

# LEADERSHIP IDEAS FOR TURBULENT TIMES

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## TALENT IS EVERYTHING

Every business today is re-thinking its strategy and business model. Precipitated by the global recession, this re-evaluation process is the subject of great discussion and debate within and across businesses and industries. However, my view is that a significant number of companies lack the deep talent necessary to effectively engage in an innovative re-invention of their business. If you do not have available the level and quantity of talent necessary to think and plan in a broad, creative, and fundamental manner, no amount of strategic techniques and brain-storming will help. Practical problem solvers and experienced operators will be able to reduce costs and increase quality and speed of delivery. However, if radical perspective shifting thought leadership is needed, those practical improvements may not prepare the company for sustainable success in an uncertain environment.

### *The Seduction of Conventional Wisdom*

Conventional wisdom regarding executive derailment has identified the primary cause of failure as a deficiency in interpersonal and team-oriented skills. Business literature has promoted this view so strongly that the power of intellectual problem-solving has been devalued in the selection, evaluation, and promotion of executives. Several recent research studies support the viewpoint that the importance of brain power has been diminished as a critical factor in evaluating successful senior executive leadership. One paper, soon to be published in a highly respected journal, reviewed the strong validity research of mental ability predicting executive success and identified the trend in discounting the importance of cognitive capacity in executive selection. Another study clearly showed that perceptions of leadership are heavily weighted by assertiveness and social skills rather than by the quality of the ideas and the depth of the problem solving.

My recommendation to every company is to balance both cognitive capacity and interpersonal skills in the selection and promotion of executives. One of the difficulties in evaluating problem-solving skills is the more hidden nature of intelligence as opposed to the greater visibility of social skills. A quiet, introverted, brilliant thinker may be perceived as a less effective leader than a gregarious, outspoken individual with average executive cognitive capacity. In years past, the rising tide of consumer spending promoted many adequate executives, but the deadly currents in today's economy require deep thinking talent, especially at the senior executive level.

### *Measures of Intellectual Depth*

The measurement of intellectual capacity is not a single test score nor is it just educational background or only job experience. Understanding the depths of a person's cognitive skills is best accomplished by thoroughly benchmarking the intellectual demands of the position and collecting a detailed set of information about the person's past accomplishments and current capabilities. Mapping the person's skills against the competencies necessary for success takes patience, a methodical process and, in many instances, the help of an outside objective evaluation.



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The following is a series of process steps that enable the organization to most accurately assess the capabilities of the candidate.

- Develop a clear set of job competencies that reflect the intellectual demands of the position. Many executive competency models have only one broad statement about the level of strategic problem-solving skills necessary for success. Since intelligence is comprised of many types of intellectual capacities, more specificity is critical to selecting the process and standards.
- Recruit executives where there is more available information about their proven skills and accomplishments. Estimates of a candidate's capabilities can be ascertained from personal interaction, industry forums, referrals from knowledgeable and objective third parties, and from known results. Digging deep into the person's career is paramount to successful selection.
- Create an interview evaluation format. Ask each interviewer to rate the candidate on each critical success competency so that the information can be easily shared and discussed. Having the candidate respond to a complex scenario is an excellent interview task which reveals his/her strategic thought processes.
- Investigate the use of outside experts in cognitive capacity measurement. Executive problem-solving measurement tools are available along with large data banks of executive level normative information. This evaluation process provides another objective source of evaluation that can be used to confirm or to ask questions about current capacities.
- Create a decision process. Have a small group of key executives and board members follow a systematic process of sharing, understanding, and discussing the information before the final decision is made. Time spent in this approach can pay enormous dividends since few other decisions are as critical.

## VAULTING THE BARRIER OF EGO

Even with the necessary talent, many companies will fail to make the required transitions or re-invent themselves because of the inability of the leaders to accept crucial feedback and deal with the weakness of their own leadership approach. Organizations don't change until individuals change and this change must start at the top. Almost every day the media describes executive behaviors that seem almost unimaginable to the public. Setting aside fraud and corruption, reports expose executives who have failed to grasp the current economic reality and are clueless in their understanding of the impact of \$40,000 commodes, bonuses funded by government rescue dollars, and other extravagances. It is as if these executives are wrapped in their bubble of entitlements and so insulated from the day-to-day consequences of the recession that they are incapable of adapting. The refusal to accept significant change is well-documented in the psychological literature as we all learned in our introductory psychology class. Our ego defense mechanisms of denial, repression, and projection are more pronounced in times of rapid change. It is all too common to hear detailed explanations of executives' failures that are nothing more than sophisticated variations of denial, repression, and projection. Attribution of cause to others or to uncontrollable circumstances becomes a high art for some individuals. In short, people can rationalize anything.



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*How do we get beyond our defenses and use the current reality to guide and enhance our leadership capabilities?*

- Deep Listening. Feeling respected is one of the most energizing and motivating emotions in all of us. The act of listening deeply to an employee or associate shows respect and, consequently, can have a dramatic impact on both the listener and the speaker. The listener receives more open and honest conversation and the speaker's feelings of respect, influence, engagement, and commitment can dramatically increase. It takes patience, eye contact, physical stillness, and focus to become a deep listener. Unfortunately, many high energy, action-oriented, and impatient executives find deep listening difficult, and stress typically magnifies these poor listening habits.
- Ditch the defensive behaviors. Most people have built-in defensiveness detectors. When, after receiving candid criticism or feedback, a receiver of the feedback quickly starts explaining the reasons why decisions were made or actions were taken, the sender senses defensiveness. Justifications appear to be an attempt to deflect criticism and, consequently, are likely to reduce further candid or critical feedback. The subtle message sent by the criticized person is, "your criticism is not valid because I had good reasons that you weren't aware of." Many executives are not sensitive to the possibility that they are shutting down honest conversation through their "logical" reaction to the feedback. The sender of the feedback wants a thoughtful consideration of their ideas or interpretations of events. Appreciation of their candor and an attempt to fully understand their viewpoint is enough for most people. If the issue is important, saving a detailed discussion for another time after you have thought about their comments is a further sign of the value you place on their opinions.

## ENERGIZING AND ENGAGING YOUR HIGH POTENTIAL TALENT

Deep, non-defensive listening is a great start to mobilizing all available talent internally and externally to the company. Another important piece of the success puzzle is the creation of a climate that encourages risk and change. Michael Beer, Ph.D., a Harvard professor and consultant, has created a process that I believe helps maximize the use of internal talent and promotes a climate of change in the company. Beer is a world recognized expert in strategic improvement and change implementation. The fundamental lever in his model is to take a group of your high potential middle managers and use their talent and energy to diagnose and solve critical strategic issues that face the company. By engaging their capabilities and ensuring their commitment, Beer has found a way to build a sustainable change implementation. It also requires the senior executives to listen very deeply. I highly recommend this straightforward methodology for any size organization that is frustrated with their rate and depth of change. Beer has published numerous books and papers that describe this proven method and has available many case studies from his consulting practice. A short summary description of this highly effective approach is attached and much more detail is available on his website <http://harvardbusiness.org/search/Michael%2520Beer/100003>. He has tapes and step-by-step instructions available for do-it-yourself companies that have the internal resources necessary to implement his approach.

If you have any questions, requests for more information, or comments, please e-mail me at [lhollweg@batrushollweg.com](mailto:lhollweg@batrushollweg.com) or call me at 469-241-9701.

# Improving Strategy: Removing Barriers and Achieving Breakthrough Results

Speakers: **Michael Beer**, Professor, Harvard Business School; Chairman, Center for Organizational Fitness  
**Russ Eisenstat**, President, Center for Organizational Fitness; former faculty member, Harvard Business School  
 Moderator: **Angelia Herrin**, Group Editor for Conferences and Newsletters, Harvard Business School Publishing

## Overview

Senior leaders are frustrated with the failure of their organizations to effectively implement strategy. Meanwhile, employees talk around water coolers and behind closed doors about how senior management “just doesn’t get it.” The reality: the underlying barriers to successful strategy implementation are often not confronted or discussed. Instead, new top-down, quick fix programs are undertaken based on management’s need to act. These programs usually fail to address an organization’s true strategy implementation problems, and breed further cynicism.

Needed are a series of structured and brutally honest conversations that convey to senior management the unvarnished truth, and a process for conducting these conversations and acting upon the results in a way that aligns the organization, promotes continuous organizational learning, and becomes institutionalized. This process of promoting and acting upon honest communication removes the key barriers to effectively implementing strategy and results in achieving sustained high performance.

## Context

Beer and Eisenstat shared lessons from their 20 years of experience in helping more than 150 companies more effectively implement their strategies and achieve higher performance. This session focused on the value of, and process for, honest conversations that provide senior management with the unvarnished truth.

## Key Learnings

- **Achieving sustained high performance requires teaching an entire organization to behave differently**

In most organizations, effectively implementing strategy requires accompanying changes in areas such as organizational structure, leadership, culture, and human resource policies. These changes are often painful and affect roles and responsibilities, power, decision rights, status, and the hearts and emotions of those involved. For these reasons, effectively implementing strategy is difficult and rare. Individuals, leaders, and organizations must leave their comfort zones, challenge long-held assumptions, change embedded behaviors, and act differently.

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*“Change is painful. It is hard and uncomfortable to lead a painful process.”*

Michael Beer and Russ Eisenstat

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Achieving sustained high performance does not result from working harder, but requires an organization to learn to play a new game, and requires that leaders learn to lead differently. Organizations must realistically assess their capabilities and weaknesses to understand what is holding them back.

- **The major barriers to effective strategy implementation are usually undiscussed, making them the “silent killers.”** Brutally honest conversations that reveal an organization’s fundamental problems take place around water coolers and behind closed doors, but, these conversations rarely take place with senior management. As a result, leaders often do not understand the real barriers and problems in implementing strategy or the intensity, depth, or implications of these problems. This lack of open dialogue results in six common “silent killers” that are barriers to organizational alignment (“fit”) and learning (“fitness”). Barriers include:

- *The quality of direction:*

- 1) **Unclear strategy, values, and priorities:** the strategy is not simply stated, clear, and known by all in the organization.
- 2) **An ineffective top team:** the stated strategy is not consistent, priorities differ, and management does not deal effectively with conflicts and resource allocation.
- 3) **A senior management style that is either top-down or laissez-faire:** executives may be likeable, but are not perceived as effective in dealing with the most important problems affecting the organization.

- *The quality of implementation:*

- 4) **Poor coordination across functions and businesses:** silos exist across functions, geographies, and/or products that delay and block implementation.
- 5) **Inadequate down-the-line leadership skills:** organizations lack the leadership depth to implement strategies broadly.

- *The quality of learning:*

- 6) **Poor vertical communication:** lack of information flow up and down the chain of command hurts the quality of knowledge and learning available to an organization.

- **Too often, leaders push new programs that do not deal with the root causes of their strategy implementation problems.**

In response to business issues, management frustration over failure of the organization to implement strategy, and the need for leaders to take action, senior leaders will mandate a new program. A long list of examples includes: total quality, empowerment, benchmarking, best practices, and reengineering.

These top-down efforts are often short-term quick fixes aimed at addressing specific problems. Experienced employees view with cynicism the latest program as “the flavor of the month.” This “change fatigue” inoculates an organization to change, costs the organization time and energy, and fails to address the real underlying problems and silent killers.

- **Leaders must have the courage to confront the root causes of their problems through honest conversations.**

To achieve sustained high performance, leaders must deal with the most significant barriers preventing strategy implementation. Acting on these barriers requires first understanding them, which

can only happen through honest conversations where senior managers hear the unvarnished truth.

The most effective honest conversations are held not spontaneously or randomly, but as part of a structured, well-conceived process. The conversations must be “safe” so that employees will speak honestly without jeopardizing their careers, must be collective and public, must be focused on the business problems and not be personal in nature, and require that management iterate between articulating a direction (advocacy) and soliciting input and feedback on this direction (inquiry).

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*“When organizations engage in honest conversations, they see that people in the organization know what the real problems are.”*

Michael Beer and Russ Eisenstat

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- **The Strategic Fitness Process is a leadership platform that enables organizations to have the honest conversations that matter, and to act on the results of these conversations.**

The process involves:

- **Define the direction:** The starting point is for senior management to define the basic strategic and organizational direction. This is management’s job, is expected by the organization, and can usually be done to an adequate level in one day of concerted effort.
- **Create a fitness task force:** This task force is the entity that has conversations throughout the organization, distills the most important messages, delivers an honest appraisal to the senior team, and is an ongoing sounding board.

- **Composition:** The task force should be comprised of eight managers who are one to three levels below senior management, and are viewed as “high potential.”
- **Assignment:** The task force is charged with interviewing 100 employees to solicit their honest response to the direction articulated by management, and to the core barriers in the organization. Team members are to act as “reporters” gathering this information and distilling it down to the most critical issues. (Those who are interviewed are energized by the process, with many feeling that their input was sought for the first time.)
- **Report:** The task force holds a structured meeting with senior management to deliver the unvarnished truth. The logistics are important: instead of a PowerPoint presentation, the task force sits at a table in the center of the room, surround by the senior team. The task force orally summarizes the key findings from their interviews. The senior team must listen, and may ask questions to seek clarification, but may not challenge the results. The senior team is reminded that “perception is reality.”

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*“Leaders and their top teams must have the courage to be vulnerable and to learn.”*

Michael Beer and Russ Eisenstat

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- **Diagnose gaps; set an agenda:** After the task force’s report, the senior team meets for two days to assess the biggest and most critical gaps in the organization’s capabilities. Areas reviewed include coordination, commitment, competence, communication, conflict management, creativity, and capacity management. From the task force’s feedback and the gap analysis, the leadership team revises its strategy and sets a clear and specific agenda stating priorities, organizational structure, and major changes. In the example discussed, an organization decided to completely realign to a product structured organization as opposed to a functional structure.
- **Confirm/challenge the agenda:** A second meeting between the senior team and task force takes place, with the senior team presenting the revised strategy and agenda, and soliciting honest feedback from the task force. This meeting can be difficult if the task force does not believe that the senior team addressed the comments of the organization. A supportive task creates a set of advocates who will sell and implement the agenda.
- **Mobilize the organization:** With the direction and agenda set, agreed to by the senior team, and incorporating the input of the task force, the challenge becomes execution. However, execution is aided by the leadership team’s agenda reflecting the organization’s input, and the fact that the strategy and agenda are highly focused on the few most critical issues.
- **Institutionalize the process:** This process has value as a one-time event, but has even greater value when systematized and built into an organization’s planning process.

This process requires leaders who are willing to lead, have the will and skills to receive honest feedback, are ready to engage in conflict and the conversations that matter, have the skills to architect an organization, and have the courage to learn.

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*“This process has been most successful where leaders understand that performance requires changing the organizational game, and recognize that they need help.”*

Michael Beer and Russ Eisenstat

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## Other Interesting Points

- **Conversation initiation.** This process can be initiated by senior leaders, but also by courageous managers lower in the organization who make senior management aware of the need to hear the unvarnished truth. The process is often initiated by organizations experiencing disappointing results; however, even successful organizations which believe they can do better have seen positive results.
- **Contrast to employee satisfaction surveys.** This process is quite different from standard employee surveys. Surveys do not produce deep and honest insights; in fact, most surveys require a secondary qualitative step to “understand what the survey means.” Also, surveys usually deal with satisfaction and not with barriers to implementing business strategy.

## Biographies

**Michael Beer**, Ph.D., is the Cahners-Rabb professor of Business Administration, Emeritus, at Harvard Business School, and the chairman of the Center for Organizational Fitness. The Center works with senior teams in a strategic alignment and change process that guides them on the critical path to sustained high performance. Mike has extensive experience in research, consulting and teaching on strategic change and organizational effectiveness. Mike has authored numerous *Harvard Business Review* articles, including "Why Change Programs Don't Produce Change," and 7 books.

**Russell Eisenstat**, Ph.D., a former faculty member at Harvard Business School, is the president of the Center for Organizational Fitness. Russ's work in large-scale organizational change and strategic alignment has gained international recognition. Russ and Mike Beer received the 1998 Outstanding Organizational Development award from the Organizational Development Institute for developing the Strategic Fitness Process. Russ's book, written with Michael Beer and Bert Spector, *The Critical Path to Corporate Renewal*, received the Johnson, Smith and Knisely Award for the best book on executive leadership.

### **Angelia Herrin**, Program Host

Angelia Herrin is Group Editor for Conferences and Newsletters at Harvard Business School Publishing. Previously, Herrin was Editor of Womenconnect.com and a political editor and reporter for *USA Today* and Knight-Ridder newspapers.

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