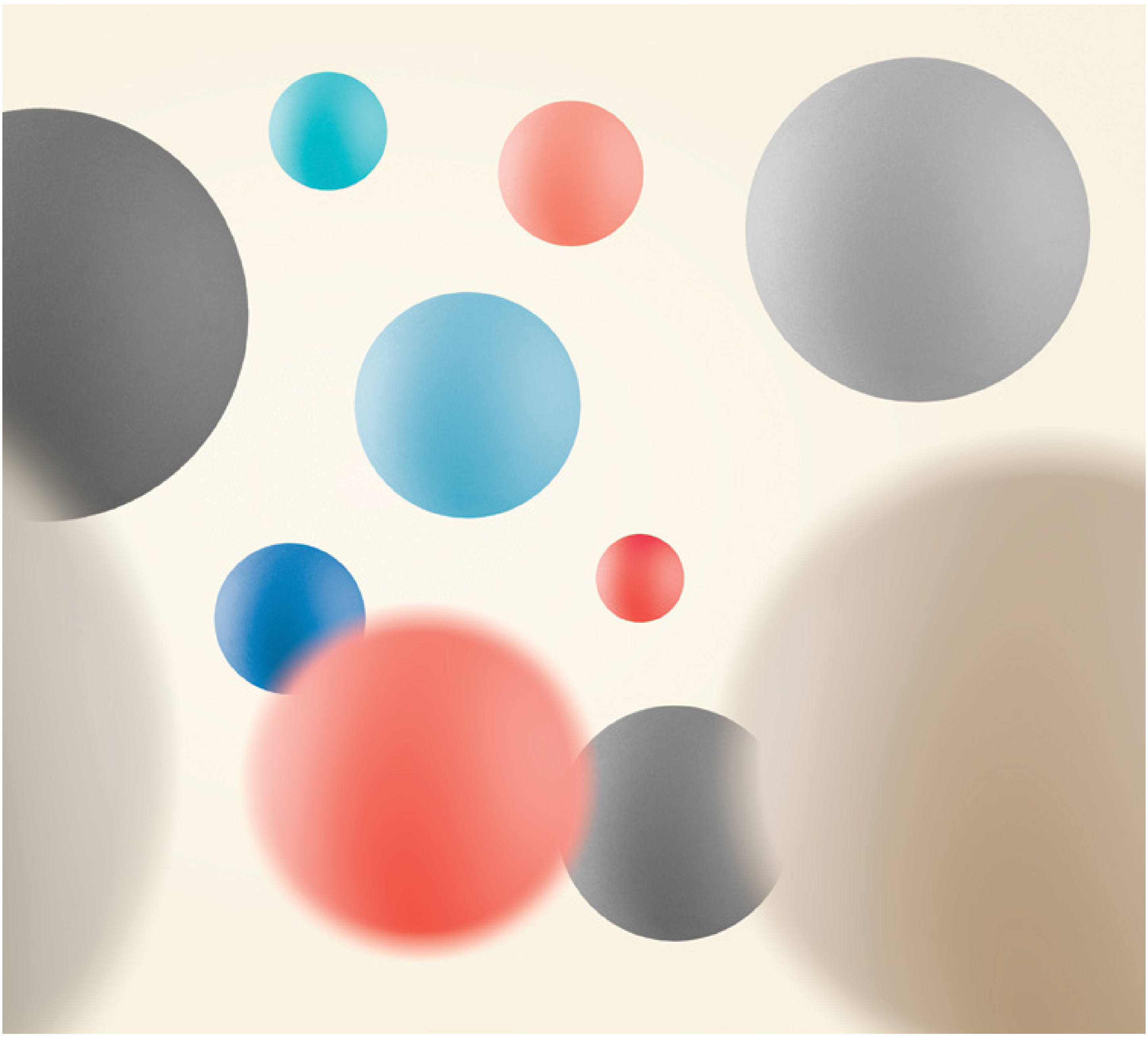
POINT of VIEW

2018



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Leadership and Culture

How does the topic of culture come up at the board level or among the senior management team today? It's a question that we have been posing to CEOs and board directors recently to kick off discussions about the link between culture and business performance. The responses we have heard reflect the many strategic challenges facing CEOs and their teams today, for example:

- Aligning the organization around a transformation agenda
- Innovating for the future while maintaining strong execution today
- Integrating teams and organizations in a merger or acquisition
- Effectively managing a changing workforce
- Building organizational support for a new CEO's agenda
- Bringing customers along with new processes or offerings

The responses also reflect a growing recognition among board directors, CEOs and other senior executives that the right culture is a critical driver of business outcomes and performance. More broadly, the unprecedented volatility, complexity and pace of change in which businesses operate today shine a spotlight on all sorts of "people" issues — organizational culture; the assessment, selection, onboarding and development of leaders; team dynamics; and board composition and effectiveness — and the need to more rigorously manage them.

With this issue of *Point of View*, we examine many of these culture and leadership issues and how they can be better managed. We explore the forces elevating board culture as a lever of board performance, and look at how boards can better harness the contributions of "next-generation" directors. We explore the power of "learning" cultures. We identify the four most common reasons why new C-level leaders struggle in their roles and the simple way they can transition more effectively. We explain how organizations can avoid unconscious bias and other assessment pitfalls. We also highlight the four main paths to the C-suite and why aspiring C-suite leaders need to consider their optimal path.

On behalf of all of us at Spencer Stuart, I hope you find articles in this issue of *Point of View* that spark an idea or provide a useful learning. As always, we welcome your comments.

Kevin M. Connelly
Chief Executive Officer
Spencer Stuart

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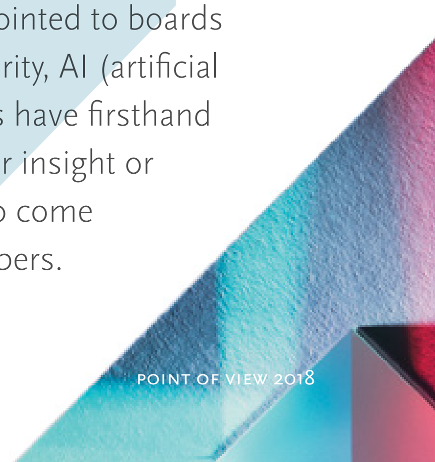
How Next-Generation Board Directors Are Having an Impact

Boards are coming under increasing pressure to demonstrate their relevance at a time when multiple disruptive forces are threatening established business models and creating new opportunities for innovation and growth. Increasingly, investors expect boards to have meaningful processes in place to renew their membership and maximize their effectiveness.

As a result, a growing number of "next-gen directors" are being appointed to boards around the world. Many bring knowledge in fields such as cybersecurity, AI (artificial intelligence), machine learning and industry 4.0 technologies; others have firsthand experience of digital transformation, organizational design, customer insight or social communication. Inevitably, experts in these disciplines tend to come from a different generation than the majority of existing board members.



Younger directors are having an impact on both the content and dynamic of boardroom debate. They are prompting fellow directors to engage with unfamiliar subject matter and bringing a different approach and perspective to the role. Just as companies are broadening their thinking about the value of diversity and recognizing the benefits of cross-generational workforces, so boards are benefiting from recruiting directors who bring not only deeply needed expertise but also a contemporary view on how decisions will affect the whole spectrum of stakeholders — from employees and suppliers to customers and the community. These directors are facing a different set of workplace challenges in their executive roles; as directors they can raise concerns and viewpoints rarely, if ever, expressed around the boardroom table.

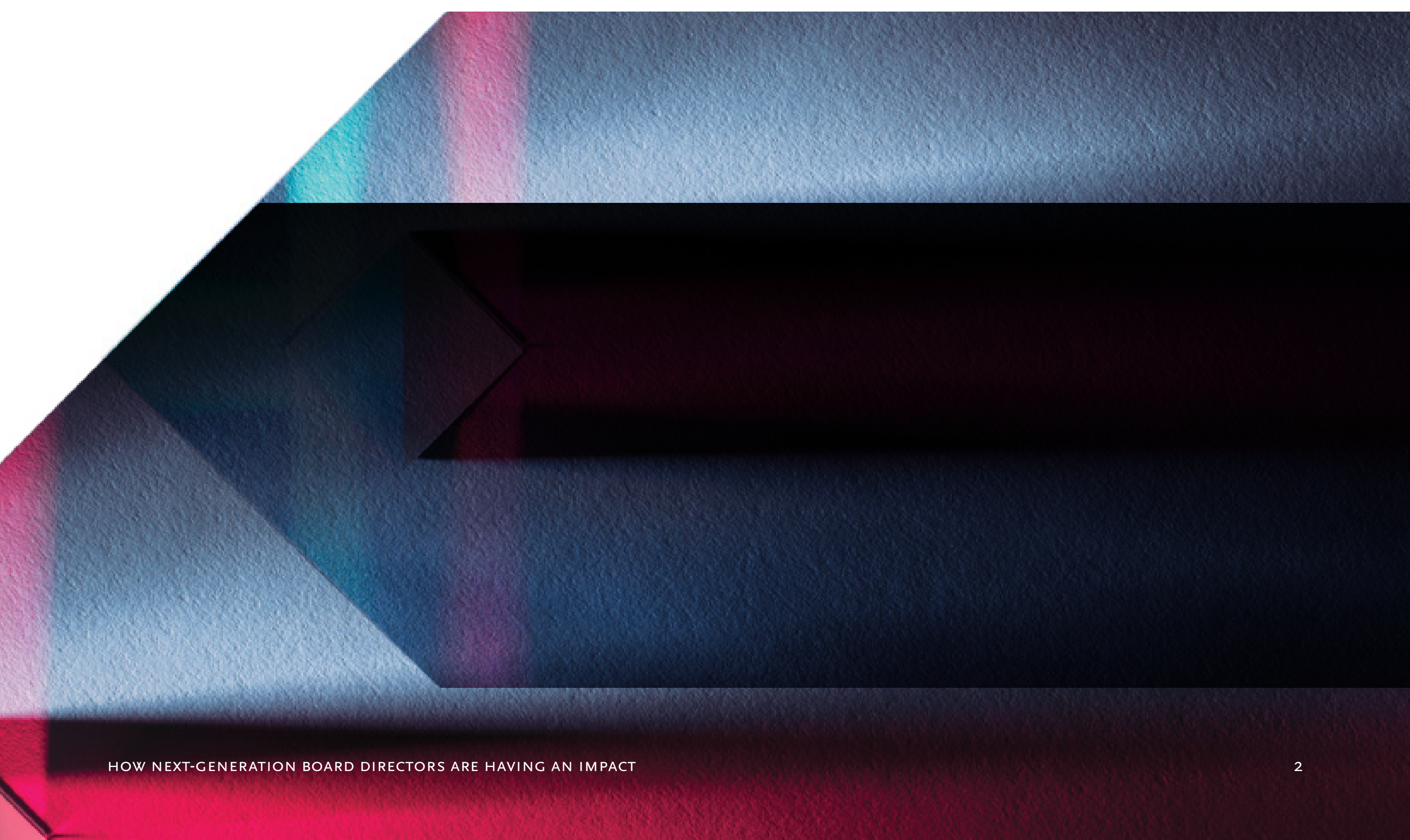
Boards that choose their younger directors wisely can stand to benefit greatly from their presence. However, it is not enough to bring new, knowledgeable directors into the boardroom; it is vital that boards prepare them for success through a combination of comprehensive onboarding, thoughtful integration and an open-minded, receptive and respectful attitude toward their contributions.

We asked a group of board chairs and next-gen directors on several continents about their experience of this latest phase in the evolution of boards.

What's in it for the next generation?

Before joining the board of a public company, it helps to be clear about motivation. Why now, and why this company? Being a non-executive director is a significant commitment, and you have to be sure that both you and the board consider it a worthwhile investment. We find that most next-gen directors are motivated by three things: personal development; the chance to enrich their executive role with new ideas and experiences acquired as a director; and the desire to make a contribution.

One executive who was starting to get more exposure to his own board felt the time was right to join an outside board: "I wanted to broaden my perspective, gain different experiences and see a company from a different vantage point. I felt that it would ultimately make me a better, more effective leader." Another director with an entrepreneurial background emphasized the unique opportunity to learn from others more experienced than herself: "I could see I would be amongst inspirational people and that I would be exposed to not just a different



Next-gen directors on the rise

In the U.S., 45 percent of all new directors appointed to S&P 500 companies in 2017 were serving on their first public company board; 55 percent of them were women or minorities. These first-timers are more likely than other new directors to be employed elsewhere in an executive capacity (64 percent versus 42 percent). They are also less likely to be C-suite executives and more likely to have other executive roles such as division/subsidiary leadership.

A similar picture is forming in Europe, where in numerous countries more than one-third of board appointments at leading listed companies in 2017 went to first-time directors, many of them falling into the next-gen category: Poland (82 percent first-time directors); Russia (59 percent); Denmark (43 percent); Finland (41 percent); Belgium (39 percent); Norway (37 percent); France (38 percent); U.K. (34 percent).

Source: Spencer Stuart 2017 Board Indexes

sector but a different culture and way of doing business." A third described the decision to join a board as "one of the more purposeful things I have done in my life."

New directors cite a number of experiences and skill sets that they hope to acquire by sitting on a board, ranging from observing a different leadership style and working with a different organizational culture to learning about a new sector or geographic market.

Of course, joining a board has to be a mutually beneficial exercise. "It's helpful for me, because I learn about governance and how a board works from the inside. I can apply what I learn in my other work. The board, meanwhile, gets someone with a different set of specialties and a slightly fresher perspective; they get someone who is willing to be more open and direct, a little more non-conformist relative to the other board members."

Board chairs are increasingly open to recruiting next-gen talent, citing several reasons ranging from the need for specific skills and competencies to having more diverse voices at the table. One chairman was specifically looking for someone to shift the focus of debate: "A new, younger director can see a dilemma from a different perspective, making us think twice. I'm looking for a person of integrity who is prepared to speak his or her mind and challenge management. What I cannot necessarily expect from such people, of course, is the ability to apply the experience of having seen many similar situations over 30-40 years in business. It's a trade-off, and one of the reasons why age diversity on the board is so important. Specialist expertise needs to be balanced with experience, and with experience comes good judgment."

Preparing for the role

If you are an active executive joining the board of a public company, a lot of time is at stake (as well as your reputation), so you have to be confident that you are making the right decision. A thorough due diligence process not only provides that security, but helps accelerate your preparation for the role. "During the course of my interviews I read an enormous amount about the company," said one recently appointed director. "I looked up the analyst calls, read SEC filings and asked a lot of questions, specifically

> "A lot of due diligence is done during the interview process — checking the chemistry, finding out how board meetings are run."

about the dynamics of the board. They had me meet every member of the board so I got to see how they spoke about each other."

It is important to have a clear understanding of what the board is looking for and how your background and experience will add value in the context of the business. For example, although the more tenured members of the board may have a reasonable overview of the disruption facing the business, they will not have hands-on experience of a digital transformation initiative. You may be perfectly placed to provide that firsthand knowledge, but it may be that what the board chair actually wants is someone who bears a few scars, has learned how to deal with the technology challenge from a business perspective and knows what kind of questions to ask. Only thorough due diligence will reveal whether your expectations are aligned with the board's and enable you to proceed with confidence.

Onboarding

One of the most common things we hear from next-gen directors is that they would have liked a more thorough onboarding process ahead of their first meeting — this is something that boards clearly need to address. Often it is up to new directors to take the initiative and shape a program that will help them get inside the business. "A lot of the immersion I needed came through the steps I took myself," said one director, who felt that meeting a couple of executives and board committee chairs and reading materials provided by the company secretary amounted to insufficient preparation.

A good induction program will include presentations from management on the business model, profitability and performance; site visits; and meetings with external advisers such as accountants, bankers and brokers. Sitting down with the head of investor relations to review investor and analyst perspectives can be useful, too.

Next-gen directors have asked to meet with heads of business lines for a more detailed review of a particular subsidiary or activity where their own experience is especially relevant. In a retail business, for example, it might make sense to meet with the head of merchandising at a flagship store to get hands-on exposure to product positioning and customer experience.

Time spent with the CEO to learn about the business is critical. Most CEOs will be happy to arrange for the new director to see key projects firsthand and meet the people running them, as well as spend time with other members of the senior management team. “They were completely open to me meeting other people, but it wasn’t part of the formal induction program. I found those conversations to be the most enlightening because I simply got closer to the business and to the work.”

One chairman of a consumer products company added an interesting twist to the onboarding of a new director appointed for his e-commerce leadership experience. He invited the new recruit to make a presentation to the entire leadership team about his own journey. “The kind of disruption and speed at which his online company works was mind boggling, and this exercise proved a source of great learning for the board and the management team,” the chairman said. “It also enhanced his credibility with the rest of the board.”

Making the transition to non-executive

Most next-gen directors understand at an intellectual level that they will need to approach their board responsibilities in a different way from an executive role, but most underestimate how difficult it is to make this transition in practice.

It is important to be able to distinguish between matters that only the board can decide upon (for example, CEO succession) and topics that the board should leave to management (most operational matters). Strategy is one area where, in most markets, the board and management tend to collaborate closely, but there is plenty of other middle ground where next-gen directors can contribute their special expertise.

It does, however, take time to learn how to add value to board discussions without stepping on the toes of management; listening and learning is a crucial aspect of gaining the respect of and credibility with the rest of the board. “You have to be keenly aware of when to interject, when to push something very hard and when to step back,” says one director. “The skill lies in asking the right question in the right way — not to disempower or create a disincentive for management, but to encourage them to think about things a little differently.”

Due Diligence

As you explore how a new board opportunity might fit with your interests, skills and style, consider the following questions as part of your due diligence.

Do I really understand the business model? How does the company make its money?

What do I have to offer this company?

What will be expected of me as a director?

Do I feel comfortable with the chair? Will he/she support me and provide me with the space to contribute?

How effective is the board I am about to join?

What is the relationship between the board and management?

Will I have the credibility to influence boardroom discussion?

As a non-executive director, you are expected to engage at a higher level and in a more detached manner than you are used to in your executive role. With meetings taking place monthly or bimonthly it can be difficult to work out whether you are adding value, or even what value looks like, especially when your day job involves taking responsibility for high-quality execution. As a non-executive director, you may see things that need to be taken care of and want to get more actively involved, but you have to trust that the executive team will get it done. “I had a perception that the board might be a little bit more engaged. We have very specific places in which we’re expected to really contribute and to drive decisions and actions, and there are others where we are more on the consultative side; it’s a question of finding the right balance. I did think there would be a little more direct involvement in certain issues.”

The work of next-gen directors does not begin and end with board meetings, however. Many will interact with management outside meetings. One U.K. director appointed for her digital expertise takes the time to catch up with the company’s digital team when she is in New York “to find out what they are working on, understand what makes them tick and what their concerns are.” Another newly appointed independent director with an e-commerce background was invited by the CEO to spend a day with the company’s development management team, after which he conducted a review of the customer experience. “I had some very clear feedback but was careful only to send it to the CEO, not to the team I met or any other board member.” Offering help to the management team in an informal, consultative manner can be a good way for next-gen directors to lend their expertise beyond the boardroom, without getting caught up in the weeds.

> “Your role is not necessarily to figure out the problems, but to propose ideas and ask questions of the executive team.”

Getting feedback

Next-gen directors who are used to receiving feedback in their executive capacity can find it difficult to adjust to a role where it is less readily available. “Feedback is the hardest thing I’ve grappled with,” says one director. “With your own business, it’s either successful or it’s not. If you’re an employee, you’re told whether or not you’re doing a good job. That’s not the case on a board.”

New directors need to identify someone they feel comfortable with who can offer them insight into some of the unwritten rules at play in the boardroom. Some prefer a more formal mentoring relationship with a senior board member, but that idea does not appeal to everyone. Regular check-ins with the board chair (and CEO) will help them gauge their performance and learn how they can offer more helpful input.

Beyond informal individual feedback, the board may have a process for providing feedback to each director as part of the board’s annual self-evaluation. On boards where this practice is in place, next-gen directors tend to be quite comfortable with it and welcome the feedback. If there is no process for individual director feedback in place, the next-gen director can serve as a catalyst for establishing this healthy practice by asking about it directly.

The role of the board chair

Board chairs have a significant influence on how successful next-gen directors are in the role. It can be daunting to arrive on a board full of older, more experienced directors, particularly if there is a long-established "collegiate" dynamic in place. The chair has the twin tasks of guiding the new director, while ensuring that other board members remain open to whatever new ideas and perspectives the new director brings to the role. This may entail working hard to encourage relationships to develop on a personal level, which will then allow divergent views and even dissent at a professional level.

A chair may do a number of things to support the next-gen director, for example: take a close interest in the onboarding process; provide coaching on how best to represent investors' interests; offer constructive feedback after meetings; and encourage the new director to stick his or her neck out rather than play it safe and simply align themselves with the existing boardroom culture. As one chair put it: "Some boards are wary of a new director who thinks differently and threatens, however respectfully, to shake things up. But sometimes you need the new director to disrupt the board with fresh views, accepting that this may result in a cultural shift. It is my job to let that happen." That said, if a new director finds something in the board papers they disagree with or don't understand, or if they want to make a controversial point in a board meeting, it is probably wise to raise it with the chair in advance of the meeting.

For the new director, adjusting to the structure and formality of board meetings means adopting a measured approach and taking the cue from the chair, especially when going against the grain. "Although I'm only three meetings in, I'm testing the barriers of how open and direct I can really be, and at the same time learning more about the business," reports one director. Another has been defending a position not shared by the majority of the board, confident that the chair is happy to give a platform to his opinions. "You have to be respectful in getting your point and your reasoning across, but if your argument doesn't prevail, that's fine also. Of course, if it becomes a matter of principle, you are always free to go, right?"

Most next-gen directors anticipate that their relevance (and interest) will fade after around five years and are quite happy at the prospect of cycling off the board when the time is right.

Towards a new kind of board

As companies address new challenges, and a younger generation of executives with very different backgrounds become independent directors, boards will need to find the right balance between experience and relevance; they will also need to become more dynamic in terms of composition, diversity, discussion and tenure. Long-tenured directors with an interest in governance and risk management will serve alongside representatives of the next generation appointed for their excellent domain knowledge or real-time experience of transformational environments, but the tenure of such directors is likely to be shorter than the current average. Indeed, most next-gen directors anticipate that their relevance (and interest) will fade after around five years and are quite happy at the prospect of cycling off the board when the time is right.

Boards need to be realistic about how long a next-gen director candidate may want to stay. They also need to think carefully about whether that director would feel less like an outlier and be more effective if he or she was joined by another director of a similar age and background. “As a woman, I’ve been a minority all my career, so it feels strange to be a minority because of my digital expertise,” said one director. Just as the presence of other women on the board reduces the burden on any one female director, so there is a case to be made for appointing two or more next-gen directors.

Boards committed to staying on top of the critical issues affecting their companies should consider the potential benefits of appointing at least one next-gen director, not just for their subject expertise but for their ability to bring alternative thinking and multi-stakeholder perspectives into the boardroom. Backed by a supportive board chair and open-minded directors, next-gen directors can have a lasting, positive impact on the board’s effectiveness during a time of unprecedented change.

Authors

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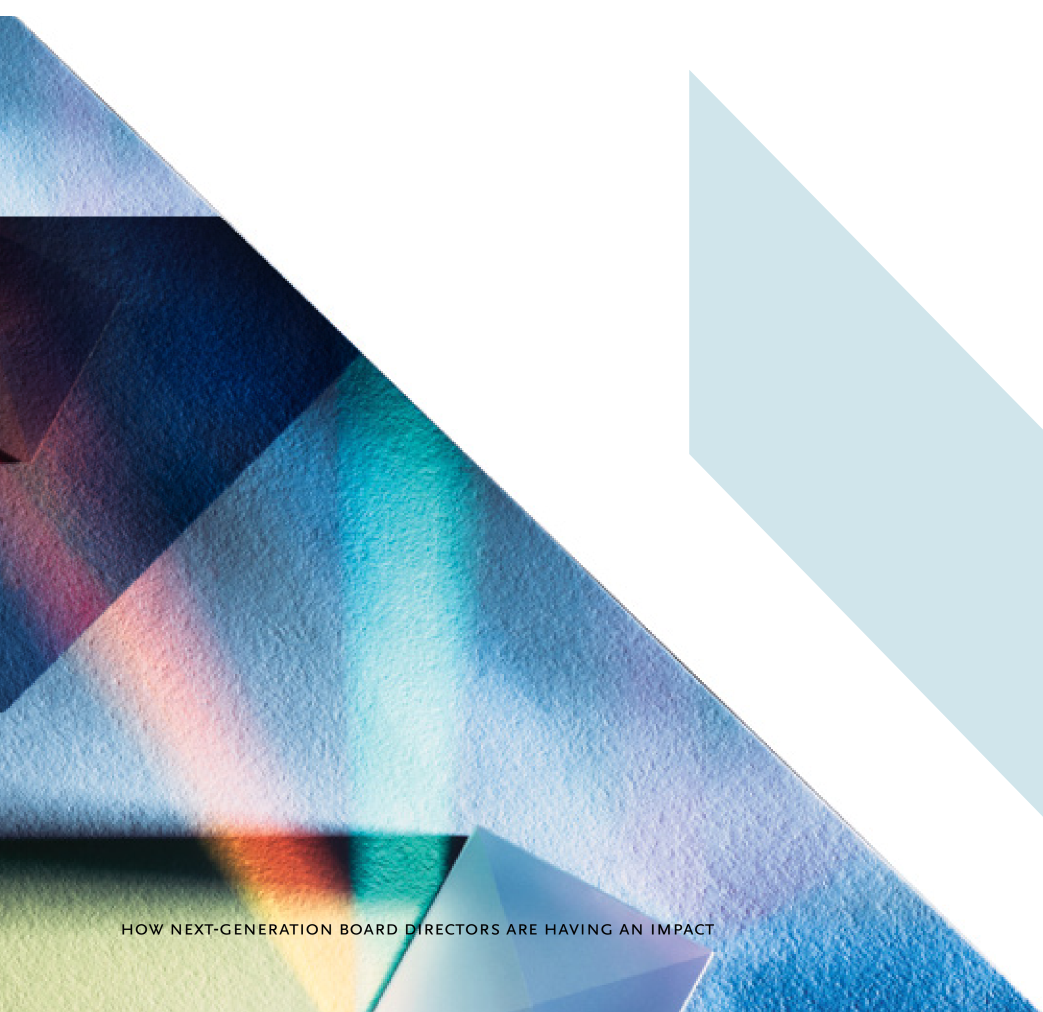
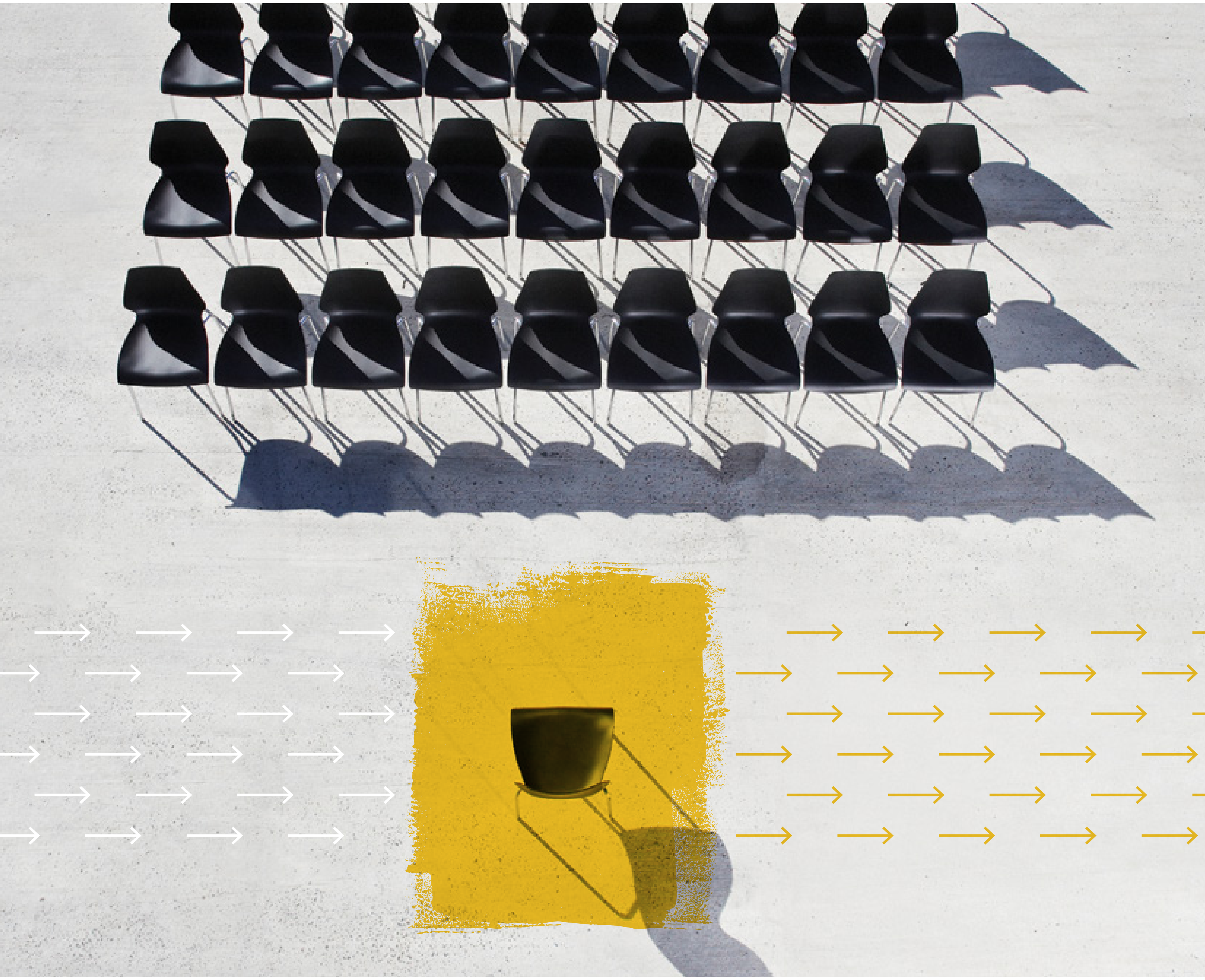


Accelerating C-Suite Transitions

How New Leaders Can Overcome the Four Most Common Pitfalls

For a new leader, being named to a C-suite role represents a moment of professional accomplishment, the culmination of years of hard work, high performance and focused career development. For the organization, the selection of the new leader is typically the result of a months-long process of defining the role, assessing internal and external candidates, and building alignment around the selection. Given the profound impact executives in these key roles have on business performance, the selection of a new C-suite leader also represents a tremendous opportunity for value creation or destruction for a company.

But while organizations invest significant time and resources in developing future C-suite leaders and in the process of assessing and selecting individuals for these roles, surprisingly little attention is paid to their transition. The executive is left to sink or swim in the new role. Overwhelmed by the initial transition period or reluctant to be seen as asking a “dumb” question, new leaders often don’t push for more clarity about the definition of success in the role or how they’re being perceived by their peers and their team. And, with the role finally filled, CEOs move on and assume that the new leader will figure out the challenges and solve them. Leaving these expectations to chance can lead to disappointment later.



Research shows the risks of poor transition planning. One study, for example, estimated the failure rate of new executives in the first 18 months at 30 percent or more. Even if the executive doesn't leave, a poor transition can create tensions with the team, frustration among colleagues, missed deadlines and weak performance; people don't see progress and aren't quite sure what the executive is doing.

C-suite leaders have a responsibility to articulate a vision and strategic aspiration for their function or business unit that supports the overall business — considering how to communicate the vision, gain the CEO's support, align the team around it and evaluate how their own responsibilities connect with those of their peers. In the absence of a thoughtful, well-structured onboarding plan to make progress in these areas, new leaders can trip up in four key areas.

Derailed by the culture

Culture fit is one of the most common reasons new leaders struggle in their transition. They may misread culture cues or, believing they have a mandate for change, underestimate the readiness of colleagues and the team. In fact, most newly hired executives don't think they were well-prepared to be successful in the culture. In one survey, 65 percent of respondents attributed the failure of a new executive to poor culture fit.[1] The challenge of culture fit is not unique to leaders hired from the outside. Executives who have been promoted may have a much better appreciation of the overall organizational culture, but underappreciate the degree to which the management team culture differs from the culture as a whole or the culture of their function or business unit.

An onboarding program should help new leaders understand how their style does and does not reflect the culture, illuminating how their strengths complement the culture of the team and the organization as a whole, and flagging how certain actions could be perceived negatively by others. For example, an executive who tends toward risk-taking and flexibility joining a team that is orderly and cautious may find that the team appreciates his or her new ideas, but becomes frustrated at what they view as a lack of planning. Meanwhile, the new leader may appreciate the team's expertise, but become frustrated by how careful and slow-moving they are.

Companies can help by defining the characteristics of the organizational and team cultures and articulating how the individual's style is similar to and differs from them. When we work with clients to assess candidates for C-suite roles, we use our culture framework to compare leaders' styles to the culture. New leaders can use that information during their transition to understand the key attributes of the culture and how their style may be viewed by others. Often, the mere act of helping a newly hired executive understand the key elements of the culture can make a tremendous difference in his or her ability to be successful.

Some companies go further, for example, assigning an outside coach or senior HR executive to the new leader to help the person navigate cultural minefields. The coach also can collect feedback about the person and how he or she is perceived — the organizational "buzz" — including what others view as the person's strengths and "watch outs" at the six- and 12-month marks. With concrete data, new leaders can adjust behaviors or styles that get in the way of their being effective.

1 Byford, Watkins & Triantogiannis. "Onboarding Isn't Enough." *Harvard Business Review*. May-June 2017.

NEW LEADER CHECKLIST
Culture

Your transition plan should help you become a cultural anthropologist, observing the organizational culture, the management team culture and the culture of the team you are leading. Prepare a set of culture questions to ask your colleagues and team. Use conversations about culture with others on the management team to help build connections and trust. Consider questions like:

- What are the values we espouse?
- How do others describe the culture?
- How do things get done?
- What are the traits of the most successful leaders?
- How is the culture of this team similar to or different than the rest of the company?

A lack of strong relationships and influence on key issues

It can be tempting in the flush of your new appointment to assume that you're viewed positively and relationships will happen naturally, or that others will know to bring you in on the management issues you consider relevant to your role. But without a deliberate strategy for meeting and developing relationships with colleagues on the management team and other stakeholders, new leaders may find that they have less influence than they expect. Even leaders who have been promoted have work to do on this front; they need to re-establish and reset relationships and build credibility as a trusted peer.

It's incumbent on the person who's getting promoted or hired to initiate conversations with new peers and demonstrate curiosity and interest in their issues and concerns and to take the lead in relating to people in a different way. Conversations should be aimed at understanding shared points of view, where one leader's responsibilities overlap with another's and where others are looking for support.

Beyond developing relationships, new leaders need to find their voice on the management team and establish themselves as a thought leader on important business topics. One new marketing leader we worked with was dismayed when the CEO and other management team members didn't seek out her perspective about a new cyber risk and how customers might react to it. Because she was so new, she hadn't had time to establish herself as the "voice of the customer" in management team discussions.

CEOs need a formal transition plan, too

The pace and demands of a CEO transition are so great that, without some structure around transition, new CEOs are likely to find themselves quickly under water. In fact, surveys have found that most new CEOs don't have a formal transition plan. While many elements of the CEO's transition plan are similar to other C-suite leaders, the scale and singularity of the CEO role makes for some differences.

Defining the strategy. Your new team, customers, suppliers and employees across the organization will be forming their first impressions of you and looking for your take on the business. Before you start, be able to articulate your key themes in a clear, constructive, punchy way that instills confidence in people that they have a strong leader at the helm. Your overarching vision will serve as the basis for all of your conversations in the early days and many of the decisions you will have to make about people, processes and culture. It is important to supplement these initial impressions with an external view of the business. Talk with investors, external advisers and other industry experts to get their views about the direction of the industry and your company's place in it as well as potential disrupters.

Evaluating and preparing your team. Like other senior leaders, you should use your earliest days to begin building the foundation for a strong, high-performing team. This includes evaluating the strength of individual members and the dynamics among team members, and understanding any skill gaps and potential process and structural needs. Third-party assessments of individual leaders and the team's dynamics can help you understand the ability of the team to advance the strategy and whether the team is organized for agile decision making.

Aligning the organization. Change is difficult for most organizations. People will want to know who you are and whether you are "good" or "bad" for them. Use the early period to assess the company strategy, values and culture and how they may need to change. Collect insights about organizational culture from the board, management team, employees, customers and industry analysts; consider having a culture diagnostic completed, especially if transformation is needed. You also may want to talk to a couple of people who recently left the company to understand their frustrations.

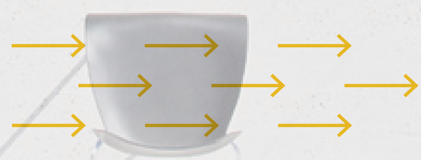
Aligning with the board. Your relationship with the board is one of the most important for your success, but many new CEOs get off to a slow start with the board. If you were promoted, you likely have presented to your company's board and spent time with directors before becoming CEO. But working with the board on strategy, compensation and benefits, audit, compliance, risk — the fiduciary responsibilities that a public company board has — is very different. Understand the stated and unstated motivations of your board. It's not just about building shareholder value, directors also are concerned about their reputations and priorities.

Establishing lines of communication with external stakeholders. The initial transition period is an important time to introduce yourself to key customers, large institutional investors, community stakeholders, regulators and other key external stakeholders. Get on the right footing with stakeholders by understanding their issues and concerns and communicating in ways that help them feel confident in you and your abilities to lead effectively. Share relevant feedback from these conversations systematically.

New leaders need to consciously develop an enterprise view of the business and cultivate credibility on key business issues — such as customer impact, if you're the sales leader. We know CEOs who are proud to say, "If you were to sit in my staff meeting, you wouldn't be able to tell which business or function each individual looks after because they come to the table seeking to add value to the enterprise." One important way new leaders do this is by cultivating a fresh external perspective on their role and the business, even if they have been promoted from within. Taking the time to understand the strengths and weaknesses of the function or business unit compared to best-in-class as well as potential disrupters to the business enables new leaders to become a valuable contributor on the most important issues facing the business.

NEW LEADER CHECKLIST

Personal credibility and relationships



Make it a priority to schedule formal meetings with your peers. Ask questions that demonstrate your interest in their roles and how you can best work together, including the areas where your responsibilities may overlap and where they would like to see more collaboration or support. Check in with key stakeholders at mid-year and year-end.

The CEO and your new peers also will expect you to contribute to discussions and decisions about the business beyond your specific area of responsibility. Consider questions like:

- What are the enterprise-level topics about which I want to be viewed as a thought leader?
- What role should the function or business unit I lead play in the business? How might this change?

A weak or unfocused team

Everything matters when you're the new leader. Each decision you make or don't make; how you communicate in meetings and in email; who you hire, promote or fire; whether you eat in the lunchroom; and even who you stop to chat with when you're walking the halls will be scrutinized by your new team. One new leader told us that he was accused of "playing favorites" by some on his new team because of his habit of stopping to chat with a few people whose desks were on the way to the restroom. Team members sitting in the other part of the room felt like their new boss didn't like them or trust them because he didn't stop and talk to them when he was outside his office. These small signals create lasting impressions, whether you are new to the organization or promoted into the role. Effective leaders are self-aware and reflective about the signals they may be sending.

New C-suite leaders also need to understand the capabilities of the team and their capacity to deliver against the strategic priorities of the business. Leaders come to their new roles with perceptions or biases about their inherited team, which may come from having been on the team or were created through the interview process. Having a hypothesis about the team's overall capability and individuals on the team can be a good thing, but new leaders should have a methodology for objectively assessing team members and testing their hypotheses. For example, in the first month, you might meet with every direct report and go through a standard diagnostic to understand their capabilities, how their style aligns with the culture you want to create and learn more about them as individuals.

Finally, new leaders need to give thought to how they will bring their team together. Leaders who have been promoted into the top role should recognize that their relationships with others on the team have changed. Former peers are likely to react differently to you and share less information. At the same time, you also have to make a shift — from "doing" to guiding your team and framing priorities and challenges. Misunderstandings and confusion will inevitably arise when new leaders don't acknowledge the new dynamics and explicitly discuss their expectations with the team. As part of their transition plan, new leaders should have explicit conversations with direct reports about their individual goals and objectives and those of the team, as well as expectations around communication and performance.

Another effective tool for helping the new leader and his or her team quickly get on a strong footing is a formal new leader assimilation session. In these sessions, typically managed by an outside facilitator, the leader's team has the opportunity to raise any question about the leader's style, communication preferences, pet peeves and more. These sessions provide a powerful opportunity for the team to get smart about the new leader, for the new leader to demonstrate candor and interest in the team and for early team-building. And by providing an "owner's manual" for the new leader, such sessions can go a long way toward avoiding damaging miscommunication and miscues.

NEW LEADER CHECKLIST

Building your team

Building and coalescing a strong team will be critical to your success. Leadership is a team sport; the pace and complexity of business today is such that one person cannot do it all, and those who try are not likely to last long. Your transition plan should ensure that you assess team members' ability to advance the strategy you have developed and evaluate the team's culture and dynamics. Your team will want to understand your leadership style and priorities, so keep the following questions in mind as you meet with your direct reports:

- What is my management philosophy?
- What are the two or three priorities I want my team to focus on?
- What decisions and issues do I want to be involved in and at what point?
- What are my initial impressions of the strength of the team as a whole and the individual players?
- How do my own biases color these perceptions?

Developmental gaps and lack of self-awareness

There's an implicit message when someone has been promoted into or hired for a C-suite role: You're terrific! You likely beat out other internal or external candidates for the role, which now feels like a reward for outstanding performance. So, it's easy to interpret your selection as a signal that whatever you were doing works, and you should do more of the same.

But the developmental weaknesses or tendencies that may have dogged you in the past — say, a resistance to delegating — could sabotage you in a larger, faster-paced and more complex role. Development issues become more urgent at the C-suite level. For example, a leader who has a tendency not to set direction for his or her team — making up for team deficiencies through an intense personal work ethic and drive — may sow chaos trying to do the same in a C–suite role, with people unsure about what they should prioritize or what good looks like. Meanwhile, other traits that served you well in the one environment may be a liability in a different culture. A hard-charging style that helped you thrive in past jobs may cause you to clash with peers on the management team.

Making this all the more challenging for leaders at this level is the lack of ongoing coaching or development. While you may have had a development plan to get the job, you are less likely to have a formal development plan once in the role. Even worse, the more senior you are, the less feedback you tend to receive.

Your transition plan should consider your personal style, potential blind spots and ongoing development needs within the context of the organization and team. In some cases, the new environment may make a person's style less of a risk; someone who was perceived as too direct in a more conflict-averse culture may be encouraged to speak up in one that values direct feedback and the vigorous exchange of ideas. The new context also may present challenges. Executives moving from a very large company to a startup, for example, will have to recognize their big-company biases and expectations, which could affect how they're perceived. They may have to consciously adjust their style to be more informal and flexible, paying attention to how they dress and communicate and changing habits, such as eating lunch in the cafeteria to be more visible.

NEW LEADER CHECKLIST

Self-awareness and personal development

Reviewing feedback from your assessment or the hiring process, including findings from 360-interviews and reference checking, is a great way to remind yourself of the developmental areas you may need to work on — a capability or knowledge base you need to develop, potential leadership style "watch outs" or biases you may bring from past roles. Keep a journal of your ideas, reactions and emotions during the first 100 days, and seek feedback. Consider questions such as:

- What do I need to do differently than in past roles to be effective?
- How does my style align with the management team, my own team and the broader culture?
- How could my actions be affecting others in unintended ways?
- What are the implications of this context?

TRANSITION PITFALLS

How transitions compare for internally promoted leaders and external hires

	Internally promoted	Hired from outside
The culture challenge	⪢ Assuming you know the leadership team culture because you know the organizational culture ⪢ Failing to define a desired culture for your function or business unit	⪢ Misreading culture cues or underestimating the change-readiness of colleagues and the team
The relationships challenge	⪢ Re-establishing relationships as a trusted peer ⪢ Establishing yourself as a thought leader and a credible voice on business issues	⪢ Over-relying on your reputation to open doors with new colleagues versus doing the hard work of relationship building ⪢ Learning who are the unofficial sources of influence
The team challenge	⪢ Every move is scrutinized ⪢ Predisposed opinions about certain team members based on past interactions ⪢ Underestimating how the dynamics have changed with former peers	⪢ People make assumptions based on your past experience ⪢ Lack of knowledge about the team, other than impressions from the interview process
The personal challenge	⪢ Underestimating the increased complexity of a C-suite role and what's required for success ⪢ Forgetting the lessons learned from the development plan that got you to the role	⪢ Assuming your reputation precedes you ⪢ Assuming a fresh start means past challenges are in the past ⪢ Not seeking out feedback on "organizational buzz"

Conclusion

Companies invest a great deal in finding and developing leaders for top roles, but too often those investments are put at risk because little attention is paid to the transition period. By understanding the typical cadence of a transition and attacking their transition with a rigorous and structured process, new executives can accelerate their onboarding and become effective much more quickly.

The pace and demands of a new leader's first days can feel overwhelming, even for those who have served in the role before. New leaders have to process and learn a vast amount of information, lay the foundation for productive relationships with peers and other stakeholders, establish their credibility on key business issues, set priorities for their business or function and build an effective team. Thoughtful, structured transition plans articulate the specific areas that new leaders need to tackle and identify the support they need, helping them accelerate their transition and positioning them for long-term success.

Authors

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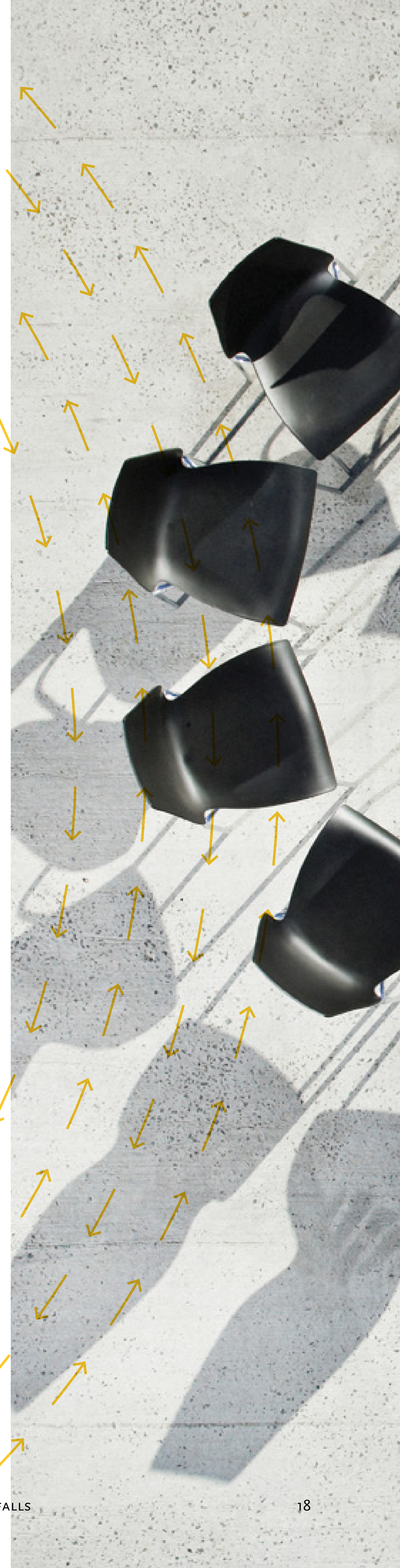
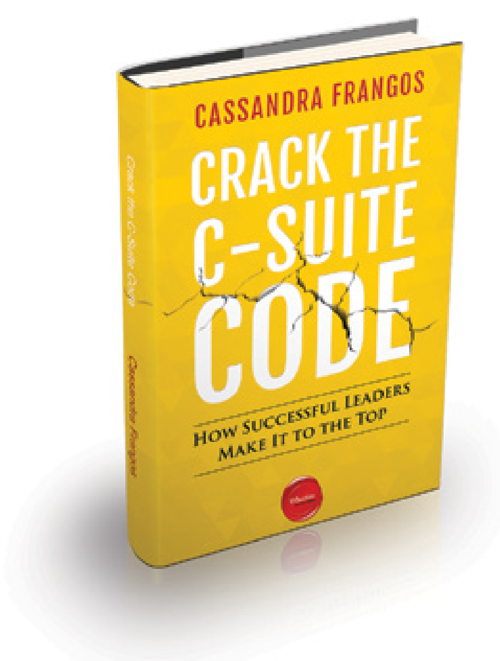


ADAPTATION

Four Paths to the C-Suite

What's the Best Route for You?

One of the most common questions we hear in the course of our work is this: How can I get to the C-suite? Aspiring senior leaders want to know the combination of leadership and technical capabilities, experience and aptitudes they need to have to get to the upper echelon of company leadership. They want to know whether a particular opportunity will help or hinder their progress. They wonder whether they have to leave their current company to make it to the top, or if staying put is the best strategy.



The answer to most of these questions is, of course: It depends. There are different paths to the C-suite, and the right path for any one person depends on factors ranging from their mix of experience, their appetite for risk and the networks and followership they've developed.

Through extensive research — including dozens of interviews with C-level executives and a survey of 350 high-potential leaders across industries — I have identified four primary paths to the C-suite as well as the characteristics of the executives who have successfully followed those paths.

Leaders who aspire to the C-suite should consider which route provides the best chance at reaching the top. Do this by evaluating how the different paths align with your experience, leadership brand and mindset; assessing the risks and rewards of each path; and considering how certain career choices can enhance or detract from your chances to succeed.

The Tenured Executive. The most predictable and most common path to the top team is the internal promotion of long-tenured executives. Looking at the data from the U.S., for example, the majority of CEOs and other C-suite leaders were promoted from within, including 69 percent of newly appointed S&P 500 CEOs[1], 69 percent of Fortune 500 CFOs[2], 51 percent of Fortune 500 general counsel[3], 54 percent of Fortune 500 chief information officers[4], and 61 percent of CMOs from the 100 most-advertised U.S. brands[5]. Tenured Executives are at their organizations for more than 15 years, steadily gaining experience and institutional knowledge, and ascending to higher and more-demanding roles. To successfully pursue this route, you must be able to reinvent yourself as the needs of the business change and be patient and open to new opportunities.

The Free Agent. The second path, external recruitment, includes outside appointees who move into the C-suite immediately, as well as individuals hired as "number twos" who later ascend into a top spot. Organizations often turn to executives outside the organization to lead change or due to pressure from activist investors. This path opens up when a strategic shift is needed or when existing executives don't have the skills or experience to support the organization at a particular point in time. Being a Free Agent requires self-reflection to decide when the time is right to make a move. Since you need to be worth the risk of a company selecting an outsider, build high-demand skills and a track record of success — be strategic about building your expertise, experience and "brand."

The Leapfrog Leader. The Leapfrog Leader is promoted to a top role from two or more levels down in the organization, effectively leaping over more expected successors. In these cases, leaders are making a bet on potential, and generally rewarding leaders who have demonstrated the ability to understand and take advantage of emerging business models and those who are wired for change and reinvention. This is the most difficult path to execute because it's hard to plan for, but you can be prepared for leapfrog opportunities by strategically managing your experience, reputation and network and being alert to changing business needs.

The Founder. Founders actively create their own opportunities, and therefore have more control over the timing of their advancement into the C-suite. This track often requires financial sacrifice, as it can mean leaving a high-paying job to go out on one's own, while it often takes longer than anticipated for a business to become financially viable. To be successful on the Founder path, you will need to develop sales and communications skills, cultivate resilience and a tolerance for ambiguity and build a strong personal network because, starting out, you won't be supported by the institutional infrastructure of past roles.

If none of these routes are right for you, all is not lost. There are several nontraditional and hybrid paths to the C-suite, from consulting to opportunities that arise with a merger or acquisition.

The demands on C-suite leaders continue to grow. CEOs and their teams face unprecedented market complexity, risk and the rapid pace of change. To lead organizations that thrive in this environment, aspiring C-suite executives must navigate a course that allows them to build a robust set of leadership capabilities and experience and leverages their unique strengths, mindset and leadership style.

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This article is adapted from the book *Crack the C-Suite Code: How Successful Leaders Make It to the Top*, written by Cassandra Frangos (Boston) and published in March 2018 by Wharton Digital Press. In addition to interviews, the book draws on Cassandra's experience as head of Cisco's Global Executive Talent practice, where she played an integral role in the planning for the 2015 CEO succession.

1 2017 CEO Transitions. Spencer Stuart. February 2018.

2 Profile of the Fortune 500 CFO — today and in the future. Spencer Stuart. June 2017.

3 Do You Have a Successor? Many general counsel believe they have an internal successor, but do CEOs and boards agree? Spencer Stuart. March 2018.

4 The State of the CIO in 2018. A Three-Year Study of a Rapidly Changing Role. Spencer Stuart. February 2018.

5 Chief Marketing Officer Average Tenure Increases to 44 Months. Spencer Stuart. March 2018.

In a New Era for Boards, Culture Is Key

A healthy board culture is increasingly recognized as an important element of board performance. But unlike other areas of board governance — composition, risk, succession and strategic planning or financial reporting, for example — board culture is less clearly defined and understood.

When asked about their culture, boards tend to speak in generalities, describing it in terms such as "collegial" and "engaged." While true, those descriptions apply to many boards and don't go deep enough in distinguishing one board from another — or provide the insight boards need to understand the role the culture is playing in overall board performance.

With less implicit understanding among directors about how the board should behave, it’s more important than ever to define and manage a board culture.

Two related forces have made the topic of board culture more urgent for many boards: growing stakeholder scrutiny on board performance and increasing board diversity.

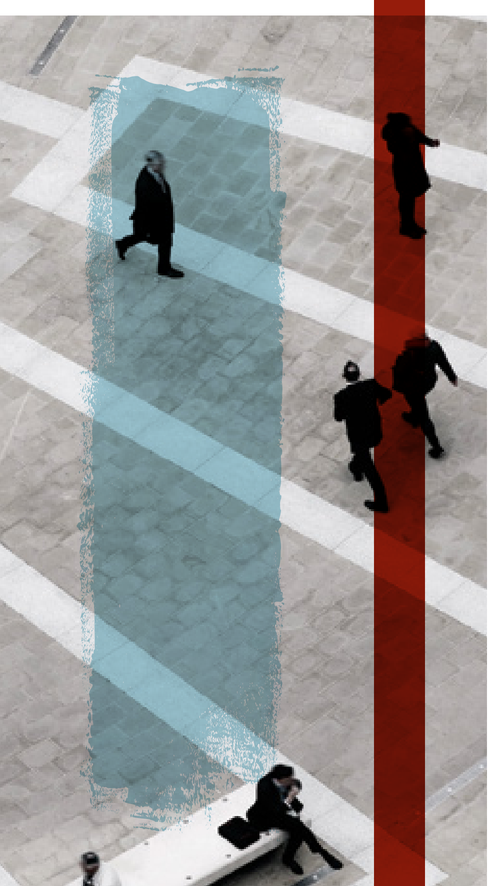
In the past several years, shareholder activism has been gaining momentum. Investors around the world have become more active and vocal, seeking deeper engagement with the companies they invest in, using their influence to drive improvements in governance and holding boards to account on a wide range of issues, from strategy and performance to composition and CEO pay.

In some regions, the increase in board diversity is an outgrowth of investor pressure on performance. With research showing that companies with more diverse boards perform better, many investors are pushing boards to increase their diversity, especially gender diversity. Boards themselves recognize the value of injecting a broader set of perspectives into boardroom conversations, and are adding directors from other countries or different industries or increasing the gender, ethnic or age diversity of their composition.

Boards are adding new perspectives to enhance board deliberations and improve outcomes, but greater diversity also increases the opportunities for misunderstanding and conflict among directors with different points of view and backgrounds. In the past, boards tended to be more homogeneous and, as a result, there typically was more implicit agreement about how directors should interact and behave. Directors’ shared assumptions and similar experiences made decision making more efficient.

Today, with less implicit understanding among directors about how the board should behave, it’s more important than ever to define and manage a board culture to facilitate constructive interactions between board members. For boards striving to be more dynamic, performance-oriented and shareholder focused, getting culture right is key.

Board cultures tend to be more heavily weighted in one of four main culture styles: Inquisitive, Decisive, Collaborative or Disciplined.



What is board culture?

A board's culture is defined by the unwritten rules that influence directors' interactions and decisions. These include the mindsets, hidden assumptions, group norms, beliefs, values and artifacts (such as the board agenda) that influence the style of director discussions, the quality of engagement and trust among directors, and how the board makes decisions. Board culture also is influenced by the style of the board chair and/or the CEO. Boards can vary by region; in some national or regional cultures, for example, a more direct style is well-accepted, but in others, a more "diplomatic" approach is expected in the boardroom. Absent a dramatic change to composition — from a merger or addition of activist-backed directors, for example — board culture tends to evolve slowly because boards meet and interact intermittently.

We have developed a model for diagnosing and understanding board culture, drawing on extensive research showing that there are two dimensions of culture: attitudes towards people (individual versus collective) and change (flexible versus stable). These same dimensions can be used to evaluate organizational and team cultures as well. In fact, a comprehensive study[1] of organizational culture and outcomes found that companies can define and create an optimal culture that leads to better business outcomes when they have a framework for evaluating culture and the tools to manage it. We have found that many of the same principles apply equally well in the boardroom.

In practice, we observe a wide range of working styles and dynamics in the boardroom, yet in our experience, board cultures tend to be more heavily weighted in one of four main culture styles:

- **Inquisitive:** These boards value the exchange of ideas and the exploration of alternatives.
- **Decisive:** These boards are focused on measurable results, driving a focused agenda and outcome-oriented decisions.
- **Collaborative:** These boards value consensus and having a greater purpose.
- **Disciplined:** These boards emphasize consistency and managing risks and prioritize planning and adherence to protocols.

1 "The Leader's Guide to Corporate Culture." Groysberg, Lee, Price and Cheng. *Harvard Business Review*. January/February 2018.

None of these styles is objectively better or worse than any other. The culture of a board should align with the business strategy and broader business environment and the requirements for working effectively with management. For example, companies in very dynamic industries, when strategy must be reviewed and reinvented frequently, may benefit from a board culture that is more inquisitive and flexible, where directors question assumptions and value the exchange of ideas. When managing risk is a top priority, boards may need to be more disciplined about monitoring results and performance, and following established protocols to ensure the accuracy of disclosures.

How to change board culture: four questions to consider

Because board culture is an important driver of board performance, a natural time to assess board culture and how it supports strategy is during the board's annual self-assessment. Using an agreed-upon framework and vocabulary like the one Spencer Stuart has developed, boards can diagnose their current board culture and agree on a target culture. A board may want to evolve its culture if it is underperforming, when there is a new CEO or its own composition is changing, or when the business strategy is changing. For example, in a crisis or turnaround situation, a board may want to be more decisive and results-driven. At a strategic inflection point — when the organization needs to figure out new markets, new products, where to invest in acquisitions or innovation — a board may need to be more inquisitive and flexible.

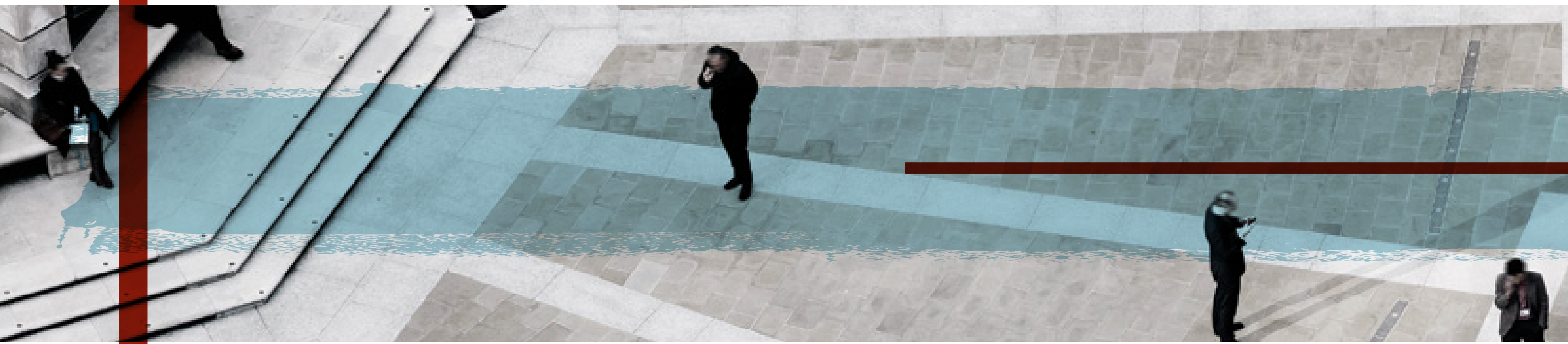
Once the board has identified a target culture, directors can ask the following questions to help shift the board culture.

Do we have the right people in the boardroom?

Boards consider a variety of factors when recruiting a new director. When they want to evolve board culture, boards can consider an additional lens: how a director would help shift dynamics in the boardroom toward the desired culture. For example, a board that wants to become more decisive and results-driven may want the next director to have a no-nonsense, by-the-numbers style, perhaps a CFO profile. A board wanting to become more adaptive and inquisitive may look to add an entrepreneur or an innovator.

Are we structuring our discussions and assignments to focus on the right issues and activities?

Boards can reinforce their priorities by structuring committee and board assignments and meeting agendas in a way that supports the culture they want to create. A board seeking greater collaboration and openness to the ideas of all members may want to close discussions by "going around the table" and soliciting comments from each director.



Do board and committee leaders model the desired board culture?

The board chair has a profound role in shifting the board culture. The chair (or lead independent director) can move topics requiring the most board focus and energy earlier in the agenda, leaving the less strategic items to later in the meeting. If the board needs to become more inquisitive, the chair may decide to reduce the time devoted to operational reviews to leave time for the exploration of strategic alternatives. On a board that has decided to become more disciplined, the chair can direct a change in the board materials and build more structure around discussion topics.

The board chair or lead independent director and the committee chairs also can influence culture by how they model the desired culture. When a shift is needed, board leaders can guide discussions differently, encouraging or cutting off discussion as appropriate. They also may evolve pre-meeting activities, for example, creating a mechanism for directors to ask questions in advance of a board meeting.

Do we as individual directors consider how we are contributing to the culture?

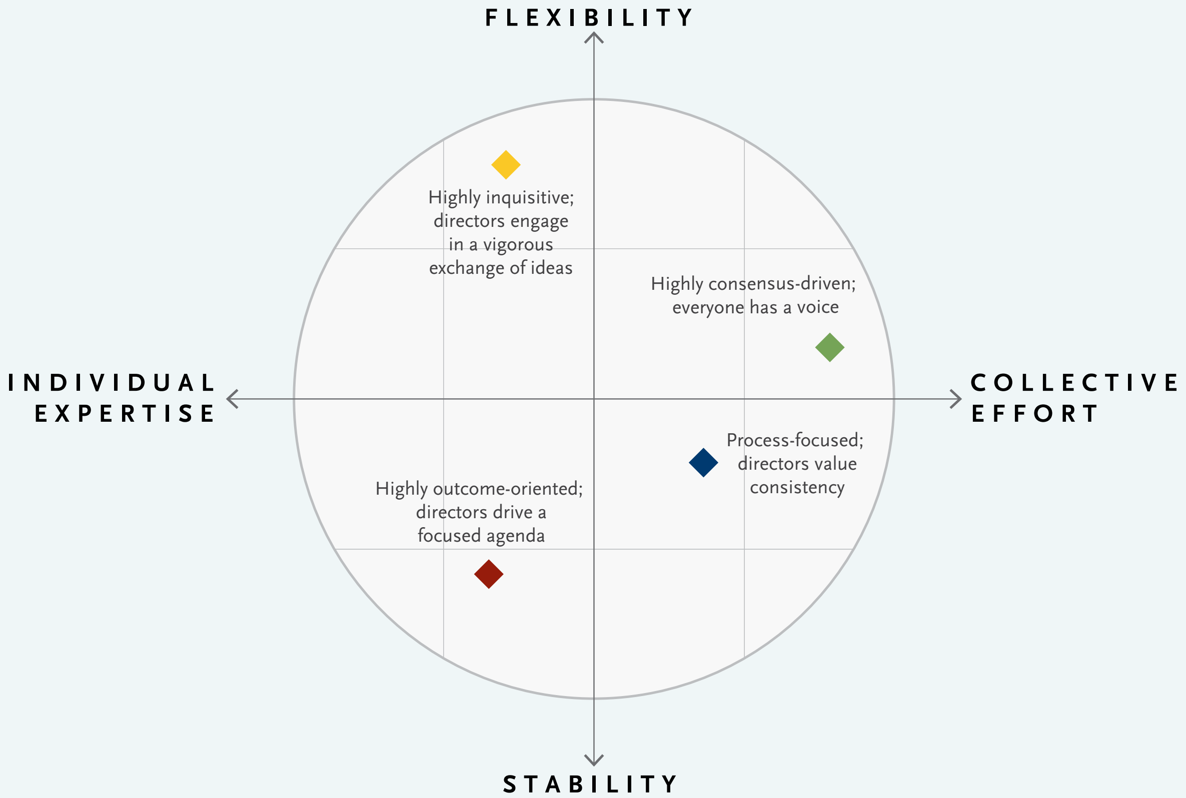
As directors become more comfortable with the language of culture and more self-aware of how they are promoting or working against the target culture, they can provide feedback to one another on behaviors that may need to change. Just calling attention to directors' habits and assumptions can help the board adapt its behaviors. Depending on what's needed, the board also could provide a coach, group training or individual training on topics such as decision making, trust building or communication styles. Boards can use their annual self-assessment to evaluate their progress in moving toward the preferred culture.

On an individual basis, directors can reflect on their own behaviors and whether they are helping to shift the culture. On a board that's overly collegial or collaborative, for example, directors can consider whether they need to weigh in on every topic. Or if the board wants to become more inquisitive, directors can decide to speak up more.

A board may want to evolve its culture if it is underperforming, when there is a new CEO or its own composition is changing, or when the business strategy is changing.

Starting to understand your board culture

When it's able to diagnose culture, a board can evaluate the role culture plays in board performance and consider whether there are elements of the culture that need to change. Having a common language about the culture and identifying directors' preferred styles helps board members understand and adjust to the preferences of one another and make better decisions about the potential culture fit of new director candidates. To provide a sense of various board cultures based on our model, we have plotted several examples of board culture below.



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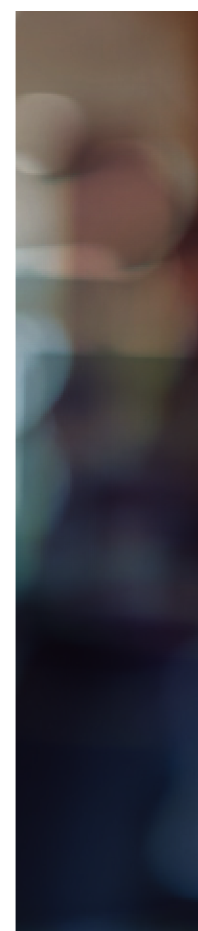
Three Ways Leaders Get Assessments Wrong

(and How to Get Them Right)



Years ago, a CEO revamping his sales department took a bold — if unconventional — step: He hired a champion downhill skier to fill a lead sales position. The individual had little sales experience, but the CEO figured that sales could be learned. What was most important, he reasoned, was that someone with the courage to rocket down a mountain at 80 miles per hour surely would also have the courage to sell confidently to strangers. As you might expect, the experiment failed and the sales leader left within a matter of months.

This CEO's decision to focus on a narrow capability (physical bravery, in this case) and extrapolate that skill to a broader context demonstrates one of the pitfalls of an assessment lacking in rigor. And now, with the accelerated pace of change and constant potential for disruption, the costs of getting important leadership decisions wrong — whether for selecting senior leaders, leadership development or succession planning — have never been higher. Despite these risks, many companies continue to underestimate the importance of a robust assessment process. In addition to providing insight into the decision-making model, a thoughtful assessment ensures that great internal talent is not overlooked, and that an executive in a new role — whether internal or external — is given optimal onboarding support.

Assessment for hiring is fundamentally challenging because of the need to look for a correlation between what executives have done in the past — previously demonstrated "markers" of performance or fit — and how they might perform in a new situation. Selecting the right variables to assess is difficult. The challenge is further compounded by the unspoken expectation of finding the "perfect" person for a given role, which can come at the expense of a realistic assessment of individuals' gaps and inherent risks.

There are many methods that leaders employ when trying to make senior leadership decisions, and some are more effective than others. Spencer Stuart assesses thousands of executives every year, and has partnered with clients to help them earn the benefits of insightful assessment. In our work with companies conducting their own assessments, we have seen three main areas or reasons where assessments can fall short:

- They overlook the importance of context, failing to define the specific capabilities and style required for success.
- They fall victim to unconscious bias, overweighting assumptions (or "gut feelings") over objective criteria.
- They rely on flawed criteria, such as overvaluing past experience or equating company performance with individual performance.

Failing to consider the context

Context is a crucial factor when assessing a leader's potential to be successful in a given role, since what makes a leader successful in one position won't necessarily translate to another. The business environment, strategy, organizational culture, stakeholder needs and expectations, and the complexity of the situation all affect the relevant set of leadership capabilities, expertise and styles.

Understanding the position's context is particularly critical when considering the selection of finalist or shortlisted candidates. We've seen companies focus too intensely on hiring the "ideal" leader, rather than seeking a more pragmatic candidate for a particular situation. This pursuit of the perfect can have wide-reaching ramifications — a company seeking someone who checks every box may be unprepared when inevitable gaps appear in the hire's skill set. A well-defined context, together with a reliable and objective assessment process, will help frame the strengths and limitations in a realistic way, which allows for appropriate risk-management and onboarding strategies.

The context matters even when considering specific traits: For example, organizations often want a "highly collaborative" leader, but they don't fully define what collaboration looks like for that specific role or the issues that the person might face related to collaboration. In one role collaborating may mean getting along with colleagues who are already a tight team, but in another it might be facilitating collaboration among a group of people where none previously existed.

A thorough understanding of context also enables the realistic assessment of individuals' potential gaps in capabilities and knowledge — which even the most successful executives will inevitably have — that could be addressed through the onboarding program or development plans.

Falling prey to unconscious bias

Research has shown that we are predisposed to trust people who are like us — people who, for instance, attended the same college, played the same sport or had a similar career path. This inclination unconsciously drives us to ascribe positive qualities to those who share similar backgrounds and even assume certain capabilities that they may or may not have.

Other forms of unconscious bias, such as assumptions made based on style, gender, nationality or language fluency, can lead us to attribute positive or negative qualities to individuals that have nothing to do with their real abilities or style. Instead, they might be expressed as an impression or a "gut feeling."

Unconscious bias can vary between cultures. In the United States, extroverted, larger-than-life personalities tend to be viewed favorably — the assumption being that they are more engaged and have a greater capacity to inspire. Meanwhile, more reserved people can be seen as lower energy and less connected than their showier counterparts. In other countries, though, such as Germany or Japan, the opposite can be true; a more reserved style may be perceived as more committed, serious or reliable, and possibly reflective of a more deeply engaged style of leadership, whereas outgoing people may been seen as egotistical or overly aggressive.

While it is valid to consider a candidate's personality and background as inputs into the "total picture," the use of these variables becomes an issue when they are used as proxy for culture fit or as evidence of particular capabilities. Indeed, research finds that only 10 percent of job performance can be attributed to personality, even in lower-level positions.

3

Using flawed criteria

Did a person work "too long" in a certain role or company, or not long enough? Does experience at a leading investment banking or consulting firm mean a person has strong analytical or strategic capabilities that translate into a top leadership role, or that they are likely to struggle in an operational role? The use of particular facts — about a person's experience, academic pedigree, work at previous companies or career choices — as indicators of specific capabilities or leadership traits is another common assessment pitfall.

Working too long or not long enough at a given company may be seen as indicators of qualities such as resilience, the ability to commit or the ability to adapt. Similarly, correlating the performance of an individual with a company's performance can lead organizations to assume someone from a highly successful business will be a high-performing leader (even if company performance has more to do with outside circumstances, say, strong commodity prices, than leadership). Or talented people may be overlooked if their career history includes a poor-performing or scandal-tinged company. Another potential pitfall in this category is over-weighting technical expertise at the expense of a deeper investigation of a person's leadership capabilities and traits.

Getting it right: how to conduct effective assessments

So how can organizations avoid these mistakes and improve their ability to make critical senior leadership decisions? The way to get assessments right is to commit to a thorough assessment process that provides insight about a given candidate — including the individual's potential, strengths, gaps relative to the requirements for the role and the risks associated with the collective traits. Effective assessments do the following:

- **Begin with an exhaustive definition of the role and its organizational context.** Drawing on input from multiple stakeholders, the first step of an assessment is to explicitly articulate goals, situations and challenges pertaining to the role. Research has consistently shown that executive performance largely hinges upon how well the individual's capabilities, leadership style and expertise align with the specific nature of the role and situation.
- **Measure the candidate's competence in capabilities that are explicitly relevant to the role in the given organizational context.** Unconscious bias and flawed criteria creep in when assessments are allowed to stray from rigorously developed criteria based on the role's specific demands. An effective assessment scores leaders on an objective set of leadership capabilities, so individuals can be directly compared to one another and to the requirements of the role. It's also important to objectively evaluate leaders' character and personal style to appraise how they fit with the organizational culture, a crucial point of a leadership transition.
- **Determine the potential for change and adaptability of the individual to the new situation.** A leader's existing knowledge and relationships can only go so far when navigating new challenges or moving higher in an organization. In a perpetually shifting landscape, an assessment should also examine an individual's ability to develop new capabilities, overcome development gaps and adapt to the changing demands of the business.
- **Obtain observations and data points through multiple sources or tools.** Research has shown that one assessment method is never enough. To provide a fuller and more accurate picture of an executive's potential and abilities — and prevent any one capability or area of expertise from dominating the picture — assessments should combine experience-based interviews, interpersonal-style questionnaires, live-case-based demonstrations, 360-degree referencing and/or surveys. Indeed, the pull of unconscious bias can be so strong that some organizations have two people interview candidates together so the team can corroborate impressions and ensure observations are tied to objective measures.
- **Clearly articulate an honest and realistic evaluation of risks and gaps associated with a specific potential appointment.** A thorough assessment of an individual based on the context of the role will highlight any gaps in knowledge or capabilities, providing the foundation for an actionable development and/or onboarding plan.

Conclusion

Unscientific assessment methods that present incomplete — or worse, inaccurate — pictures of candidates make it more difficult to select the best people for key roles or position them for success in the job. But more rigorous assessments by experienced evaluators can provide far deeper understanding of a candidate's capabilities, leveraging experience in addition to an analysis of positional and cultural context, and reduce the potential for unconscious bias. Cultural fit is a crucial element of an assessment — so much so that it should be evaluated using objective criteria, rather than relying on something as intangible as "gut feeling."

The most valuable outcome from an assessment is the determination of an individual's potential to perform well in a given role, in light of his or her strengths and gaps — and gain important information on how to best optimize her potential for performance, or manage the risks, in that specific context. By thoroughly evaluating the role and the candidate, and being aware of candidates' individual needs and potential blind spots, companies can find leaders who will direct their organization onward and upward.

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Solving the Disappearing Women Problem

Lessons from Companies That Prioritize Diversity

Gender diversity continues to be a hot topic: The hiring and firing of female CEOs, milestones in the number of women in corporate boardrooms and C-suites, and new initiatives aimed at promoting more women into leadership are regularly covered in the news.

In the past year, asset managers BlackRock and State Street Global Advisors made news in corporate governance circles when they announced that they voted against directors of boards where there was a lack of gender diversity. Companies as different as Accenture and BHP Billiton pledged to achieve a gender-balanced workforce by 2025. And, following models such as the 30% Club in the U.K. and Australia's Male Champions of Change, a diverse group of U.S. business leaders announced the Paradigm for Parity coalition, an organization committed to achieving gender parity across all levels of corporate leadership and providing a roadmap for increasing the number of women in leadership positions.

Study after study finds greater numbers of women “disappearing” at each successive level of most organizations.

In announcing these kinds of initiatives, organizations point to the value of gender diversity in improving productivity and financial performance. McKinsey found that companies in the top quartile for gender diversity were 15 percent more likely to have financial returns above their respective national industry medians.[1] BlackRock said diverse boards “make better decisions” in explaining its decision to push boards on gender diversity. When announcing its workforce parity initiative, BHP Billiton said operations with a more diverse workforce had lower injury rates and better engagement, adhered more closely to work plans and were more likely to meet production targets. Meanwhile, research from MIT Sloan School of Management found that teams with more women perform better and have more collective intelligence.[2]

And, yet, in spite of these initiatives and the fact that it has been decades since women began entering the workforce in large numbers in many countries, women’s progress in leadership is still mixed.

At the corporate board of directors level, Norway leads the pack in female representation; 45 percent of directors of companies listed on the Oslo Stock Exchange are women. While the push to increase the number of women on boards there was initiated by government fiat, it appears to have created a critical mass that became self-sustaining, given that the current percentage is higher than that required by law. The story is different elsewhere. Among more than 20 countries in Asia, Europe, Latin America and North America for which Spencer Stuart tracks the composition and other governance trends of major companies, female representation on corporate boards exceeds 30 percent in only five of those countries.

Women aren’t progressing much faster on leadership teams. A Grant Thornton survey[3] of 5,500 businesses in 36 economies found that women hold 25 percent of senior business roles globally. This represents an increase of one percentage point from 2016 and only six percentage points over the 13 years of the study. Furthermore, the percentage of businesses globally with no women in senior management rose from 33 percent in 2016 to 34 percent in 2017. The survey found few women in the most senior corporate roles; only 12 percent of CEOs and 19 percent of CFOs are women. While 23 percent of HR directors are female, women serve in less than 10 percent of the global COO, CMO, corporate controller and sales director roles.

Study after study finds greater numbers of women “disappearing” at each successive level of most organizations. A LeanIn.Org and McKinsey & Company[4] study of 132 companies in the U.S. illustrated this phenomenon. For every 100 women promoted to manager, 130 men are promoted. By the time women reach the SVP level, they hold just 20 percent of line roles, which are most likely to lead to the C-suite.

In our work, we see a range of postures on promoting female leadership, with some companies not prioritizing it at all and others establishing robust programs addressing gender parity at every career stage, with the goal of moving more women into senior roles. Based on our work and conversations with leaders from companies that are active in promoting diversity, the most effective approaches do the following six things.

1 “Diversity Matters.” McKinsey & Company. February 2015.

2 Anita Woolley, Thomas W. Malone and Christopher F. Chabris. “Why Some Teams Are Smarter than Others.” *New York Times*. January 18, 2015.

3 *Women in Business:* New Perspectives on Risk and Reward. Grant Thornton. March 2017.

4 *Women in the Workplace 2016*. LeanIn.Org and McKinsey & Company. September 2016.

“I don’t think anything happens by accident. You have to have an intent to change …”

Signal the importance of gender diversity from the top

Evidence shows that increasing diversity requires clear and consistent support from the CEO and senior management, and male leaders generally.

“It is so important to set the tone from the top,” said Ellyn Shook, chief leadership & human resources officer for Accenture. CEO Pierre Nanterme is one of three sponsors of the firm’s Women’s Executive Leadership program, which helps prepare women for P&L roles and ensures they have sponsors to support their career advancement. “Pierre is an outspoken advocate for diversity. Our board promotes diversity; at every board meeting, we report on our progress on making the company more diverse,” said Shook. “We don’t do this just because it is the right thing to do. It is also because we know that our diversity makes us smarter and more innovative as an organization, and bringing innovative solutions to our clients is the very essence of what we do. We cannot effectively execute our strategy without having diversity.”

Julia Steyn, vice president of urban mobility programs and Maven at General Motors Corporation, recalls GM CEO Mary Barra bringing together the senior women in the company and challenging them to think about how to encourage women to develop women behind them. “I don’t think anything happens by accident. You have to have an intent to change, and this senior leadership team and the leadership team before have had the intention to move the needle on diversity and the behaviors of the company,” said Steyn. “Mary is very proactive about it, not only from the top-down, but she engages everybody in the company for this change, and that’s really important.”

IMPROVING THE ODDS: HOW TO INCREASE THE NUMBER OF WOMEN IN THE CANDIDATE POOL

When looking outside for talent — whether working with a search firm or overseeing the search directly — companies should strive for a process that produces a diverse slate and doesn’t unintentionally exclude women. A few specific recommendations:

- Use gender-neutral language in scope, job description and presentation materials.
- Include women in client and search teams.
- Embrace a wider and deeper universe of target companies and prospects.
- Drive agreement on a common vernacular about what the best talent looks like — which means the capabilities needed for success (versus non-relevant but familiar markers).
- Work to have multiple female options on candidate slates.
- Be prepared for a longer search and to address needs such as the relocation of spouses or childcare.

7 ways to raise your profile

What women can learn from men's networking habits

In our experience, men often behave differently in some important ways that help themselves — and other men — advance their careers. To position themselves for more senior posts, women may benefit from taking a few pages from their playbook:

Don't wait until you're "ready." Women are more likely to think they must have all the qualifications to be considered for a role, but no candidate checks every box. If you're interested in the role and meet 70 percent of the requirements, go for it.

Take a chance. It's not unusual for a woman to ask, "How do I know if I'll like it?" More openness to change — and, in particular, the willingness to pursue P&L experience — can help you take steps vital to your career growth.

Negotiate for yourself. Women may be great at negotiating for their company or on behalf of someone else, but not always for themselves. Identify your top priorities and don't hold back in communicating them.

Talk to us even when you're not looking for a job. Men are much more likely to answer and return our calls. Women often assume they should only speak with a recruiter when they are actively looking for a new role. By cultivating relationships with recruiters, you can learn about avenues of advancement that may not be on your radar.

Promote yourself and other women. Even if they have no interest in a role, men will often tell us, "I'm not looking, but here are the names of five of my friends." And these friends typically are other men. Women need to be more vocal about their career aspirations so they are top of mind when new opportunities arise. In addition, develop and mentor up-and-coming women and be willing to suggest qualified women you know for leadership roles.

Expand your network. Participate in formal programs and organizations aimed at improving gender diversity. Joining a nonprofit board can also widen your circle of contacts.

Don't overlook informal support mechanisms. Building a personal cabinet of advisers can be valuable in helping you navigate your career or re-engage after an absence from the industry. In a similar vein, don't be afraid to ask for help, additional resources or advice.

Remove unconscious bias in assessment

Women can find themselves at a disadvantage in hiring or promotions when subjective measures such as "gravitas" are used to evaluate candidates for senior roles — like the 5'2" female executive being compared to the 6'-plus male candidate on their "presence."

Biases need not be active and conscious to have a negative effect in leadership populations. Small — and unconscious — biases in assessment can add up, leaving fewer women in the running at each successive phase of a search or succession process, and make it less likely that a woman will be selected for key roles. Consider a study featured in *Harvard Business Review* that found that when there was only one woman in a pool of four finalist candidates, her odds of being hired were statistically zero. Adding just one more woman to the candidate pool significantly increased the chances that a woman would be hired, in effect by creating a new status quo.[5] The study's authors theorized that having only one woman in a pool of finalists highlights how different she is from the norm, potentially making the woman feel like a riskier choice for decision makers. Furthermore, when that minor bias occurs at every level of promotion, the differences at the top become clearer. Even a relatively minor 10 percent bias (55-45 percent) will create a 3-to-2 bias after merely two rounds of selection, and nearly 2-to-1 after a third.

To remove the biases that disadvantage women, organizations should use a structured assessment approach that focuses on how well executives align with the specific capabilities, leadership style and expertise required for success in the role. This starts with a determination of the context in which the executive will operate and the objectives for the role. From there, it is possible to define the specific capabilities that will be important for success and assess candidates against those criteria. An assessment approach that incorporates several rigorous, objective methods will provide multiple perspectives on executives and minimize opportunities for bias.

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5 Stefanie K. Johnson, David R. Hekman and Elsa T. Chan. "If There's Only One Woman in Your Candidate Pool, There's Statistically No Chance She'll Be Hired." *Harvard Business Review*. April 26, 2016.

When interviewing internal or external candidates for leadership roles, then, they may ask questions meant to find personal connections. … But “sameness” is not the same as culture fit, and using it as a proxy for culture fit can put women at a disadvantage over time.

The Spencer Stuart assessment approach incorporates methods that are proven to be among the least biased approaches to assessment, including assessments of capabilities and Executive Intelligence®. By scoring executives on a core set of six leadership capabilities — such as driving results or strategic thinking — we can compare individuals to one another and to the requirements of the role. And, in fact, when we examine the scores by gender on these leadership capabilities, we find virtually identical results between men and women. Similarly, men and women scored the same on Executive Intelligence, which is core to our measurement of executive potential. In short, there is no reason for there to be fewer women in senior leadership roles based on Executive Intelligence or capabilities.

Use data, not assumptions, to evaluate culture fit

Too often, when people think about how an individual fits with a team or organizational culture, they think in terms of similarities in backgrounds or interests — someone they recognize based on their own experience. When interviewing internal or external candidates for leadership roles, then, they may ask questions meant to find personal connections — does the candidate play golf or have mutual friends, for example — as a way to get a feel for how individuals will fit in with the group.

But “sameness” is not the same as culture fit, and using it as a proxy for culture fit can put women at a disadvantage over time.

To avoid this problem, organizations should have a thoughtful and data-driven understanding of their corporate culture and what it means to the performance of the business, as well as the tools to evaluate how candidates for leadership roles fit with the culture the company has or is building.

We use a framework that evaluates organizational culture and individuals’ personal style on two dimensions — how they respond to change and how people work with one another. This framework, which includes eight distinct cultural styles, can be used to evaluate organizational culture and understand how an individual executive is likely to align with — and shape — that culture. With such tools, organizations can look at the real drivers of culture fit, such as whether the person is more likely to thrive in a more stable or more flexible environment, or whether the person prefers to collaborate with others or work independently.

"Our CEO said, 'When you come, I'm going to make sure you're successful.' That's pretty powerful coming from a CEO."

Provide support for women in leadership roles

Making progress on gender equality requires not just that women be placed in senior roles, but also that they are successful in them. Especially for organizations hiring women from outside the company — and, sometimes, from outside the industry — supporting their integration through focused onboarding plans is essential. Newly hired female leaders should be encouraged to tap into influence networks and be provided with insight about the culture and how to navigate it. Organizations can set women up for success once they are hired by identifying mentors or peer mentors who can answer questions and help them navigate company- or industry-specific issues. Women also should be encouraged to build an intra-company network and get involved in the broader community to ensure they gain a foothold.

At Lear, all of the candidate slates for the most senior roles must include at least two women and/or minorities. When Lear hired six new vice presidents from the outside last year — half women — the company adopted a high-touch process for supporting new hires in their transition, said Jeneanne Hanley, vice president of Global Surface Materials for Lear Corp. and chair of AutomotiveNEXT, an industry group committed to advancing the careers of women in automotive. The organization's commitment to the success of women hired from the outside started with the CEO, Matt Simoncini.

"Our CEO said, 'When you come, I'm going to make sure you're successful.' That's pretty powerful coming from a CEO. When they got here, they were supported from the very beginning," said Hanley. "They were hired because they're talented, and it's a reflection on the rest of the company if we can't take on new talent and help them be successful. So it's a really different take on it."

Make work/life flexibility available for everyone, not just women

Ironically, good-intentioned initiatives meant to provide women more work/life balance and flexibility can hurt women in the long run, when they have the effect of placing them outside the "norm." A better approach is to think about creating a workplace that is more flexible about how and where work is performed — for everybody. Accenture, for instance, made an "in-town" program for new parents mandatory for both women and men so that women would not be perceived as being less career-oriented by taking advantage of it.

Adopting a more flexible mindset about how work gets done is likely to become more important for employers in the future, as younger generations of workers expect more freedom to balance their professional and personal priorities. Surveys of millennials have found that they are more likely to quit jobs because of a lack of flexibility or benefits such as paid parental leave.

Be bold

To truly transform the composition of a company's workforce and leadership, organizations have to be willing to disrupt the status quo. Accenture, for example, changed its approach to promoting managing directors after noticing that it was promoting women at a slower rate than men. "At the time, we were promoting 21 percent women. The changes got us to 30 percent in two years, now we're closer to 50/50. This was key to keeping women moving up, to make sure we had a pipeline of women moving up into senior roles and didn't lose them at the first major promotion point," said Shook. "People were supportive because we showed them the data, and we had our very public aspirations to point to." The firm has taken other steps as well, such as hiring talented women from the outside even when there isn't an obvious opening, and assigning men and women in equal numbers to the CEO Circle, a group of "up-and-coming" managing directors who advise the CEO, to ensure the company's decisions reflect both male and female points of view.

"You can't just work harder. You really need to disrupt, take a hard look in the mirror," said Shook.

Holding the organization and individual leaders accountable for gender targets is another important tool for change. Tactics include publicly sharing diversity statistics and goals, measuring female recruitment and retention efforts, and requiring leaders to develop diverse teams and successors.

"When you have a diversity initiative, what you're doing is challenging the leadership team to pick a woman or to pick another diverse candidate and sponsor them. You're saying in effect, 'Which woman are you going to sponsor?'" said Hanley. "It's not just about picking a diverse individual because, ultimately, you are responsible for building and developing a high-performing team. You need to get results, so you have to be finding diversity and talent and lock it in to power the team. I feel very lucky that a few men during my career saw something in me. And I will tell you, I felt very responsible to deliver on the chance that they gave me."

Sponsors should encourage the women they mentor to seek out jobs with P&L responsibility, and women should recognize that they may need to push themselves out of their comfort zone and be aggressive about going after P&L experience, a critical stepping stone for C-suite or board opportunities. Building relationships and networking also are critical. "Women sometimes think putting their heads down and just being really, really good, and doing a better job than the next person is all they need to do," said Hanley. "Especially in the upper echelons, relationships and networking mean so much. At senior levels, it's about senior-level executives making a call about the handful of people that they trust to run the company."

Despite ongoing attention to the issue of gender disparity in leadership, progress for women remains mixed. With greater numbers of women "disappearing" at successively higher levels of many organizations, companies that want to increase the number of women in leadership roles need strong advocacy from the CEO, an assessment approach that minimizes bias and assumptions about culture fit, support for women hired from the outside and a willingness to take bold actions.

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The Rise of the Learning Culture

To better respond to a more complex and less predictable business environment, more organizations are prioritizing learning and agility as core cultural traits.

Businesses everywhere are facing unprecedented change and myriad threats — from technology innovation and business-model disruption to new sources of competition and changes in consumer behavior. Leadership teams are under constant pressure to hit their numbers and to stave off the threat of activist investors looking to exploit signs of vulnerability. The pace of all this change demands a level of responsiveness and agility that has not typically come naturally to most companies. Increasingly, successful organizations — and their leaders — are defined by their capacity to learn, adapt and innovate at speed.

This need to adapt is highlighted by a steady decrease in corporate longevity. Strategy and innovation consulting firm Innosight reports that the average lifespan of companies in the S&P 500 fell from 33 years in 1964 to 24 years in 2016 and is forecast to shrink to just 12 years by 2027.[1] Observing a similar trend, a report by Credit Suisse states that "disruption is nothing new but ... the speed, complexity and global nature of it is. In fact, it is clear that a number of sectors are currently impacted by multiple disruptive forces simultaneously."[2]

Regardless of geography, for organizations to thrive in today's environment they must develop the agility to adapt quickly to changing market circumstances and customer needs. However, most companies are not prepared for this era of hyper-Darwinism; they are not structured for rapid response.

In today's world, strategic goals are frequently being reset, so companies have to be able to slow down, rebalance and change direction. Such ambidexterity — knowing when to accelerate, when to change and when to maintain the course — is usually found in organizations where it is in the cultural DNA to place a high value on learning.

Out of eight possible organizational culture styles identified by Spencer Stuart, a learning orientation appears first or second in only 7 percent of companies (see sidebar at right). The other 93% risk having insufficient capacity to adjust to the changes taking place around them. We believe that developing a culture that emphasizes flexibility and learning will be a critical element in future-proofing an organization.

Rebalancing

It is interesting to note that the very motivation that drives organizations to be focused on results can also serve as a barrier to flexibility and learning, both of which may be in investors' interests. When a culture over-emphasizes results, people are tempted to take shortcuts and rarely explore alternative options. There is a danger that the relentless focus on delivering superior returns to shareholders will obscure the need to step back, reflect and understand critical changes taking place in the context of the business. Indeed, organizations increasingly need to operate at twin speeds, going all out in pursuit of clear goals that ensure the health of the business in the near term, while remaining nimble and responsive to changing signals that may threaten its longer-term viability.

1 "2018 Corporate Longevity Forecast: Creative Destruction Is Accelerating." Scott D. Anthony, S. Patrick Viguerie, Evan I. Schwartz, and John Van Landeghem. Innosight. February 2018.

2 "Global Equity Themes." Credit Suisse Equity Research. August 24, 2017.

In a comprehensive analysis of the cultures of more than 230 companies and the leadership styles and values of more than 1,300 executives published in the *Harvard Business Review*, we found that out of eight possible culture styles, learning appears first or second in only 7 percent of companies. In "The Leader's Guide to Corporate Culture: How to Manage the Eight Critical Elements of Organizational Life," co-authors Jeremiah Lee, Jesse Price (Spencer Stuart), Boris Groysberg and L. Yo-Jud Cheng (Harvard Business School) argue that in a dynamic, uncertain environment, in which organizations must be more agile, learning gains importance. Over the past decade, we have seen a clear trends towards prioritizing learning to promote innovation and agility as businesses respond to increasingly less predictable and more complex environments.

Leadership in today's complex world means learning from multiple inputs. If the business is focusing solely on results, something may be out of balance.

These signals of change might come from any direction. Just as a helicopter pilot has to cross-check instruments that track the complex multi-dimensional nature of flight (altimeter, speedometer, compass, rate of climb/descent, etc.), so a great leader needs to be aware of the many dials that track a company's relationship to shareholders, employees, customers and the wider community. Context will determine the importance of each dial and how best to calibrate the available information.

Leadership in today's complex world means absorbing and learning from multiple inputs. If the business is constantly in acceleration mode and focusing solely on results, something may be out of balance. As a leader, therefore, you need the ability to stop, reflect, see what is happening and pick up again, perhaps with an adjusted set of goals. These new goals might involve what Henry Mintzberg describes as a philosophical shift from *more* to *better* and from thinking about managing human resources (traditional HR) to bringing about human resourcefulness.[3] Having a learning culture makes it easier to manage this rebalancing process, although you do need to think carefully about whether some of the levers at your disposal are working against your intention to prioritize learning across the enterprise. For example, we have seen how easily legacy performance management systems, including incentives and rewards, can sabotage the very learning culture that leaders wish to develop.

3 Henry Mintzberg. *Rebalancing Society*. Berrett-Koehler. Oakland. 2015.

WHAT IS A LEARNING CULTURE?

WHAT IT FEELS LIKE	ADVANTAGES	WATCH OUTS	SUCCESSFUL EMPLOYEES	SUCCESSFUL LEADERS
Characterized by exploration, openness and creativity. An inventive and open-minded place where people spark new ideas and explore alternatives	Improved innovation, agility and organizational learning	Too much emphasis on exploration can lead to a lack of focus and inability to exploit existing advantages	Employees are united and energized by shared curiosity and inquisitiveness	Leaders emphasize innovation, knowledge and adventure

What defines a learning culture?

Organizational learning is hard to achieve from a culture standpoint. First, the need to change and do things differently has to be clearly communicated and constantly reinforced by the senior leadership team, and especially the CEO. Second, leaders must embody and exemplify the open-mindedness, inquisitiveness and inclusivity they wish to see at all levels in the organization. Third, barriers between functions and divisions need to be dismantled — along with many of their systems, processes and norms — to enable groups that have not encountered each other to work together toward a common goal, exploring new solutions and learning from each other.

For an individual, learning is often an independent activity, whereas in an organizational setting it is also an interdependent one, enhanced by what organizational culture expert Edgar Schein calls a mutual attitude of "humble inquiry." Organizational learning requires a shared sense of purpose (what do we need to learn about and why?), a desire to explore and a sense of curiosity, creativity and even playfulness. Interdependence is amplified by dialog, collaboration and the effect of cross-functional teams sparking off each other and exploring alternatives.

It is important to recognize that most organizations are made up of a variety of subcultures, which is healthy when you consider the very different drives and qualities expected of, say, a sales team versus a finance function. Strong learning cultures appreciate and make good use of the diversity that emerges from different subcultures. On the other hand, cultural fragmentation can lead to inefficiencies, misunderstandings and lack of alignment — which is why it is so important for leadership teams to identify those elements of the culture that are universal, and to see culture as a business process that has to be actively managed and shaped in order to achieve business goals.

Questions for senior leaders

The pace of change is forcing organizations to shine a spotlight on culture. At Spencer Stuart, we believe that culture is a foundational business system that can be diagnosed and actively managed. We can help you diagnose your culture — at the company, business or functional unit, and team levels — and assist you in shaping it for more successful outcomes. In the context of this article's theme, consider the following questions:

- To what extent could I describe my company as a learning organization?
- What steps could I take to increase the priority given to learning?
- Can I identify key influencers in the organization who have a strong orientation toward learning?
- What structural changes are needed to support a cultural shift toward learning?
- Am I building ambidexterity in my organization, i.e., the dual capacity to deliver results now and adapt to evolving challenges?
- Where do I put learning among my own personal priorities?

What does a learning organization look like?

In the successful learning cultures that we have observed, rigidity and rules-based thinking are replaced by a shared acceptance that change is both inevitable and necessary. Change happens because people make daily choices to do things differently, but leaders have to foster an environment in which people want to learn, can see the payoff, and are empowered to experiment and fail fast.

It is hard for an individual to adapt and change and even harder for an entire organization. It requires relentless, concerted effort and committed leadership. People look for excuses to avoid change. They often prefer the comfort of tried-and-tested routines and are quick to point to contradictions or inconsistencies rather than seek out opportunities to reappraise and revise their ways of working.

In a learning culture, people are inquisitive about how their work aligns with overall thinking and make choices that are consistent with strategy. Individuals need a high level of self-awareness (even detachment) to acknowledge what they do not know, enough humility to shed their preconceptions, and a deeply held curiosity about what they might discover. Above all, they need to be forward-thinking, viewing the future with a sense of optimism and possibility.

A large financial services institution has enshrined the importance of learning into its strategy. For several years the leadership team has continually reinforced the idea that only an agile organization can maintain a competitive edge in a fast-moving world. Although agility is a top-down imperative, the idea has been embraced at all levels, with teams empowered to work together to explore new ideas and solutions and to innovate. So pervasive is this thinking that teams act like tribes, committed to a core belief in the value of agility and the power of learning, unafraid to experiment, take risks and fail fast. This is unusual in an industry where decision making traditionally resides further up the pyramid. Indeed, hierarchical structures generally allow little flexibility or freedom further down the organization, which is where the majority of contact with customers takes place.

An emphasis on learning has been at the heart of this transformation. Everyone who starts in a new role in one of the top tiers of management is assessed, regardless of whether they are internal or external hires. They learn about their development needs and work with HR and their line manager to create a tailored development plan. Data on individuals is then aggregated to the team level and shared in workshops designed to improve team effectiveness.

Making the transition to a learning culture

Many organizations with a strong learning culture didn't start out that way. As with any cultural change, the transition to a learning culture takes deliberate effort. A willingness to learn and adapt needs to be embodied by the leadership and infused throughout the organization. It's highly likely that leaders will have to shed their authority-based, top-down, directive approach and show humility, even vulnerability, in acknowledging that they are not fully in control of circumstances and do not have all the answers. Their job is to release the power of collective learning through collaboration and shaping the organizational context, while modeling the behaviors they wish to see in others.

Any organization seeking to develop as a learning culture needs to pay attention to what motivates employees, appealing to their sense of purpose and stimulating the capacity and desire in each individual to learn, to see things afresh and — on the basis of a newly attained understanding or broadened perspective — to adjust their own attitudes and behaviors. As Brené Brown points out in *Daring Greatly*, this kind of learning, and the personal growth that goes with it, usually involves a degree of vulnerability — this is as true for senior leaders as it is for the rest of the organization.

Carol Dweck famously identified an important distinction between people with fixed versus growth mindsets.[4] The fixed mindset is based on a belief that your qualities are carved in stone, resulting in the desire continually to prove yourself rather than improve yourself. The growth mindset, by contrast, is the belief that you can cultivate your basic qualities through your own efforts; this mindset holds that despite differences in talent, aptitude, interests and temperament, anyone can change and grow through application and experience.

Since there is a close link between learning and the desire for self-improvement, it stands to reason that any organization wanting to put itself on a stronger learning trajectory should look for ways to foster the growth mindset among its employees. Leaders wishing to motivate those strongly disposed toward learning can appeal to their desire for autonomy and their

4 Carol S. Dweck. *Mindset: The New Psychology of Success*. Ballantine. New York. 2016.

enjoyment of solving interesting problems. They can frame challenges in the most engaging way possible, invite learners to participate in defining the challenge, emphasize the need for creative thinking and encourage them to play a significant part in finding the solution.

Learning under pressure

Today's leaders have to perform a continual high-wire act, balancing the need to meet investor expectations with the vital task of reshaping and reorienting the business to ensure its survival. Dealing with the tension between stability, continuity, risk-taking and change demands vision and conviction; it may involve leaders making difficult trade-offs or living with contradictions, for example having one division of the business focus on driving results to maximize cash generation in a mature segment while another pursues a more experimental, disruptive path to innovation. Getting the balance right may require new capabilities, a new culture and a new style of leadership.

The link between leadership and learning is getting stronger all the time. CEOs are uniquely placed because they must straddle the organization and the outside world. They are responsible for everything that happens in the business, from strategy, structure and talent to values and culture. Yet it is also their job to respond to what is going on in the outside world. They need to find the capacity (and mental space) to learn about what is changing in the external environment; apply judgment in identifying where the real threats and opportunities lie; and figure out how to best reflect those changes inside the organization.

Today's leaders have to perform a continual high-wire act, balancing the need to meet investor expectations with the vital task of reshaping and reorienting the business to ensure its survival.

An overly narrow focus on the short-term demands of shareholders can be an impediment to this kind of broad-based learning. A balance needs to be struck between creating returns for shareholders and paying attention to customers, employees and the impact the business has on the wider ecosystem, such as partners, vendors and communities. The more attention is paid to each of these constituents, the more the business can learn from them.

The leadership challenge

With the business environment in a constant state of flux, leaders will have to get used to a more agile, multifaceted way of running their companies, relying less on what they know and understand and more on what they and the organization are capable of learning from one day to the next. They will need to make this a deliberate focus; reinforce the learning imperative in their communications; place "high learners" in positions of influence; and provide recognition to those who adjust to a more collaborative, learning-oriented style of working.

It takes courage and vision to lead the transition from a hierarchical culture built on authority, order and safety to one that prioritizes learning. Yet this shift is part of a global trend away from highly formalized structures and toward more informal, flatter networks, where "teams of teams" are encouraged to iterate, come up with ideas and solutions, and then share what they learn across the entire organization.

At its best, the learning organization continually adapts its behavior to reflect the insights gained through this process. The result can be a thriving entity that exudes vitality and purpose, motivates good learners to achieve and rewards them for the legacy they leave others. It also makes the organization attractive to the most sought-after talent.

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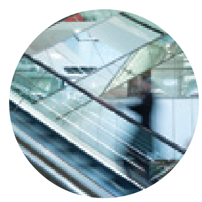
Research and Insights

Spencer Stuart regularly explores the key concerns of boards and senior management, as well as innovative solutions to the challenges they face.

Beyond "Check The Box": Getting Real Value from Board Assessments



Leadership in The Retail, Fashion and Luxury Sector

Six Lessons CEOs Can Learn from HR-Forward Companies

How Audit Committees Are Responding to Risk and Business Changes

CEO Succession Planning: The CEO's Critical Role

Digital Health Innovation: A Leadership Pulse Check

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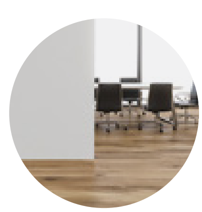

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