can deliver the same cost, quality and service, regardless of the macroeconomic environment and factors that are at play at any given moment. And "factors" include internal business decisions and processes, not just the external environment.

Just as leaders needed to consider the entire enterprise in terms of strategy, capital allocation and level of collaboration in our supply chain planning, we had to start to focus across the breadth and the depth of an organization: the business strategy, sales strategy, product life cycle, acquisitions in progress and more. Collectively, these factors required us to be more agile and to move away from focusing on just being lean and trying to squeeze out any last drops of efficiency.

Then COVID-19 hit.

Any company without a robust supply chain strategy in place was exposed, and many paid a quick and steep price because of their inability to source the parts and components they needed. Chief supply chain officers were suddenly drawn into daily conversations with executive leadership teams, particularly the CFO. Having spent most of our careers in the background, we were suddenly center stage to troubleshoot a problem that could have deep and lasting impacts on our businesses' financial performance.

Alongside the need to think about the business, empathy emerged as both a leadership requirement and a crucial way of thinking about business continuity in a pandemic.

Because of my experiences in Rockwell Automation and General Motors' manufacturing and distribution operations, I knew that as a leader, navigating the human component of these challenges would be just as important as the business decisions we were making. We had to account for the disruption to employees' lives.

The combination of planning for complexity and operationalizing empathy are muscles that leaders must bring to bear now. This is more than just being lean—and it's more than just being agile. It becomes a way of constantly scanning the horizon and the organization for factors that could impact the way we source, build, ship and deliver goods. We must make recommendations to build organizational resilience and ship in alignment with company strategy and culture, in order to meet customer and financial commitments.

Embedding Resilience as a Discipline

Entering the fourth year of shocks and aftershocks since the start of the pandemic, what have we learned in supply chain that might have implications for other aspects of the business?

‘ Executives of all functions are grappling with the fact that some of our earnings must be used to invest in resiliency. ... Making trade-offs of this type is a skillset we all must learn, and a conversation every business leader must keep having, to take resilience from an aspiration to a core part of everyday operations.’

If I had to boil my own learnings down to one takeaway, it is this: Building organizational resilience is not just about a mindset. It is, at its core, a pragmatic exercise built around the concept of insurance.

For supply chains, that means redundancy in manufacturing and distribution locations. It means strategically leveraging inventory buffering. It means multisourcing—all of which, like insurance, carry a cost premium. It means supply chain executives must now have hard conversations with their CEOs and CFOs: *“What kind of insurance do we want against the next disruption? How much insurance do we want? How much are we willing to pay?”* After all, insurance carries a cost. It’s going to mean diversifying the suppliers you use, building in redundancy or carrying more inventory.

These are not necessarily attractive propositions, because they can create a layer of cost for which there is no immediate payoff. On the other hand, such steps have become necessary in managing the risks that are now part of everyday business. This risk-reward tradeoff is giving rise to a new art and science of balancing agility in terms of both offense and defense. Leadership teams are assessing (or already taking) the steps needed to outpace their competitors in terms of digital transformation and sustainability, while building more safeguards into the system to absorb future shocks.

That same approach can be used by every function in an organization.

Every aspect of business is dealing with waves of challenges and, as leaders, we would be well-served to spend time thinking about what it means to operationalize resilience in our parts of the business and across the enterprise. Adding a layer of insurance requires wrestling with foundational questions, such as:

- What do we want insurance to do for us?
- What are we trying to protect?
- What is most important about the role we play in helping drive the overall strategy or execution of our organization?
- What must our function deliver for the company to succeed, and what must we protect to meet our commitments?

Clear answers to those questions will provide a running start for the concrete steps that are necessary to start building in resilience at an operational level.

That’s an exciting challenge for leaders. I have been in supply chain my entire career, starting with working on a shop floor at General Motors. I could not have imagined that an early interest in driving efficiency in manufacturing operations would put me on a career path to this moment, where supply chain executives are now playing a much more central role in their companies. And having been at the tip of the spear in navigating a perfect storm of disruptions, supply chain leaders can bring unique perspectives across their organizations.

Executives of all functions are grappling with the fact that some of our earnings must be used to invest in resiliency. No one knows for certain the right balance of insurance for managing future volatility. But making trade-offs of this type is a skill set we all must learn, and a conversation every business leader must keep having, to take resilience from an aspiration to a core part of everyday operations.

Ernest Nicolas is the chief supply chain officer for HP Inc., and he also drives the company’s social and environmental sustainability efforts. Nicolas has more than 25 years of supply chain experience with General Motors and Rockwell Automation.

MORAL COMPASS

Setting your course on shared human values.

What has happened to common decency? The current culture of incivility and divisiveness often rears its ugly head in the workplace, which can damage employee engagement, productivity and retention. How did we get here, and what can leaders do to move their teams—and themselves—out of this "us versus them" mentality?

People + Strategy executive editor David Reimer sat down with **Colleen Doyle Bryant**, author of *Rooted in Decency: Finding Inner Peace in a World Gone Sideways* (LoveWell Press, 2022), to discuss intriguing reasons behind today's divisive culture and how society can get to a shared set of values that promotes cooperation and trust.

People + Strategy: How did you get interested in the topic of values?

Colleen Doyle Bryant: I started writing about values and character more than a decade ago for children and for teens—teaching them how to be honest, respectful and responsible. Those materials have been integrated into curriculums around the world. I knew how important it is to have a sense of your values and who you are and how you engage with people. But as we've been living through ugly periods in American society recently, I started to question why there are so many adults who aren't practicing what they preach in the way they treat each other. The level of vitriol was not like anything I'd seen in my lifetime. I started asking why.

P+S: Why don't we talk about values more among adults?

Bryant: A big reason is that emotions drive our moral decision-making. So when you look at the science of how people come to a moral decision, it starts with emotion and biology first. We feel as if something is right or wrong, and our body chimes in with support for our position. If we have to justify that position, then we may start thinking intellectually about it.

People tend to struggle at times to articulate the *why* behind their beliefs. If we're going to have conversations about right or wrong, we need a way to talk about our values and a way to express why we're drawing the lines where we're drawing them. The value continuums in my book, *Rooted in Decency*, offer a framework and common language to help us explain where we draw those lines.

P+S: What guidance do you provide for people to engage in this reflection at a personal level?

Bryant: As individuals, we live our lives through our relationships. That's how life works. We figured out a long time ago that our chances of surviving and thriving are much better when we form relationships with people based on trust and fairness, so that we can cooperate toward a level of well-being that we can't achieve on our own. That's the essence of all social human interaction.

That said, since the '60s, we've been very focused on the individual. We've been focused on how do I feel, what do I want to do, how do I find purpose? We need to help people reengage with the idea that their well-being comes from the way they interact with other people. When we do that, we create these waves of well-being for others that then cycle back to us, so there's always this give and take. As much as we might like to think life is all about us, it's never really just about us.

And so when we talk about defining your personal values, a lot of people will start with tests that ask them to pick any three to five words off a list about what drives them and what they value in life. But pursuing the things you value isn't the same as acting with moral values. Someone might pick wealth, autonomy, and creativity as things that are important in their life. But they can pursue wealth autonomously and creatively in a completely immoral way. So there's a difference between this idea of personal values that drive my interest and the moral values that put more good and less harm into the world.

P+S: So how do you refine that conversation to focus more on moral values?

Bryant: It comes back to this idea that we are not individuals living in bubbles by ourselves. We find our meaning, purpose, our worth in life through interacting with others. And so the first question to build honest self-awareness is: How do I interact with other people? What sort of impact am I having? Am I kind? Am I helpful? Do people value me? Do I make choices that are in line with what I think is right or wrong? Can I look at myself in the mirror and know that no matter what's happening around me in the world, I've made choices that I'm okay with? So the first step is that honest self-assessment.

The 4 Key Points: Truth, Respect, Responsibility and Compassion

I found myself asking, in a society where some people think they are absolutely right and other people think they are horribly, morally wrong, how can we have such different ideas? Where do our ideas about right and wrong come from?

And so I went back into history. Who says what is right and wrong? And if you roll back the clock to before we had legal systems and moral codes in religions, people lived together in these early societies and needed ways to form relationships. They needed to be able to trust each other so they could cooperate, because that was the only way they were going to survive the difficulties of life. The behaviors that helped society were valued and encouraged, and those essential behaviors became "values."

The same values—truth, respect, responsibility and compassion—show up over and over again, and not just in the moral codes of religions. They show up today in happiness science and the self-help arena. They show up in business books about what makes effective teams. So these four values are consistent because they are the essential foundation for how people cooperate and have relationships.

–Colleen Doyle Bryant

One point to add is that the way society now thinks about self-esteem can interrupt that process. There's a difference between self-esteem and self-respect, and people need to re-engage on the idea of self-respect and put aside this modern, somewhat self-absorbed and unrealistic view of self-esteem. It's not helping any of us.

P+S: Can you elaborate on the difference between these two: self-esteem and self-respect?

Bryant: In our everyday conversations, we often use self-worth, self-esteem and self-respect interchangeably. But starting in the '80s and '90s, some psychology research showed that people who felt better about themselves did better in life. The way we interpreted that was to say, if we help people feel better about themselves, they'll do better in life. And that morphed into, if people *should feel good* about themselves, then they *shouldn't feel bad* about themselves. We changed the way we parented, taught and coached sports so kids wouldn't ever feel bad about themselves. Everybody gets a trophy. You don't criticize. You just support participation.

But this was actually fairly destructive. We had good intentions, but we misinterpreted the data. When researchers went back 20 years later, they realized that the relationship was backward. It wasn't that feeling good about yourself helped you achieve good things in life, but it was the effort that went into achieving those things that helped you feel good. It is the self-control, the perseverance, facing uncomfortable and difficult things, overcoming failures and seeing the consequences of our own actions that help us build an internal sense of our own worth.

So today's self-esteem is this external thing where people can tell you how great you are whether or not it's true. They can give it to you, and they can take it away from you. But self-respect is something you earn by seeing the evidence of your own actions in the way you've impacted yourself and other people. So an emphasis on self-esteem interrupts the logic of: If I feel bad, I should make different choices to recover a positive sense of myself. We see a lot of issues today where people don't have the skills to pull themselves out of negative feelings they have about themselves.

P+S: What are the implications of that from an organizational and leadership perspective?

Bryant: Companies talk much more today about mental health and wellness, and some of that stems from the fact that life isn't always happy and great, but we need ways to cope with it. The research shows that when you have people who are feeling mental effects because of stress, for instance, you can either decrease the stress or you can increase their self-confidence and their ability to deal with the challenge that is causing the stress.

So as leaders, what kind of tools can we give employees to help them have the ability to handle a challenge that will, in turn, help them come back to a better mental state?

P+S: That's a big shift from an earlier era when people were just expected to do their job.

Bryant: The way we show up with our values changes based on the social, political and economic conditions of the time. So these four values that I talk about often—truth, respect, responsibility and compassion—are always the layer on which all social life is built *(see box, previous page)*. But the way people focus on them evolves.

The notion of "conform and be loyal" came out of the '50s. Coming out of the war period, people wanted stability and security. They were willing to give up some autonomy and expression because they wanted a stable environment where they got a paycheck and they could take care of their families. That was enough. Leaders didn't have to care about what was happening in their employees' lives outside of work. They didn't have to care about their feelings.

But since the rise of individualism in the '60s, that whole picture has been changing. There's always an exchange between a leader and an employee, but our expectations for the give-and-take in that relationship have evolved with the culture and the politics and the economics of the time. There's much more of an expectation that managers and leaders should negotiate these nuanced challenges about what people want and need today.

P+S: To your earlier point about the importance of a shared understanding of what values mean, it would seem that people could interpret a word like "respect" very differently.

Bryant: If you look at how people define toxic workplace cultures, what's the number one reason they give? Disrespect. So clearly people don't have the same ideas about what acting with respect looks like.

This is an important distinction, in that if you treat a person with care, you're not necessarily treating them with care because you respect them. It's not necessarily because you have esteem for them as a person. It's because you value something—some reason that you should be treating them with care. That reason may be that you value a polite workplace, or that you value the idea that all people should be treated with dignity.

So in a time when society is so divisive and people are not being very respectful to each other, we need to remember that if you value civil society, and if you value the concept that I should respect your rights and dignities because I want you to respect mine, then I need to be respectful for a purpose outside of how I feel about you.

‘We get our sense of purpose from creating that positive effect outside of ourselves. So the question is, no matter what role you’re playing: In what way am I creating positive ripples?’

***P+S:* That point really captures what it feels like at this moment in our society.**

Bryant: We’re at this inflection point about society when many people are saying, hey, we’re probably not really living up to our ideals and principles about fairness. What could that look like? What should that look like? What are the standards for the relationship between an employee and their employer, between a citizen and their country and between individuals? When we’re talking about fairness, we’re talking about responsibility. We’re talking about how we treat each other with the four core values.

It’s not that truth, respect, responsibility and compassion didn’t matter in the Jack Welch era. They just appeared differently. We’re in this phase of social change where we’re not quite sure what the new standards looks like. We’re not really agreeing on what’s fair and where the lines are for compassion and responsibility. We’re working it out by trial and error, and it’s business leaders who are offering up ideas: Well, maybe we could do it this way, and what if we did it that way? Today, business leaders are helping architect the social change.

***P+S:* What steps should HR leaders and C-suite teams take to make sure their companies are living their core values?**

Bryant: The first step is to get an assessment of the reality of people’s lives at work and how they are treating each other. The fact that toxic workplace cultures were such a driver of people leaving businesses, as we saw as part of the Great Resignation, surprised people. The fact that it was 10 times more powerful a factor in their decision to leave than compensation, as research has shown, really surprised people. Regardless of whether companies use words like integrity and respect in their stated values, leaders need to understand whether their employees are in fact experiencing those values. If not, then leaders need to understand why.

***P+S:* What’s your advice to a young person just beginning their career for how to think about their values? Because in an earlier era, people had more of a separation of how they showed up at work and in the rest of their lives.**

Bryant: These values that we’ve been discussing are about how we pursue our self-interest in a way that has a positive effect on other people. We get our sense of purpose from creating that positive effect outside of ourselves. So the question is, no matter what role you’re playing: In what way am I creating positive ripples? My authentic self at home needs to be true to the ways I want to have an impact on people. But the responsibilities I have, the way I go about them, the expectations for the give and take in home relationships are different than the ones at work.

At work, I can still be me and I can still be true to my values. But at the same time, there’s a different expectation in work relationships. There’s a different give and take, and there’s a different closeness and distance that should be honored.

One of the problems we’re seeing with so many people working at home during the pandemic is that we used to be able to go to work, and at work you were in a society with its own norms where you played a role. And there was the commute home during which you transitioned out of that and you became your home self. And if you had a bad day in one place, you might have a better day in the other.

That gave us more depth to who we were as people. It gave us more ways that we could balance out the good and bad moments in life. So I would say embrace the fact that you play different roles. That’s okay. It doesn’t mean you’re being fake. You just figure out what your authentic self looks like in each of those roles with consistent values about treating people well. ■

Colleen Doyle Bryant is the author of five books and more than 50 learning resources about making good choices for the right reason. Her latest book is *Rooted in Decency: Finding Inner Peace in a World Gone Sideways* (LoveWell Press, 2022). In addition, her *Talking with Trees* series for elementary students and *Truth Be Told* series for teens are used in curriculums to teach good character traits and social emotional skills.

Leadership for a Post-Pandemic World: Versatility and the Special Case of Empathy

By Robert B. Kaiser and Bradley A. Winn

There has been much speculation that leadership has fundamentally changed in recent years. The implications are significant for human resource professionals responsible for recruiting, building and developing their company's leadership talent. Do we need a different type of leadership to succeed in a post-pandemic world? If so, how does the new success profile differ from years past?

To answer these questions, it is helpful to step back and consider why organizations need leaders—the functions of leadership—and whether, and in what ways, these have changed. At the core, organizations require leadership to make decisions and take action to align the internal operating environment, capabilities and people with changing external threats and opportunities. And this often depends on reconciling competing, even paradoxical, demands.[1]

For instance, leadership is responsible for producing results and motivating employees—the classic distinction between task orientation and people orientation. Leaders are also required to balance performance in the near term with positioning the organization to be competitive in the future. And it takes leadership to drive change and innovation to maintain relevance amid fickle customer preferences and competitor moves, yet also to establish stability and continuity for efficient, reliable execution.

Tensions and trade-offs like these make leadership a balancing act. Indeed, the HR thought leader Dave Ulrich recently said that the ability to manage paradoxes is the most important leadership competency today.[2] His claim is supported by a new McKinsey study of over 1,800 companies across industries in 15 countries that found a mere 9 percent were performance-driven and also human capital-focused.[3]

Moreover, these companies, referred to as "People and Performance Winners," did much better than their primarily performance-focused and primarily people-focused rivals on a range of outcomes including profitability (and consistency over time), resilience (defined as less performance loss due to disruptions) and retention. This was the case from 2010 to 2019 and the differences were even more pronounced since the COVID-19 outbreak.

Versatile Leaders for a Volatile World

These findings suggest that an overarching capability that distinguishes truly outstanding leaders is the ability to focus on paradoxical goals and achieve both. We call this "master capability" versatility—the ability to read and respond to change with a wide repertoire of complementary skills, behaviors and perspectives.[4] Versatile leaders are equipped with a "both/and" mindset geared to optimizing conflicting priorities (rather than maximizing one at the expense of the other) and a broad, balanced and flexible range of competencies and behaviors.

Versatility has become a leadership imperative in times of uncertainty

As the world careens toward the next normal, organizations with versatile leadership will be in the best position to navigate the shifting landscape.

and paradox, which characterizes our post-pandemic world. The decided advantage of versatile leaders during sudden jolts and disruptions that accelerate the collision of competing demands is shown in research conducted over the past three years.

The studies measured versatility with the Leadership Versatility Index,[5] which uses the 360 method of gathering ratings from leaders' co-workers but with a unique scale that allows them to distinguish degrees of too little, the right amount or too much of each behavior. The items are constructed in pairs, like yin and yang, to measure both forceful and enabling dimensions of interpersonal behavior for influencing others and both strategic and operational dimensions of guiding the organization *(see Figure 1)*.

Versatility is calculated as the extent to which leaders balance opposing and complementary behaviors—that is, rated "the right amount" on both forceful and enabling as well as on both strategic and operational. To the degree that leaders are rated as using some behaviors too much and others too little, they score lower on versatility.

The first study[6] compared the effects of leader versatility in 2019 to those during the first three months of the COVID-19 pandemic (April through June 2020). The results showed that while versatile leadership was significantly correlated with employee engagement, team agility, business unit productivity and overall effectiveness pre-pandemic, it was even more strongly related to these outcomes during the pandemonium of the outbreak. In those first months of the pandemic, versatile leaders were best able to help their people and teams regroup, refocus and continue to produce, whereas leaders who lacked versatility were overwhelmed by the sudden chaos and their teams struggled.

A follow-up study[7] examined how the heightened role of versatility unfolded over the next two years. The correlations between versatile leadership and outcomes saw a sizable bump during the first year of the pandemic that persisted past the initial outbreak.

Figure 1

THE BALANCING ACT OF VERSATILE LEADERSHIP

Over the next year and a half, the correlations eased up a bit but remained stronger than in the "before times."

Over the past 25 years, versatility has become more important in determining which organizations thrive versus those which merely hang on—or fall behind.

For instance, Figure 2 shows how much variability in overall leadership effectiveness has been a function of versatility over time. As the world has gotten more complex, uncertain and volatile, versatility has become an even more central defining feature of effective leadership.

This leads to our conclusion that versatility is more than just another competency; rather, it is a meta-competency for leading through disruptive change, crisis and paradox.[8] As the world careens toward the next normal, with new technologies, redrawn supply chains, novel organizational structures, fluctuating work arrangements and significant changes in employee attitudes and expectations, we believe that organizations with versatile leadership will be in the best position to navigate the shifting landscape.

This perspective is grounded in our independent conclusions from advising executives and studying leadership around the world for well over two decades each: leadership is leadership is leadership. Across cultures, time and place, the same behaviors constitute effective leadership:

- Articulate an inspiring vision.
- Align people.
- Set expectations.
- Marshal resources.
- Connect the dots from individual work to organizational mission.
- Build trust and teamwork.
- Empower others.
- Involve and develop people.
- Follow up and through.
- Make the tough decisions.
- Hold people accountable.
- Inspire them to go above and beyond.
- And deliver results.

Even though this long list may be incomplete, it illustrates the point about versatility. Leading is difficult because it involves so many disparate, and seemingly mutually exclusive, competencies and behaviors. Those multicapable, balanced and versatile leaders are the ones to bet on for leading your organization through the next disruption, be it a crisis, industry game changer or labor economics that give employees more voice and choice. Versatile leaders have the range and flexibility to adapt while getting great results and maintaining an engaging culture as well as managing through short-term challenges and building for the future.

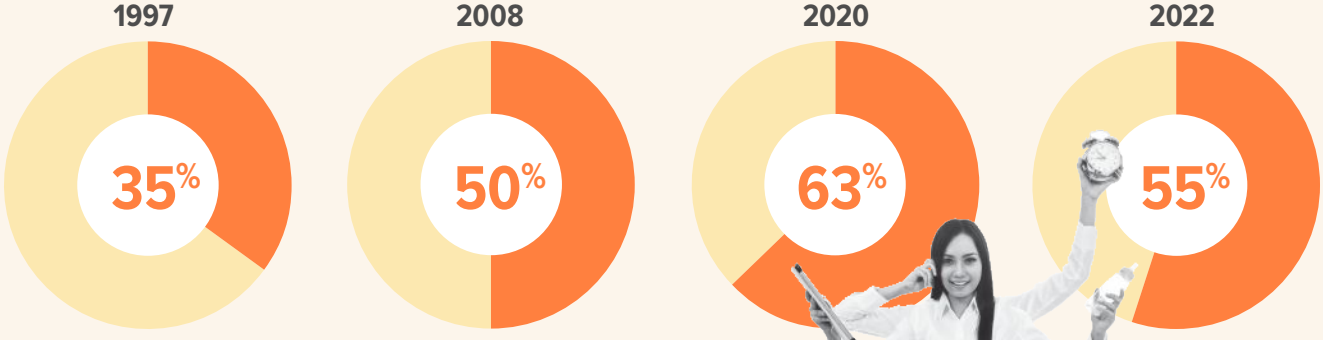
> The data show two important things. First, empathetic leadership is indeed on the rise. Second, empathy is, in fact, playing a stronger role in effective post-pandemic leadership.

The Post-Pandemic Popularity of Empathy

Since the pandemic, there has been a deluge of books, blogs, articles, videos and advice extolling the virtues of empathetic leadership. And it appears that organizations are listening. A McKinsey[9] survey comparing changes from 2019 to 2021 found that the percentage of large companies that are prioritizing empathy nearly doubled after 2020. Leaders themselves have gotten the memo: a recent DDI survey[10]

Figure 2

PROPORTION OF OVERALL LEADERSHIP EFFECTIVENESS RELATED TO VERSATILITY



Source: Kaiser, Sherman and Hogan (2023), *It Takes Versatility to Lead in a Volatile World*, HBR.org

asked over 13,000 managers and executives from more than 1,500 organizations around the world to describe great leadership in their own words. Across industries and countries, empathy was the most common attribute.

Empathy is even gaining currency in the dog-eat-dog world of investment banking and private equity. Apollo Global Management's head of human capital, Matt Breitfelder, was recently quoted as saying, "On the most fundamental level, leadership is about empathy, and understanding what that particular person needs to unlock their full potential and performance. The more we focus on this in our industry, the more successful we will be." [11]

The enthusiasm for empathy is understandable. The psyche of the workforce has been battered by a confluence of stressors, including COVID-19 and its exhausting disruptions to the routines of daily life, the social isolation of lockdowns, work-from-home/hybrid arrangements, social unrest and rising inflation and its disproportionate financial pressure on workers.

At the same time, the labor economy shifted further to a seller's market. For much of the past year, there were two open jobs for every job seeker in the United States.[12] Further, new phrases, from the "Great Resignation" to the "Great Awakening" and "quiet quitting," reflect a significant reexamination of employees' relationships with work, with many reducing their career ambitions and deprioritizing the role of work in their lives.

An exhausted, angry, worried and lonely workforce that is stressed out, has more job options and places less importance on work is more likely to be responsive to leadership that is empathetic to their concerns. Put another way, this workforce is more likely to be severely alienated by a lack of empathetic leadership. But where is the evidence that leaders are demonstrating greater empathy—or that an uptick in empathetic leadership is producing greater engagement and better results?

Kaiser Leadership Solutions is currently working on a project to answer these questions using data from over 5,000 upper-level managers and executives in a range of industries and (largely Western) companies gathered since 2019. Initial results show that more managers are rated by their people as demonstrating more empathy now compared to pre-pandemic. Six percent fewer leaders were rated as demonstrating "too little" empathy in 2022 compared to 2019 (35 percent now compared to 41 percent then). Proportionately more leaders are rated as showing the "right amount" of empathy now (57 percent vs 52 percent). And slightly more are rated as demonstrating "too much" empathy (8% vs 7%). This is not a huge sea change, but it is statistically significant and represents a reliable increase in empathetic leadership in just three years.

The more compelling evidence is the changing relationships between the empathetic behavior of leaders and outcomes like employee engagement, productivity and overall effectiveness. For instance, the correlation with engagement shot up from .30 to .46 from 2019 to 2020 then settled a bit to .36 in 2021 through 2022, which is significantly higher than in 2019. But the form of the relationships has also changed. As the pandemic raged in 2020, the cost of "too little" empathy in terms of lower engagement and productivity became steeper and this effect continued through the 2021 and 2022 data.

The data show two important things. First, empathetic leadership is indeed on the rise. Second, empathy is, in fact, playing a stronger role in effective post-pandemic leadership. Leaders who lack empathy have an even greater depressing effect on engagement and productivity, and leaders who demonstrate an optimal degree of empathy have an even greater positive impact. We take this as evidence in support of the popular belief that empathy matters more today.

Forceful Leadership vs. Empathetic Leadership

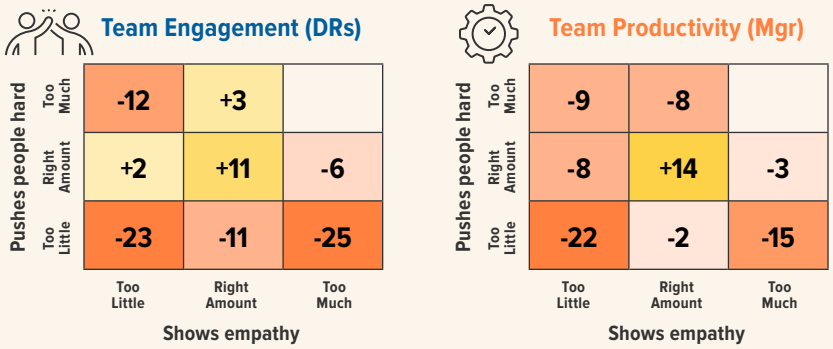
Conceiving of versatility as a "master capability" challenges leaders to find the middle path or golden mean between the extremes of deficiency and excess based on context. Any leadership virtue[13] or capability, including empathy, can be taken too far. The companion to empathetic leadership is the part of forceful leadership where leaders convey a sense of urgency and push people hard for results.

The percentage of leaders rated as striking a balance on both behaviors (the "right amount" on both empathy and pushing hard for performance) increased from 28 percent in 2019 to 33 percent in 2022.

It turns out that the most empathetic leaders are not the most effective. Rather, those leaders who

Figure 3

THE CASE FOR VERSATILITY: THE BEST LEADERS SHOW A BALANCED MIX OF EMPATHY AND FORCEFUL LEADERSHIP



Source: Kaiser manuscript (2023), *Has Empathy Really Become More Important to Leadership?*

Note: Numbers in cells indicate deviation from the 50th percentile compared to global norms for each outcome. Example: +11 corresponds to the 61st percentile. Data collected April 2021—Sept. 2022. Leader behaviors rated by direct reports. Engagement reported by direct reports. Productivity reported by managers.

It turns out that the most empathetic leaders are not the most effective. Rather, those leaders who get the right balance between showing empathy and pushing people hard are, hands down, the most effective. This makes the case for leadership that has a cool head and a warm heart, is firm but fair, and demonstrates tough love.

get the balance right between showing empathy and pushing people hard are, hands down, the most effective (*see Figure 3*). This makes the case for leadership that has a cool head and a warm heart, is firm but fair, and demonstrates tough love.

A Final Cautionary Note

Fads and fashions come and go in leadership, and it seems that every couple of years the pendulum swings to a new buzzword concept. The danger is in the single-minded obsession with the shiny new object—especially when it blinds us to an opposing but complementary aspect of leadership that gets overlooked.

As you consider the kinds of leaders and leadership behaviors your organization needs now and into the future, we advise this dual-perspective way of considering the options: For every "must-have" competency or behavior, take a moment to consider opposing but complementary behaviors.

We believe that, for the most part, the same set of behaviors will continue to be relevant in the next normal—but some may warrant greater emphasis than others as circumstances change. This is plainly evident in the case of empathy. However, empathy alone is not the defining attribute of effective post-pandemic leadership. Rather, the ability to balance empathy with pushing hard for results is what makes the difference. It takes such versatility to create both an engaging culture that people want to be a part of and a winning organization that can outperform the competition.

In the end, the overarching capability that distinguishes truly outstanding leaders is the ability to focus on paradoxical goals and achieve both. Leading with a "both/and" rather than an "either/or" mindset that optimizes conflicting priorities and competing values is key. With so much volatility and uncertainty, balanced versatility has become *the* leadership imperative for the post-pandemic world.

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Note: For links to these references, see the online version of this article at SHRM.org/executive/resources/people-strategy-journal/summer2023.

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New Leadership Paradigm in the Boardroom

Prior to the pandemic, the business world enjoyed a decades-long period of stability and predictability. Since 2020, there's been a tsunami of change. Directors Roundtable editor **Dawn Zier** sat down with three experienced directors to explore how leadership—at both the board and C-suite levels—needs to change to adapt to the times.

Participants

Wendy Davidson, director at First Horizon National, Hain Celestial Group and Ronald McDonald House Charities
Bill McNabb, director at IBM, UnitedHealth Group, Axiom, Altruist, Nexii, Vanilla, CECP and Elevate 215
Coretha Rushing, director at 2U Inc., ThredUp and Spencer Stuart

MODERATOR: Dawn Zier, former CEO of Nutrisystem and director at Hain Celestial Group, Spirit Airlines and Acorns

ZIER: Given all that management teams are facing these days, have you seen boards get more involved in issues than they have in the past?

BILL MCNABB: Yes. The pandemic and the geopolitical situation have probably accelerated this. I'm a co-author of a book, and its whole premise is that, today, the board's oversight has grown, and we need to be very focused on "TSR"—talent, strategy and risk, holistically. It's very different than where we have historically been, where the role of the board was to pick the right CEO and get out of his or her way.

In the best boardrooms, I see less PowerPoint and shorter, more focused prep materials, which creates time for discussion and debate around the key issues that management is facing. The board's role is to push, challenge, ask really tough questions and help management tweak its direction, if necessary. Management and boards are collaborating much more.

WENDY DAVIDSON: Boards are having more conversations around human capital and where and how companies should lean in. There are some issues that you shouldn't speak out on publicly unless they are relevant to your company's purpose and mission. It might be really important to the executives. It might be super important to the team, but if it's not linked to what the company's brand stands for, you have to be careful.

Other times you do need to engage, especially when you have employees out in the marketplace or in communities, so they feel supported by the company and they're not having to speak with just their individual voice. Balancing the corporate mission and purpose for where to lean in with employee well-being and customer and consumer expectations is critical. Making sure that we're acting consistently is something that boards and management need to be aligned on.

CORETHA RUSHING: Boards are getting more involved in oversight around company culture and the new ways of working. More and more, people are realizing that work is not a place; it's something we do. The work environment is never going to be the way it was, and boards need to understand the mood of the workforce.

When it comes to talent, directors need to look beyond understanding turnover, hiring activity and organization structure. We need to go deeper. For example, people have been offered promotional opportunities and have said no. They're not worried about the repercussions to their career. There's a new mindset out there, and it's important, as a board, that we understand future implications on talent and succession going forward.

ZIER: Is the often-articulated operating principle for directors of "noses in, fingers out" still appropriate in today's environment?

RUSHING: Your job as a director is to be in the balcony and look down on the ballroom floor, not get on the ballroom floor and dance. You're providing that broader perspective. But if boards are doing the right things around board composition and are bringing expertise to bear then, more often than not, something is going to occur where the CEO will want to tap into that expertise.

We have a whole generation of executives who have only been on this bull run, and they will greatly benefit from the perspectives of people who have been through a recession before, been through significant downturns, experienced incredibly high interest rates and have done reductions in force, for example. The board can bring a lot of experience and insight to these situations for management to consider.

MCNABB: Yes to noses in, fingers out. But the board should be asking a much broader set of questions and touching more topics than 20 years ago, when boards were focused almost exclusively on such questions as: *Do we have the right CEO? How are we paying them? Do we have a five-year strategic plan in place that we all buy into? How are we performing against that plan?*

The best management teams use their boards aggressively. They want to hear board members' experience and perspectives on certain things and are proactively drawing them in. Recently, I've seen a couple of short-term committees formed by boards to deal with particular issues. That's where it can get a little gray, but as long as there's clarity around the fact that the CEO has the ultimate authority to make the decision

'The board's oversight has grown, and we need to be very focused on "TSR"—talent, strategy and risk, holistically. It's very different than where we have historically been, where the role of the board was to pick the right CEO and get out of his or her way. ... Management and boards are collaborating much more.'

– Bill McNabb

and the committees are disbanded when the issue is addressed, I think you're OK.

DAVIDSON: I prefer to say, "ears in and fingers out," because you want the board to be listening and asking probing questions like, *Where do we see the marketplace headed? How are we thinking about this risk? How will you address this cultural issue?* The board can and should share their perspectives but should stop short of problem solving. It's management's job to come prepared to answer and address those tough questions to the board's satisfaction.

ZIER: What is a board's best defense against risk?

DAVIDSON: The foresight to anticipate and look around corners so you're not caught off guard is paramount. This is a role where boards add so much value because management is heads down in the day-to-day and might only be looking out a few quarters. The board comes in with an outside perspective, and they see the industry from a different view. They can ask questions about the competition and disruptors. What haven't we thought about and are we planning for it? We may not fully anticipate the risk to the business, but we need to at least have it on our radar and in our scenario planning.

Also, as a board, we can no longer isolate risk management as a standalone topic, delegate it to one committee and discuss it once a year with the entire board. Everything we evaluate needs to be looked at through a lens of how to anticipate risk. We then need to ask management for a plan to mitigate those risks and provide regular report-outs.

RUSHING: Your biggest risk to your company is often the people who live in your house and are not locking the doors. It's not the outside forces, but your own employees. So from both a physical and cyber perspective, you need to do your best to make sure the organization is secure. That comes down to being deliberate about the culture, managing organizational stress and supporting individual well-being and mental health. As a board, you need to understand the mood of the organization.

MCNABB: I'm hyper-biased that if you get talent right, everything else takes care of itself. At the board level, there needs to be a much deeper understanding of not just the CEO and the rest of the C-suite, but also what's beneath—who is coming up through the pipeline, the how and processes behind talent selection, development, retention and more.

Talent also is a massive reflection of culture. More companies fail on the culture front than almost any other aspect. A lot of the *Wall Street Journal* headlines you see that no company wants to be caught up in tie back to culture. So, as a board, you need to ask about the cultural enablers or disablers that allow or prevent risk to surface quickly enough to be avoided.

'Your job as a director is to be in the balcony and look down on the ballroom floor, not get on the ballroom floor and dance. You're providing that broader perspective.'
—Coretha Rushing

ZIER: Beyond DE&I, how have your thoughts around board composition and skill sets changed from pre-pandemic?

MCNABB: Diversity of experience is even more important than we thought. DE&I can be a reflection of that, but you can have people of a different gender or different ethnicity whose experiences are very similar. You want to be careful about over-indexing to that. It's important to have diverse experiences on the board that can help you deal with the range of issues you may face.

That really was underscored during the pandemic. Board members can't be one-trick ponies if they're going to be effective. One of the subtle things that definitely came through around this diversity of experience is that you don't need an entire board of CEOs or CFOs. But you do need some, as they tend to be the individuals who the CEO most seeks out because they understand what it's like to be in the seat.

RUSHING: Boards are heavily skewed to people with financial expertise, which is critical. But now we have all these human capital issues. Companies are facing marketing, digital, IT and data issues. So there's an opportunity to look at your board and say, *Are we truly diverse from a skills perspective?* You don't want dabblers; you want people in these areas where it actually was their job.

Also, in addition to diversity of skill, we want diversity of experience. Find board members who have experienced a downturn or a crisis of some sort, because if everyone came from a business that was all wine and roses, it won't help the organization when they face a crisis or disruption.

DAVIDSON: We have tended to look at board makeup around the most physical aspects of diversity: age, gender, ethnicity. Today, it's more important than ever to think about the diversity of experience and unique perspective that directors can bring to the table.

‘We have tended to look at board makeup around the most physical aspects of diversity: age, gender, ethnicity. Today, it’s more important than ever to think about the diversity of experience and unique perspective that directors can bring to the table.’

–Wendy Davidson

For example, on a nonprofit board that I’ve served on, we look for people who actually weren’t heavily engaged in that particular nonprofit, but instead had experience either in geographies that we wanted to expand to, in industries that we were looking to drive development and fundraising from, or had a unique functional expertise such as IT and technology, because that’s become such a game changer to lots of industries.

ZIER: What are the new X factors in board leadership that are needed to provide the right level of oversight and support to management in these times of uncertainty and disruption?

RUSHING: There’s this strange phenomenon where there’s a desire to diversify boards, but also this desire to have us all, when we vote on things, agree. The entire point of having diverse members of the board is to foster a more constructive dialogue where we can agree to disagree and, if we need to wrestle it to the ground, be comfortable with the uncomfortableness of that. We need boards that are willing to challenge each other and management to drive successful outcomes.

Also, each director must bring more than his or her functional expertise to the table. They need to be able participate and add value in a general, strategic way across a broad range of topics.

DAVIDSON: The new X factors, in my mind, are collaboration, self-awareness and empathy. Boards are dealing with issues that are more prickly, and they’re being thrust into challenges more often than they were in the past. The marketplace is moving faster, issues seem

to appear out of nowhere, and there is a need for quicker response times.

Board members need to hold each other accountable. You need people who can go to battle in the boardroom, are comfortable with some pretty intense conversations and are able to take off their individual director hat and put on their organization hat. These directors have to be people who know how to play with each other, know how to leverage the strengths of the group and are willing to leave their egos at the door. The conversation in the room has to be about how we are supporting the organization for long-term sustainability and how we are supporting leadership to make the right decisions.

MCNABB: We talk about strategic agility for management teams. Boards need to be agile, too. That's X factor No. 1 for me. From a governance standpoint, time is your friend and actions are often process-driven and deliberate. However, there are times when you've got to move much more quickly as a board than you may be comfortable with.

Public and private boards have a different focus. On public boards, we're maniacal about meeting our quarterly earnings. But if the CEO isn't performing well, it can take us a couple years usually to make a change. On my private boards, we're actually talking much more about three to five to six years rather than quarterly results, because that's our investment horizon. We really want to know what the progress is against that five-year plan. But if we need to make a change in leadership, for example, we'll make it tomorrow.

ZIER: If you were conducting a CEO search, would you be looking for different qualities and qualifications in a CEO than pre-pandemic? Are there new X factors in leadership required to lead a company today?

DAVIDSON: A good CEO needs really strong people who are running the day-to-day show. A CEO should be looking to the future. They're setting the strategy. They're setting the vision. They're making sure that the tone of the organization is such that people can do great work.

I don't want to know if they can do everyone's job. I want to know if they know how to choose talent, if they know how to adapt to change, if they know how to tap into their networks, and if they know how to anticipate the future and then bring it to life. I'm also looking for resiliency and agility, given the degree of volatility and uncertainty that most companies are facing.

RUSHING: What I look for, which I never would have said in the past, is someone who is willing to say they don't know. I want to hear about when the candidate had a business struggle where they hit the wall and had no idea where to go. How did they get out of it?

The willingness to say, *I don't know,* and *I sought out others,* taps into a person who understands success is built on a team and not on an individual. I also look for someone who embraces the importance of culture, the need to build it out and communicate in a very practical way what it means from an organizational behavior lens.

It's also critical to be a good communicator, which is not the same thing, necessarily, as being a charismatic communicator. Being a person who is transparent about the things that matter, is timely in their communication and is relatable is important given where we are right now.

MCNABB: Show me someone who gets the talent equation and I'll show you someone who has the potential to be a very successful CEO. This has always been my thinking, but pre-pandemic, most CEO searches prioritized deep sector and business knowledge, understanding of the competition and someone who could talk rings around everybody else from a strategy standpoint.

In a sense, boards kind of glossed over whether the candidate was really a good leader or not. Today, thankfully, there's much more emphasis on leadership qualities, followership and how things get done in addition to what gets done.

The Directors Roundtable was hosted by **Dawn Zier**, the former CEO of Nutrisystem and a current board member at Hain Celestial Group, Spirit Airlines and Acorns.

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The Changing Face of Leadership

To gain insights into the evolving nature of leadership in the 21st century, SHRM Research surveyed 258 U.S. HR executives and 1,002 U.S. individual contributors in May 2023. This study aims to shed light on the evolving expectations and priorities of leaders as they navigate the dynamic and unpredictable landscape of the modern business world.

How Do HR Executives Assess Their Own Leadership?

Leadership is more difficult in the current VUCA (volatile, uncertain, complex and ambiguous) business environment. HR executives' assessment of their own leadership in today's VUCA environment:

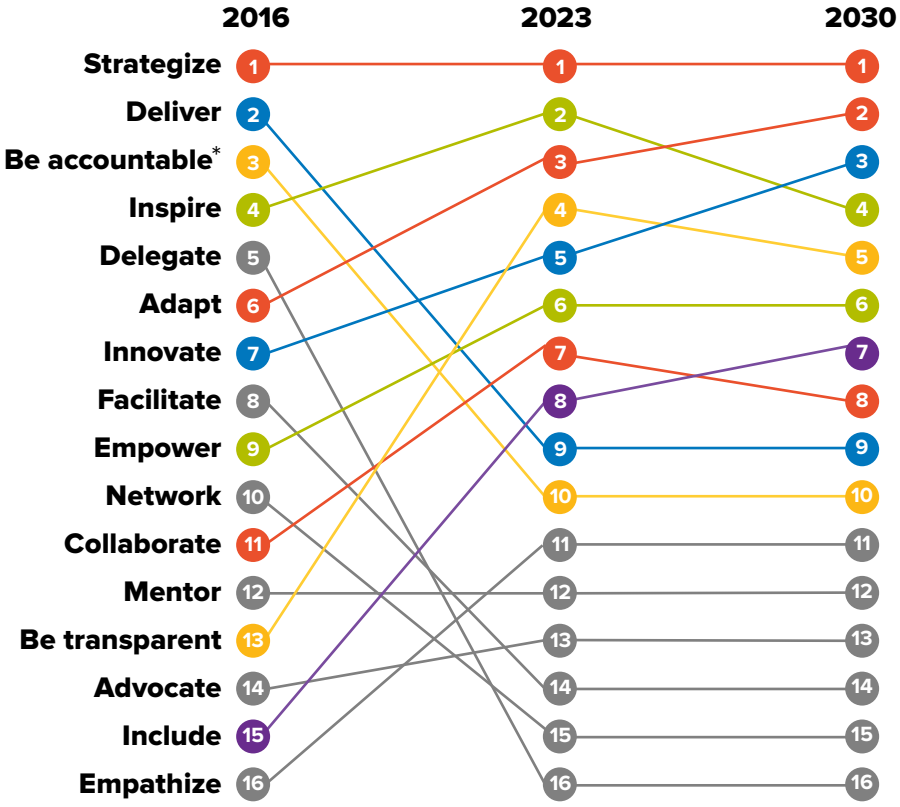
Which Leadership Behaviors Are Most Essential to Organizational Success?

HR executives' ranking of the leadership behaviors they see as essential for achieving organizational success in the past (2016), the present (2023) and the future (2030).

While traditional behaviors such as the ability to strategize and inspire remain essential across all three time frames, several dynamic behaviors—such as adapting to change and innovation—are rising in importance.

39%

of individual contributors say their organizations' leaders are "very" or "extremely" effective at innovation.

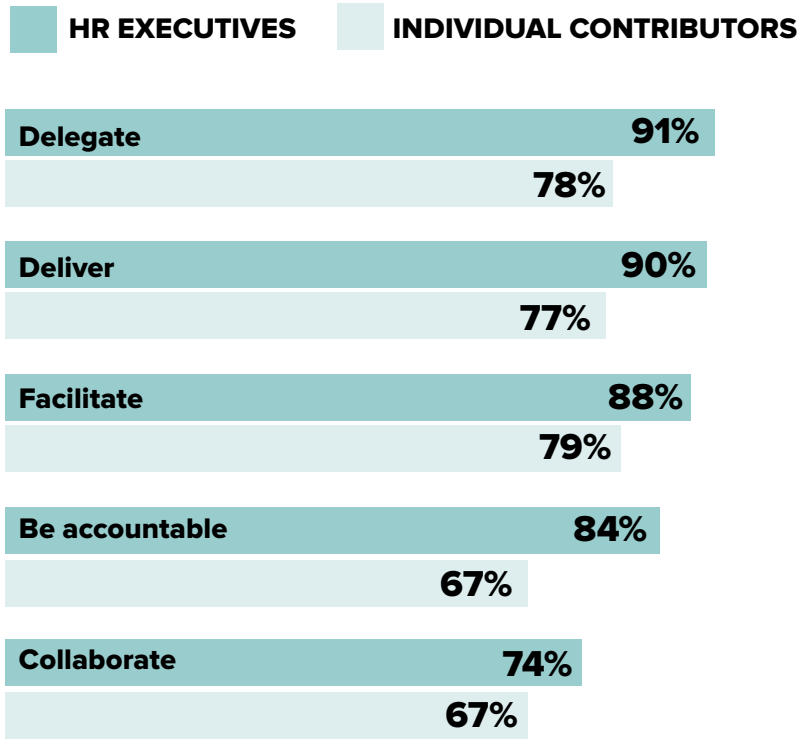


Note: The rankings are based on the percentage of HR executives who ranked these leadership behaviors among their top five most important behaviors for achieving organizational success.

**Hold themselves and their teams accountable for their actions and outcomes*

The Top 5 Behaviors EXPECTED of All Leaders

The percentage of HR executives and individual contributors who said the following behaviors are expected of all leaders.



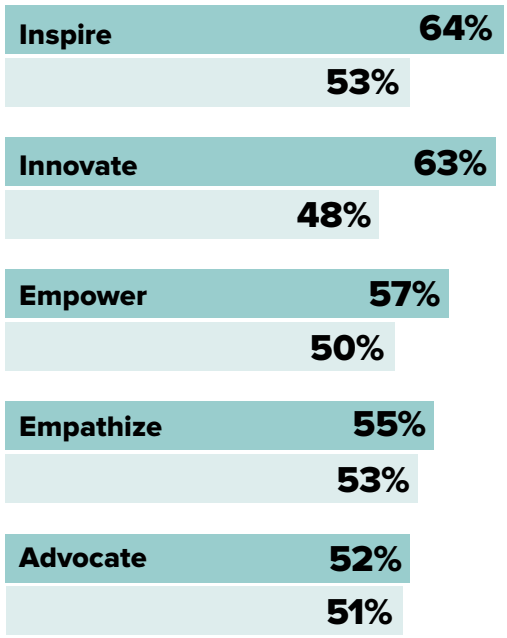
Expectations on the rise

45%

of individual contributors say they have higher expectations for their organizational leaders now as compared to seven years ago.

The Top 5 Behaviors of EXCEPTIONAL Leaders

The percentage of HR executives and individual contributors who said the following behaviors are evidence of truly exceptional leadership.



What Do Employees Want from Leaders?

Top five leadership behaviors that individual contributors say are personally most important to see in their organizations' leaders:

1. **46%** Be accountable
2. **45%** Be transparent
3. **44%** Mentor
4. **39%** Inspire
5. **39%** Empathize

Note: Rankings are based on the percentage of individual contributors who personally consider these leadership behaviors among the top five most important behaviors to witness in their organizational leaders.

The Critical Role of Innovation in Leadership

By Ragan Decker, Evan Pearson and Daroon Jalil

Between geopolitical tensions, trade disputes, rapid technological advancements, evolving regulations and the economic and social aftermath of the COVID-19 pandemic, the business landscape has grown increasingly volatile, uncertain, complex and ambiguous (VUCA) in recent years. Organizational leaders must not only successfully navigate these challenges, but also deliver results and maintain profitability.

This new reality begs the question: What behaviors are essential for leaders to succeed in today's dynamic business environment?

New SHRM research surveying HR executives and individual contributors identifies key leadership behaviors that have played a critical role in the success of organizational leaders in the past (2016) and the present (2023), and are expected to be essential in the future (2030).

SHRM research found that "strategizing" and "inspiring" remain essential behaviors across all three time frames, while traditional behaviors—such as task delegation and timely delivery of results—have diminished in importance. In their place, several dynamic behaviors, such as adapting quickly to changing circumstances, fostering innovation and being transparent about decisions have been pushed to the forefront and are expected to remain essential for organizational success in the future.

The importance of innovative leadership behaviors for organizational success has increased considerably over time. While about 34 percent of HR executives considered innovative behaviors to be among their top five most important leader behaviors in 2016, 40 percent placed innovation in their top five today. And more than half (54 percent) foresee innovation in their top five in 2030.

It is important to reward employees for their bold ideas, experimentation and willingness to challenge the status quo.

In fact, innovative behaviors are often viewed by HR executives (63 percent) and individual contributors (48 percent) as a characteristic of truly exceptional leadership. However, both groups acknowledge that innovation is a weak point among organizational leaders. HR executives themselves ranked innovating as one of the areas they're currently least likely to excel at, with 43 percent ranking it in the bottom five, making it leaders' third least effective behavior. What's more, only 39 percent of individual contributors believe their organizational leaders are very or extremely effective at innovation.

Driving Innovation: 3 Steps for Leaders

Innovating is a complex and challenging behavior that requires unique skills, mindset and organizational support. While this weakness is understandable, it cannot be ignored or excused if organizations want to remain competitive and successful in VUCA business conditions. We recommend leaders start by focusing on three areas to embrace and drive innovation, ultimately boosting growth and success in today's fast-paced and competitive business landscape:

1. Foster a culture of innovation

An innovative workplace culture can encourage and facilitate more innovative behaviors from all employees, including leaders. Leaders can cultivate a culture of innovation by promoting curiosity, openness and experimentation across the organization. However psychological safety is critical to the success of such efforts. To overcome this hurdle and establish an environment conducive to innovation, it is important to reward employees for their bold ideas, experimentation and willingness to challenge the status quo.

2. Collaborate with others

Collaboration is a foundational steppingstone to innovation. Collaboration harnesses the synergy of diverse expertise and perspectives, which allows leaders to generate innovative ideas, solve complex problems and drive forward with creative solutions. In fact, "collaborate" was ranked as one of areas that HR executives say they are currently excelling in, with 42 percent ranking it in the top five, making it executives' third most effective behavior.

Organizational leaders can leverage their collaboration skills to become more innovative. Fortunately, leaders may find little resistance when collaborating directly with employees, as more than 1 in 3 individual contributors (35 percent) ranked "collaborate" among the top five leader behaviors most important for organizational success, and 67 percent believe collaboration is an expected leadership behavior.

3. Stay connected with trends

Staying connected to trends is one approach to gaining unique and valuable insights that can shape strategic plans and investments to ensure that organizational growth is aligned with existing goals and values. However, leaders should strive to predict workplace trends, not just be aware of them.

Previous SHRM research shows that HR executives who excel at predicting workplace trends are more likely to also excel at driving change (61 percent versus 45 percent) compared to their counterparts who struggle with predicting trends (*The Evolving Role of the CHRO*, SHRM, 2022). Therefore, being aware of and forecasting trends can further enhance an organizational leader's effectiveness in bringing about meaningful changes and navigating the VUCA business landscape.

Ragan Decker, Ph.D., Evan Pearson and Daroon Jalil are researchers at SHRM.

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Nancy Wraight

Chief Human Resources Officer
Avanti's Ristorantes, LLC, Peoria, Ill.

During her college years, Nancy Wraight was working three jobs to scrape together the money to pay for tuition at Bradley University in Peoria, Ill. A manager at one of those jobs (at the now defunct Montgomery Ward department store) was the first person to suggest Wraight explore a field she knew nothing about—"personnel." She didn't take his advice right away.

Instead, after graduation she began teaching kindergarten while continuing to work at a retail chain. But when a full-time HR manager position at the retailer opened, she jumped at the chance. As Wraight puts it, "I got the job, and 30-plus years later, it's still the field I live and love—most days!" After rising through HR roles in retail and health care, she has served for the past decade as the CHRO of a popular 300-employee restaurant chain in central Illinois.

WHAT'S YOUR LEADERSHIP PHILOSOPHY?

I believe in servant leadership. I will not ask someone to do something that I am not willing to do myself. I have worked in just about every position for my current employer—washed dishes, made sandwiches and waited tables. HR must be present and pitch in when needed, which is a great way to form relationships.

During my first job in HR, my boss told me it was my job to make everyone happy—in retail! I still must remind myself, 30 years later, that I can't make everyone happy. In that first job, we had no strategy, no goals, no strategic plan. It was all subjective and not measurable. Slowly, things changed. HR must be future-oriented, measure what is important and not only have a mission and vision, but also a business acumen.

Open and honest communication is a must, even though it's difficult at times. I once had a boss tell me during a performance review that I had been doing something wrong for eight months. Do you know how many times I repeated the same behavior during those eight months? Don't wait to have those conversations, difficult or not. Behave like an owner.

Finally, "learn everything you can and build your tribe" are the fundamentals for me. HR is a lonely field. SHRM and my state and local SHRM chapters are my tribe.

ARE THERE ANY LEADERS YOU'VE MODELED YOUR LEADERSHIP STYLE AFTER?

I've had many different leaders in my lifetime. Some good, some terrible. But every one of them taught me something that made me a better HR professional.

I still love the FISH leadership philosophy [modeled after the famous Pike Place fish market in Seattle]. It's easy, and the four main ideas really work: "Choose your attitude," "Be there," "Make their day" and "Play." It only takes one negative person to change a room. I'm also a big fan of Brene Brown, Cy Wakeman and Steve Browne. And I still utilize many of Quint Studer's philosophies. By always learning, you grow, you learn from your mistakes and constantly move forward.

WHAT ARE YOU ESPECIALLY PASSIONATE ABOUT IN YOUR PROFESSIONAL LIFE?

I love volunteering. As experienced HR professionals, we need to mentor and develop our next generation of leaders to be successful and passionate about our profession. These will be our new leaders. Currently, I am the state director for Illinois SHRM. Volunteering for SHRM, my church and our local theaters keeps me going.

I am also working toward a program with stay interviews. While they are not new, in a mostly hourly workforce, these meetings are somewhat of a surprise to many employees.

On top of that, I have had my own medical challenges. Being disabled is difficult enough, but when you have "hidden" disabilities you get judged. You can't see my autoimmune diseases or anxiety. Just remember, don't judge someone by looking at them. Learn their story. We all have one.

HOW IS LEADING HR FOR A RESTAURANT GROUP DIFFERENT FROM LEADING HR IN OTHER INDUSTRIES?

In some ways it is no different, but in the areas of recruitment, compensation and benefits it can be very different. It was hard to find great people, and after COVID it's almost impossible. And the new ghosting trend is just unbelievable. Offering a salaried position to a potential manager and having them not show up still amazes me.

The biggest philosophy that we have tried to work on as an executive team this year is to always find the positives when we walk into one of our restaurants, rather than always jumping to the negatives.

CHRIS MCGUIRE

The Takeaway: A Discussion Guide

If you were asked to lead a conversation about some of the critical themes in this Summer 2023 issue, what would be the most effective conversation starters to generate actionable insights? Here are the critical questions that are at the core of a few key articles in this issue:

Reimagining the C-Suite

Tim Brown (co-chair), Derek Robson (CEO) of IDEO

Pages 10-13

1. Are the current responsibilities for leading the organization evenly distributed across the C-suite? For example, some HR leaders are also now responsible for areas such as real estate and communications. Should the current structure be reassessed?

2. Given the endless disruption and new challenges that organizations face, would a flexible structure of the C-suite make more sense? In other words, if you were to start from scratch, how would you organize the C-suite?

3. Does your CEO have a structured approach to building an informal group of advisors to rely on as brainstorming partners (ideally, outside the normal channels)?

4. Does your culture place a clear premium on the importance of asking smart questions, rather than coming up with answers?

5. What can your organization do to help crucial executives avoid burnout?

'Ultimately, the goal would be to create more of a collective leadership body, rather than relying on one person, the CEO, or their direct reports.'

The Manager Reorg

Pat Wadors, chief people officer at UKG

Pages 20-23

1. Does your company have an intentional program to ensure that potential future managers are given a clear picture of what management roles entail (rather than simply promoting strong individual contributors and hoping it will be a good fit)?

2. Does your organization have systems to get feedback from employees about their direct managers, so that you have a clear picture of who are effective leaders?

3. What training does your company provide to ensure managers keep a broader enterprise view in mind as they set direction for their teams?

4. Do you have "accidental" managers in your company—people who were asked to step into the roles temporarily but are now expected to stay in them, even if they would rather do something else?

5. Does your organization tolerate managers who are the stereotypical high-performing jerks (even if your values state that such managers will not be tolerated)?

'At a time when managers have plenty of reasons to step back from these challenges, organizations need them more than ever to step up and lead.'

Mastering the Matrix

Mike McMullen, CEO of Agilent, Harry Feuerstein, president of The ExCo Group

Pages 14-18

1. Does your company's compensation structure, particularly for incentive pay, reward performance of individual business units, or broader enterprisewide success?

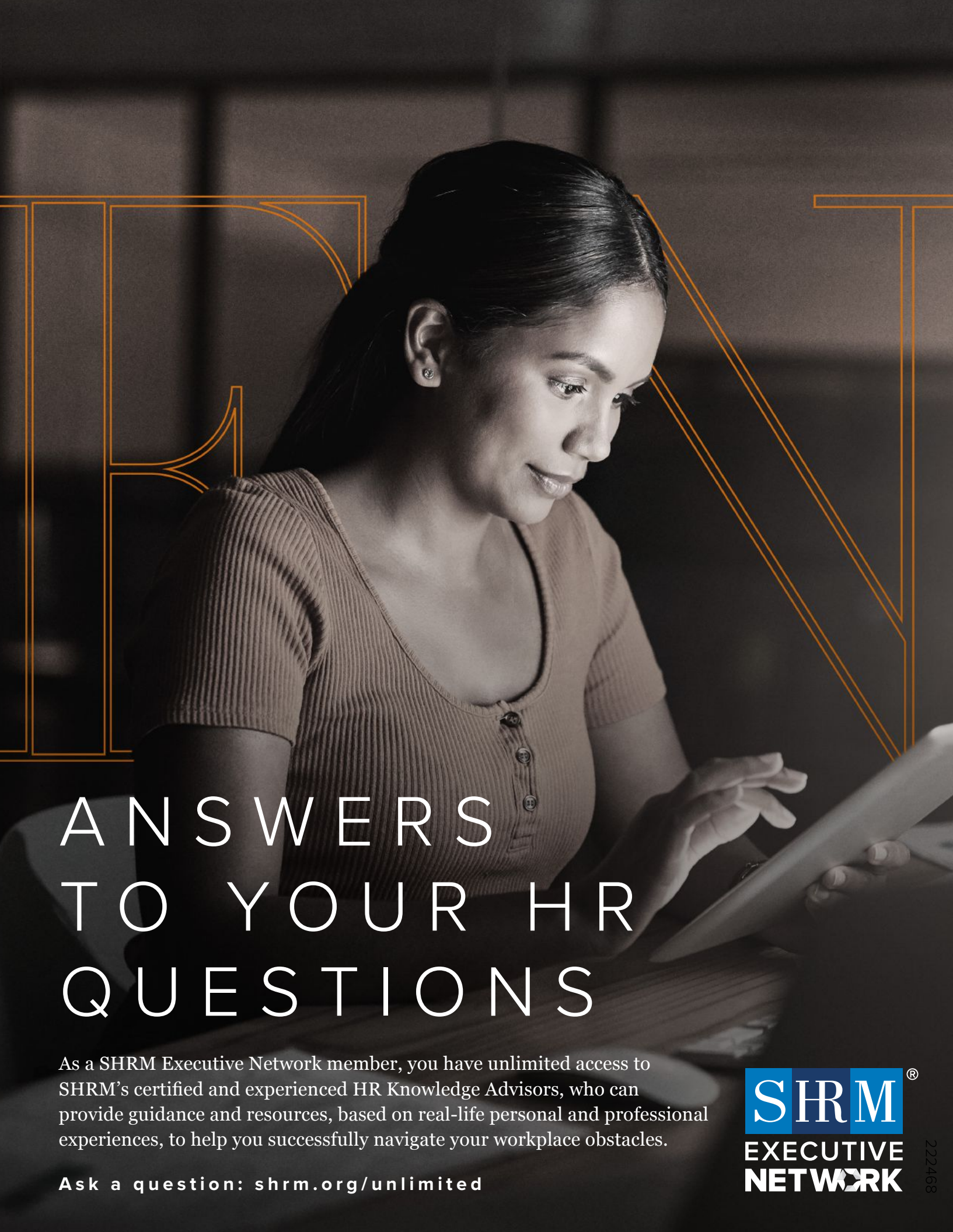
2. Does your organization communicate a list of priorities to employees that sound like mixed messages? Do those priorities explicitly discuss the implicit trade-offs that the priorities require?

3. Does your organization have a structured system that enables business unit leaders to understand their colleagues' goals at the beginning of the year, which helps reduce the familiar problem of people fighting over resources?

4. How does your organization define the meaning of trust—and how do you discuss trust with employees?

5. Are stories of true collaboration across the enterprise celebrated and communicated across the organization to underscore the importance of this role-model behavior?

'Leaders at all levels must own the responsibility of linking their work to the broader strategy, regardless of whether the C-suite is providing that clarity.'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