

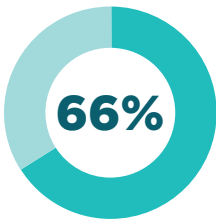
# Are Your Leaders Driving “One-Company” Results?

Worldwide, CEOs are strategizing how to create “one company,” where everyone thinks and acts in the best interests of the overall enterprise.

# Leaders Perceive Three Economic Costs to Enterprise Leadership

## 1. Lack of Control

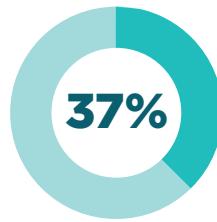
Leaders don't have the control they think they need to lead their business and teams successfully.



**66% of leaders think they can't be successful without autonomy and control.**

## 2. Incomplete Information

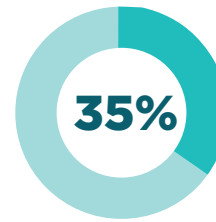
Leaders are uncertain about what is required to perform as an Enterprise Leader.



**37% of leaders understand how to productively contribute to the network.**

## 3. Rewards Risk

Leaders don't believe they will be fairly rewarded for being an Enterprise Leader.



**35% of leaders believe their contributions to others will be financially rewarded.**

Source: CEB 2014 Enterprise Leadership Survey; CEB 2014 Enterprise Contribution Survey.

“One company” strategies extend beyond increasing organization-wide efficiency; CEOs aspire to channel their business units’ collective capabilities to bring complex solutions to market and beat increasingly sophisticated competitors, both new and old. To effectively deploy these strategies, CEOs need business unit leaders who can realize this vision by breaking down silos to increase collaboration, share best practices, and even contribute resources toward enterprise outcomes that don’t immediately benefit their own business units.

Just one-fourth of business units have leaders who are equipped to handle future organizational needs. To create the leaders that CEOs need, companies must significantly adjust their leadership investments—and fast. In the past, CEOs and CHROs invested in creating and sustaining strong individual leadership outcomes. Although these investments have succeeded in their primary objectives—67% of leaders excel at key competencies, and 82% of leaders are hitting their objectives—strong individual results are not translating into better organizational performance.

Executives increasingly tell us, “Our leaders are good at running their part of the business, but they struggle to work across the company—which is what we need them to do.” Many leaders fall short of this expectation because most leadership

investments focus on building individual skills and overlook the greater economic and psychological barriers to optimal organizational performance. Specifically, these barriers to success include leaders’ fixed mind-sets, collaboration costs, and perceptions of reward. To help leaders achieve breakthrough performance—both individual and organizational—CHROs must redirect leadership investments toward breaking down these critical barriers.

## Redefining Leadership in Today’s Work Environment

The world of work has become much more complex and less predictable, with implications ranging from greater barriers to decision making to greater autonomy of teams. Building and managing a twenty-first-century workforce to achieve highly interdependent goals requires that organizations create what we call Enterprise Leaders. Enterprise Leaders are defined by two types of outcomes:

- They achieve strong individual leadership performance by reaching their goals and leading their teams to do the same.
- They show great network leadership outcomes—working with other leaders and their teams to transfer and acquire resources and best practices that improve organizational outcomes.

The payoff is clear: A bench of Enterprise Leaders can boost annual business unit revenue growth rates by up to 12%. In contrast, well-intentioned leaders concerned only with their business unit’s needs achieve much more modest revenue gains (just 4%). A key to this outsized growth rate is the spillover effect that occurs between business units when all leaders act as Enterprise Leaders. This effect validates the potential that “one company” strategies have.

This new way of leading, however, is difficult to adopt; barely 1 in 10 leaders qualifies as an Enterprise Leader. To effectively redirect investments to create more Enterprise Leaders, CHROs must first understand the three most important behaviors that distinguish traditional leadership from Enterprise Leadership.

## Three Behaviors That Distinguish Enterprise Leaders

### 1. They Take From—and Give to—their Peers



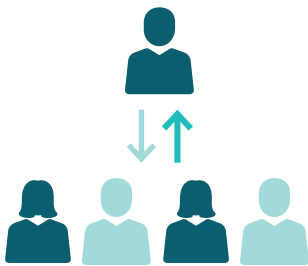
Individual leaders use peer contributions to achieve their own business unit objectives. However, Enterprise Leaders outperform peers because they also give back. Enterprise Leaders

## Enterprise Leadership

A leader's effectiveness at meeting his or her individual objectives, contributing to and leveraging the performance of other units or teams, and leading his or her team to do the same

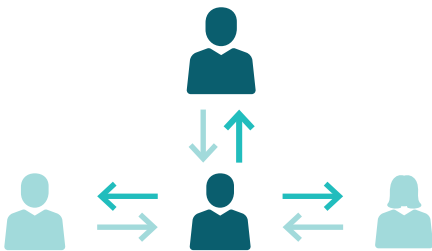
are 50% more effective at using and providing contributions to improve the broader enterprise. For example, they would voluntarily share, rather than hoard, their key talent. Enterprise Leaders would prioritize the success of the company, recognizing they must help their peers solve challenges, especially when doing so benefits the enterprise more than does hoarding talent to achieve personal goals.

### 2. They Push—and Pull—Team Contributions



Individual leaders are taught to delegate their way to success. Certainly all leaders must delegate, but Enterprise Leaders are 20% more likely to also work within their teams to find great solutions, pull them out, and share them with the broader organization. They seek out proven concepts with demonstrated results that are transferable to other operational areas. Solutions range from improved back-office efficiencies to new marketing strategies.

### 3. They Facilitate—and Don't Direct—Team Performance



Individual leaders provide their teams direction to accomplish their tasks. Enterprise Leaders are 30% more likely to connect their teams with those who can enhance and benefit from the team performance.

Employees respond well to this leadership style. In comparison to other teams, teams managed by an Enterprise Leader are 23% more likely to be highly innovative and 15% more likely to generate solutions to new or unanticipated problems. In spite of this potential, there are critical barriers that explain why so few leaders either give and take to peers or push, pull, and facilitate team contributions.

Leaders can recognize the personal and organizational benefits of being an Enterprise Leader. Blinded by past success, most leaders, however, simply find that choosing to be an Enterprise Leader is irrational.

For some leaders, focusing on these three behaviors seems like a distraction, and investing their personal time to help others—at the expense of their teams—does not make sense. For others, the problem is as simple to understand as it is complex to solve: they are not paid to be Enterprise Leaders. Few executives are confident they will be fairly rewarded (or remain employed), especially if helping others will hurt their business unit's performance. To

make becoming Enterprise Leadership a rational choice for individual leaders, CHROs must make three shifts in leadership investments.

## Three Shifts in How HR Makes Leadership Investments

### 1. Change Leadership Mind-Sets; Don't Just Assess and Build Individual Competencies

The current generation of leaders honed their skills by watching the most successful executives they worked for achieve great outcomes on their own. After emulating these leaders for years, today's executives must now change their own mind-sets on working independently—which most do not realize.<sup>1</sup> As a result, leaders must self-discover the need to change. For CHROs, then, the solution is to not only invest assessment and development budgets on skills but also change mind-sets to increase the number of Enterprise Leaders by up to 12%.

To help leaders self-discover the need to change their mind-sets, the General Electric Company (GE) has created an Experienced Leaders Challenge (ELC). The challenge begins with self-discovery exercises, which reveal how a leader's actions affect the organizational climate. An example exercise might include observing musicians and determining how the group dynamic and outcomes change when each musician moves in his or her own direction instead of together. After the exercise, the ELC reinforces the takeaways by having leaders teach their experience to peers and facilitate an in-depth discussion of lessons learned and their implications.

A business simplification challenge validates the realizations that leaders make in the self-discovery exercise. Leaders identify a process, initiative, or part of the business for simplification to improve the ability to serve customers, reduce bureaucracy, or increase the value of the business's efforts. To drive Enterprise Leadership, the challenge must do more than simply remove costs. Furthermore, the challenge must be relevant to company strategy, be interdependent and involve multiple groups, and unlock more business value.

In a recent conference call, GE CEO Jeff Immelt reported simplification projects have saved the company \$250 million. Beyond the benefits realized from individual simplification projects, supporting a new leadership mind-set has helped lay the foundation for success achieved in broader simplification initiatives.

### 2. Invest in Transparency to Make Collaboration Easier, Not Simply Required

Enterprise Leaders hold a unique information advantage. They know who they can get help from and whom they can help. Unfortunately, most leaders don't have all the information they

## How to Recognize an Enterprise Leadership Organization

An organization of Enterprise Leaders looks and feels very different than an organization without them.

- In strategy meetings, P&L leaders present strategies that have been thoroughly vetted by their colleagues and consider strategic needs of business units beyond their own.
- Leaders enter talent review meetings already knowing each other's talent well and with initial plans for how to maximize their talent in the coming year.
- Cross-functional teams better understand their shared objectives and encounter fewer obstacles to performance.

<sup>1</sup> Two-thirds of leaders agree that autonomy and control are critical to their success.

would want or need to understand when to take or give and push or pull at the right time—especially because gathering this information costs leaders both time and money. So focused on their own business, these leaders can't find—or afford to find—the right information or can't create the right level of transparency. And when they do focus on the greater enterprise, their misaligned contributions may result in missed opportunities, wasted efforts, and frustration throughout the organization.

Some organizations have solved this challenge by increasing transparency into leaders' relative strengths and needs. This is information leaders are comfortable sharing and, critically, this is information they can act on. Showing how different leaders' capabilities fit with business needs can increase the number of Enterprise Leaders by 9%. Transparency does not mean publicizing each leader's personal strengths and weaknesses but rather proactively explaining how the capabilities of different leaders and their teams align with the organization's strategic objectives and stage of maturity.

The design firm IDEO enables its leaders to self-identify and facilitate enterprise contribution opportunities through its annual business review process. Leaders in each location start by creating a framework that sets the direction for a review of their unit's project portfolio from the past year. Equipped with the framework, employees in a given location set out in teams to assess results. They incorporate the outputs from each team into a collective review of the location's past year and then use it to hypothesize next year's needs and opportunities.

### Three Criteria of a Strong Business Simplification Challenge:

1. **Relevance**—The challenge should be strategically important to the success of the business.
2. **Interdependence**—The challenge should extend across multiple groups, requiring cross-functional collaboration to solve.
3. **Impact**—Solving the challenge should enable the business to bring more or new value to the customer, not simply remove costs.

The employee-driven portfolio review does not only feed directly into the local leaders' plan for the coming year. Critically, leaders also use it to create location narratives, or stories. Narratives are the formal channels that signal to other leaders and teams where they can provide high-impact support in the coming year. Leaders articulate the findings from the portfolio review in a three-minute video posted on a dedicated portal. Ultimately, location narratives allow leaders and employees throughout the organization to quickly identify patterns of emerging skills gaps and then connect with each other to close these gaps.

### 3. Change Leaders' Evaluations to Change Their Perceptions of Rewards



Only **17% of Enterprise Leaders** received top ratings in their last performance evaluation.

The cliché “what gets measured gets done” doesn't apply to the way organizations currently reward employees for Enterprise Leadership. Among leaders, 97% do have at least one objective that falls into the category of Enterprise Leadership. Even so, leaders say that helping peers endangers their personal bottom line. Barely one-third of the same leaders say their contributions to others' work are financially rewarded. Too frequently, objectives centering on enterprise-level collaboration are neither specific enough to galvanize leaders to action nor accurate enough to capture all the different ways leaders can meet these objectives. Contributions are hidden and go unrewarded.

CHROs know they need to highlight and pay for Enterprise Leadership. However, instead of increasing the number and weighting of Enterprise Leadership criteria, progressive CHROs realize they must fundamentally change perceptions of pay to boost the number of Enterprise Leaders in their organization by up to 15%.

Flipping the concept of shared collaboration MBOs on its head, one retailer has leaders collaboratively design shared MBOs. A leader taking on a peer's objective identifies the parts of the original MBO he can impact and customizes his equivalent MBO accordingly. Afterward, the leader considers how to maintain line of sight between his actions and how he is rewarded for the MBO. For example, this process might involve identifying or adjusting KPIs that align with the shared MBO and the leader's individual role. This customization, rather than just the duplication of the peer's original MBO, ensures leaders see how their actions are rewarded.

### Next Steps: What CHROs Can Do Now

CHROs are reluctant to adapt or drop their carefully crafted leadership models that have required years of careful change management. Fortunately, Enterprise Leadership does not require a new competency model but rather an acute focus on removing the real rational and economic barriers preventing leaders from effectively applying their skills. Heads of HR can take the following actions now to begin developing Enterprise Leaders at their organizations:

- Use a data-driven approach to assess Enterprise Leadership at your organization.
- Identify rational economic and psychological barriers to Enterprise Leadership at your organization.
- Communicate future leadership needs, barriers, and solutions to your C-suite peers, the CEO, and the board of directors.
- Pilot new leadership solutions within a business unit that has the most significant rational barriers.
- Roll out Enterprise Leadership investments throughout your organization.

*This article is based on new CEB Corporate Leadership Council™ research.*

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