Harvard Business Review

May–June 2023
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Build Your Personal Brand

How to communicate your value to the world

PAGE 147

“Companies have long treated frontline workers as commodities that can be easily replaced.”

“THE HIGH COST OF NEGLECTING LOW-WAGE WORKERS,” PAGE 40

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Cover prop stylist: Erica Magrey/Honey Artists

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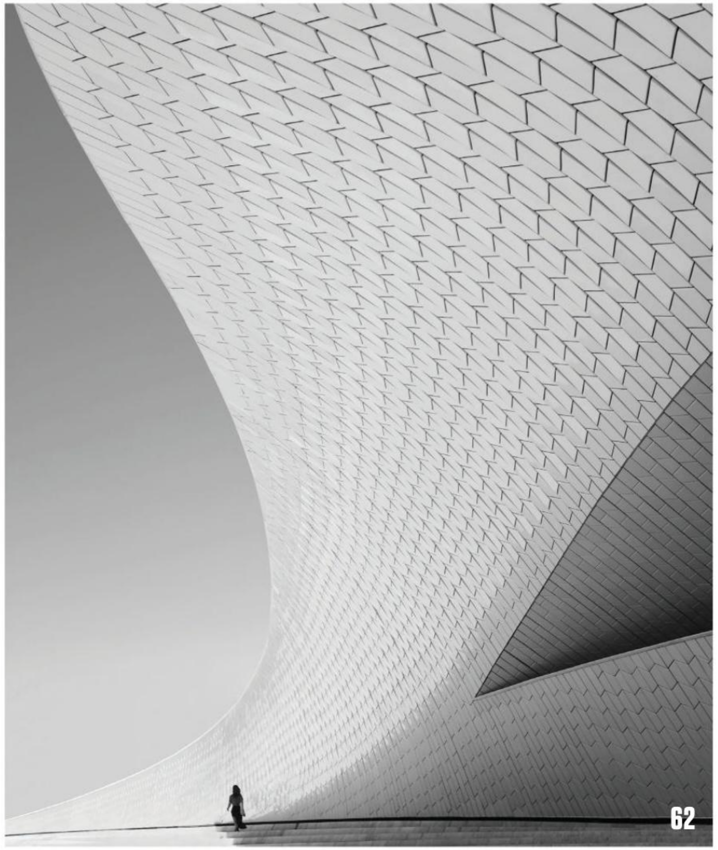

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–AMY AND BEN WRIGHT, OWNERS OF BITTY & BEAU'S COFFEE

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An Alternative to Creative Destruction

Adi Ignatius

WE PUBLISH MANY articles celebrating the process of innovation, for good reason: Companies that fail to stay ahead of consumers' evolving needs are unlikely to thrive.

But there's a negative aspect to this process that we sometimes fail to acknowledge. Innovation is often a zero-sum game, in which one company's success leads to a competitor's failure, causing pain for employees, investors, and communities.

In this issue W. Chan Kim and Renée Mauborgne explore the benefits of an alternative. In "Innovation Doesn't Have to Be Disruptive," they write, "Under disruption and its conceptual antecedent, Joseph Schumpeter's 'creative destruction,' market creation is inextricably linked to destruction or displacement. But nondisruptive creation breaks that link. It reveals an immense potential...to foster economic growth in a way that enables business and society to thrive together."

Drawing on examples such as *Sesame Street*, microfinance, and Kickstarter, the authors, whose new book is *Beyond Disruption: Innovate and Achieve Growth Without Displacing Industries, Companies, or Jobs* (Harvard Business Review Press, 2023), offer ways to identify nondisruptive opportunities as an antidote to a competitive mindset based on anxiety. "The idea that we can create new markets and grow without disrupting others," they write, "suggests that business does not have to be a destructive, fear-based, win-lose game."

Thanks for reading.

ADI IGNATIUS
Editor in chief

Robyn Twomey

STRATEGY

The boundaries between search and execution processes must be dissolved. Each employee is always both exploring and exploiting.

Embrace external complexity. In a stable context, it is efficient to strive for standardized offerings in order to achieve economies of scale and experience. However, creating optionality for an uncertain future means turning variation from an expensive inconvenience into a valuable source of information, leading to greater optionality and differentiation.

Companies need to treat the execution of routine tasks and customer interactions as opportunities for learning. Standardizing tasks or offerings becomes counterproductive since it suppresses variance, which is the grist for new ideas. Instead, firms need to leverage their digital presence and use learning algorithms to capture and process lessons from each interaction.

Take the example of call-center operations—a vast set of activities that spans many verticals, including automotive sales, telecom, software service, and energy distribution, to name a few. Each call center has a critical function: supporting clients by answering their questions, providing them with information, and registering and addressing their complaints. Simple operational stuff? No. Each call—recorded, analyzed, parsed, summarized, and encoded using algorithms that look for identifiable patterns—generates valuable data, which can be mined to inform the design of better client-support experiences, better training for call-center staff, and better offerings.

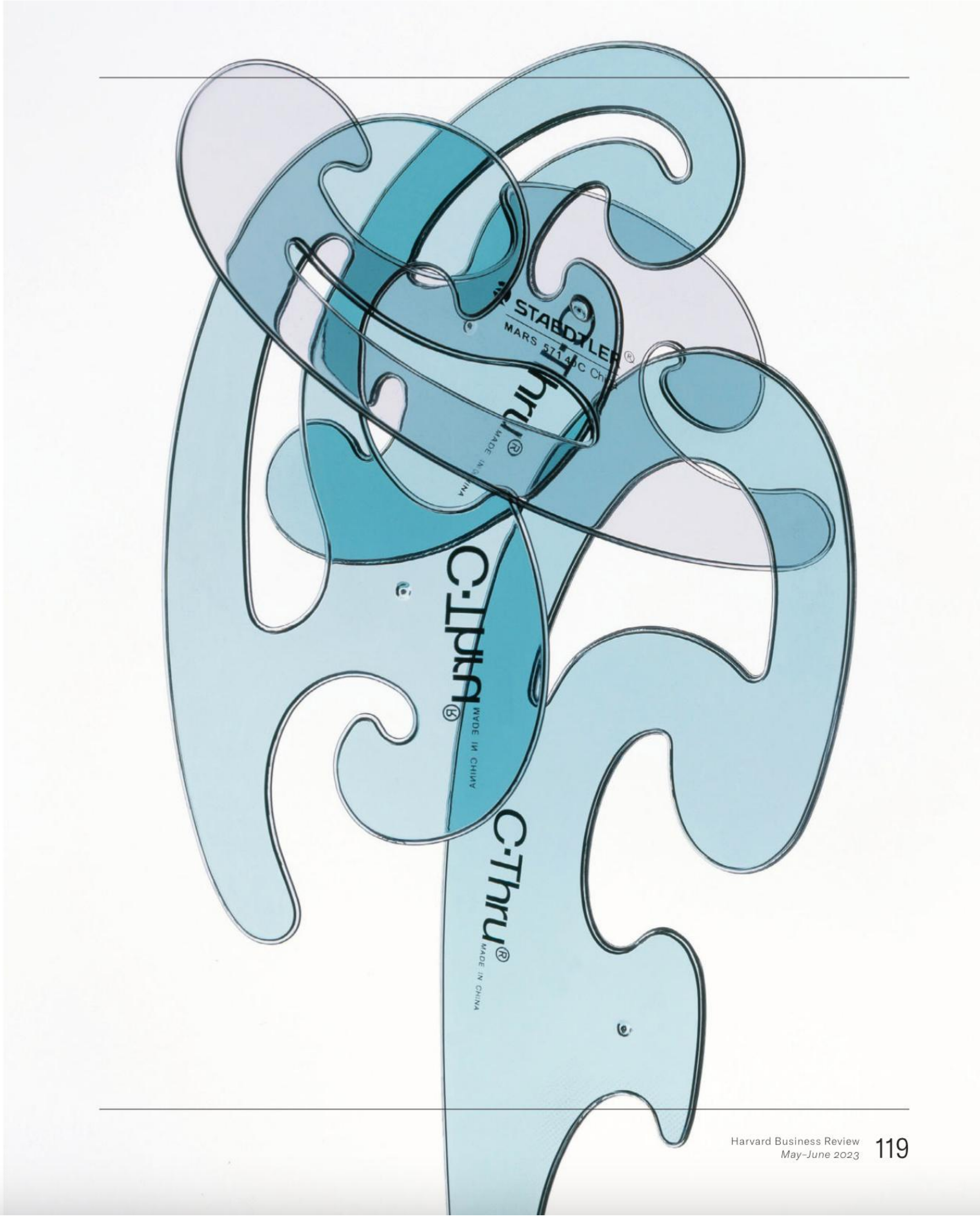
Or consider cloud storage platforms like Dropbox and Box. Even as they are under attack by Microsoft's and Amazon's cloud storage services, they continue to differentiate and thrive. They do so by providing users with best-in-class integration with common software and collaboration tools, which smooth out users' workflows by knowing the types of documents and files users store and the kinds of activities they engage in with them.

Simultaneously search and execute. Improving the economics of optionality requires firms to achieve simultaneous search and execution, not just a tighter integration of the two. The spatial and temporal boundaries between them must be dissolved. The aim is to achieve one continuous dynamic process; each employee is always both exploring and exploiting. That will require embedding components of search into execution and using the resulting insights to guide the search. Going beyond mining information from natural variation, companies can create artificial variation by leaving room in scripted processes for employees to test out new possibilities. This needs to be coupled with a thorough analysis of which deviations were successful, and why, and evolving the script accordingly. Companies can also utilize structured experimentation: For example, companies like Booking.com and Microsoft conduct thousands of online experiments a year to identify potential improvements to the user experience.

At the same time, companies must continuously feed ideas from search into execution to validate hypotheses and accelerate iteration (or attrition). One way to do this is to recruit field testers, as the New England–based apparel company Smartwool does. They buy and test new products, providing the company with crucial insights about their performance, suggestions for improvements, and ideas for new products. Another option is for companies to get customers involved earlier in their ideation process. For example, video-game studios often publish playable demos—essentially vertical slices of the core gameplay—early in the development process to gather feedback and stir up interest. In recent years some studios have even begun approaching customers with little more than a concept for a game or outlining their intentions on a crowdfunding platform to receive investments as well as feedback. Those lessons can shape the production process and enhance the popularity of the final product.

As companies transcend the barrier between search and execution, the delay between idea and realization is significantly reduced. Ultimately it may be eliminated, as firms integrate processes on timescales that are accessible only to machines, with small- and large-scale decisions being made by algorithms, based on a detailed and up-to-date understanding of customer desires and the current context. Think of Netflix's recommendation engine, which constantly updates its suggestions based on an evolving understanding of individual users' tastes.

Facilitate, shape, and monetize the customer's exploration process. Most firms focus on satisfying the immediate and explicit needs of customers. Some go further and try to predict future needs using the techniques detailed above. But few companies interact directly with the customer's own process of exploration.



Short-term perspectives will always undervalue optionality. Thus new metrics are required that go beyond the traditional focus on market share and profitability.

Serving the exploration needs of customers offers various avenues toward value creation. By facilitating the customer's search for products or services, companies can learn more about the customer's needs, which can serve as crucial input for their own search process (akin to Google's approach). Helping customers find the best solutions to their explicit needs has become the core business for some firms—think of metasearch engines that let users compare offerings, such as the travel firm Kayak. Others have found ways to enhance their core offering. Nike, for instance, has introduced a "Fit" function in its app that allows customers to measure their foot size and shape, helping them find the right shoe size, which may differ among sneaker models. Customers feel more secure in their purchasing decisions, and Nike improves its inventory management and reduces the number of costly returns.

By interacting with the customer's search process directly, companies can also shape it. For example, fashion e-commerce websites like Zappos, through their "wear it with" or "complete the look" recommendations, nudge customers to purchase other items complementing a selected piece. In this way, companies can increase the potential yield of all options they are pursuing by increasing the probability that they will be desired by the customer. It has been reported that about half of all products sold on Amazon are presented to customers by its personalized recommendation engine (see "The Next Great Digital Advantage," by Vijay Govindarajan and N. Venkat Venkatraman, HBR, May–June 2022).

Some companies have turned the customer's search process into a product by providing search-as-a-service. NZXT, a computer-hardware manufacturer, offers a custom-PC building service, which differentiates itself from the competition by allowing customers to specify, alongside their budget, which games they want to play and what graphical performance they expect, before recommending a set of components that fits those requirements. This enhances convenience, as customers don't have to navigate confusing third-party performance benchmarks or reviews to select the appropriate hardware.

A customer's exploration—a journey of self-discovery and personal growth—can even be monetized directly. For example, purchasing a bottle of wine may be not only the expression of a desire to taste the beverage but a learning journey in winemaking and culture. The Raj Parr Wine Club is a subscription service that offers biannual shipments of six bottles of wine for a fee of $500. While it is more expensive than some competing services, it includes sommelier Raj Parr's phone number and an encouragement to discuss the world of wines with him, which appeals to aspiring wine connoisseurs.

ORGANIZATIONAL IMPLICATIONS

Strategy is not the only thing that is traditionally tailored toward maximum fit and alignment. The organization itself is most often designed for static efficiency—with employees in set roles following set processes. Organizational design must also reflect the new strategic approach. Thus firms pursuing radical optionality will be characterized by the following:

1 **Organizational fluidity.** To embrace external complexity and variation in their strategies, firms must reflect those traits in their organizational setup. This is consistent with the biological law of requisite complexity, which posits that the internal complexity of a system must match the complexity of the environment it confronts, if it is to adapt successfully. It doesn't need to become as structurally complex as its environment—that would dwarf its metabolic functions. But it needs enough complexity to allow it to make changes that matter to its survival. In a situation in which the nature, number, and importance of environmental variables change quickly, organizations cannot be structurally inert—as most hierarchical organizations are. Rather they need to be organized as networks of networks that are rapidly reconfigurable.

Take the example of Alphabet's approach to machine-learning development: There are several hierarchically independent groups within Alphabet (such as DeepMind and Google Brain) that alternately compete and collaborate to bring solutions to a rapidly evolving market for predictive and causal inferences. This approach not only keeps many options open, but it also increases the potential for creating options by leveraging learnings from different groups. Organizations cannot be designed as top-down, static hierarchies but must become continuously evolving models, leaving room for roles, structures, and processes to emerge bottom-up, tailored to the shifting context.

2 **Human-technology partnerships.** As boundaries between thinking and doing and exploring and exploiting are torn down, more will be required of employees, who will be asked not just to execute but to innovate around their tasks.

They will need help from machines, which can take over routine tasks based on pattern recognition or optimization as well as assist in more creative efforts. Generative AI tools can, for example, spark new ideas for graphic designers or, through clever prompts, simulate likely responses to a marketer's communications drafts. That will let employees focus on tasks requiring human cognitive abilities, such as imagining entirely new possibilities or conducting activities requiring ethical reasoning or empathy. Amazon, for example, has automated decisions such as inventory management and pricing under a philosophy known as "Hands Off the Wheel." The company focuses its human talent on coming up with new ideas, such as cashier-less grocery stores.

To realize synergies between machines and humans, companies will need to fundamentally rethink organizational design to segment cognitive tasks appropriately, to create effective governance for algorithmic processes, and to create machine-human interfaces that are matched for the very different processing bandwidth and comprehension functions of each. Only by doing so will the full potential of what has been called the "bionic company" be achieved.

3 **Forward-looking performance metrics.** The value of options will only be apparent in certain states of the world, and usually over the long term. For this reason, short-term perspectives will always undervalue optionality. Thus new metrics are required that go beyond the traditional focus of exploitative proficiency, such as market share and profitability.

Although most companies don't do this, it is certainly possible to place greater emphasis on future option value. For example, 3M owes part of its innovative success to its "new product vitality index," a metric that tracks the share of sales from products that didn't exist five years ago.

Thornton Tomasetti, the leading civil-engineering firm, offers another example. It leverages a vitality scorecard to assess and manage its growth potential and capacity for reinvention, relative to those of its competitors. This is complemented internally by a metric that rates project proposals on their contribution to overall firm vitality.

There are, of course, limits to numerical quantification. Making decisions today on the basis of potential events in the far future is something that both organizations and markets have trouble with: There is no market for Caribbean cruise berths in December 2098. To bridge this gap of imagination, organizations can focus on developing technologies that are maximally evolvable—so that they work in as many conceivable worlds as possible. In a world in which probabilities become poor bases for predictions, we should use *conceivability* as a guide to possibility. In fact, we can make a strong argument for imagination being a competitive advantage.

THE NEXT ERA of competition is at hand. To succeed in an environment of high uncertainty, greater short-term pressure, and tighter resource constraints, firms must become even better and more efficient at developing options for future advantage while continuing to perform in the present. To achieve a state of radical optionality, firms must overturn some of the core tenets of strategy—by thinking while doing, exploring while exploiting, and striving for flexibility rather than fit. They must embrace complexity, learn to search and execute on ideas simultaneously, and engage with customers in their personal journeys. Accomplishing that will require new organizational forms and work practices, deeper integration between humans and technology, and next-generation performance metrics.

Reprint R2303H

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LEADERSHIP

Executives have always been—and always will be—expected to produce results.

But today they're expected to produce them in a fundamentally different way. Gone are the days of the heroic individual leading from the front. Instead, in most corporations decision-making has become decentralized, and leaders are now supposed to empower and enable their people. Because of that they've had to give up considerable control. As Raffaella Sadun and her colleagues reported recently in this magazine (see "The C-Suite Skills That Matter Most," July–August 2022), people skills—often described as "soft skills"—are now especially critical for leaders.

We've observed ample evidence of this new reality in our work as researchers, coaches, and leadership advisers. And we've also observed that executives are having a hard time adapting to it. For starters, the terms "soft skills" and "people skills" are used to refer to a wide range of competencies and capabilities, leaving many executives confused about what exactly they entail. (For more on this, see the sidebar "What Kind of People Skills Do You Need?") In addition, few aspiring CEOs entering the succession process have mastered the complete array of these skills, and few newly appointed CEOs have them fully ready to deploy. That shouldn't be surprising. No leader who has built a career on making expert contributions and exercising hands-on control can be expected to make the leap overnight to a people-centric style.

Yet reliable information about how to acquire people skills is scant. To find out more—about what skills executives struggle to learn and what learning strategies pay off—we analyzed assessment, development, and interview data gathered by Spencer Stuart, one of the world's top leadership advisory firms. Most *Fortune* 500 companies partner with advisers like Spencer Stuart to discover and develop succession candidates, so this data can be considered strong evidence of today's leadership requirements.

In our analysis we studied 75 CEO successions, involving 235 candidates, that took place at large-cap companies in the United States and Europe from 2009 to 2019. Forty-seven of those companies were public. We examined the correlation between CEO skills and firm performance, as measured by

IDEA IN BRIEF

THE SITUATION
Leaders often rise through the ranks by employing a directive style, but when they assume top-level positions, they're suddenly expected to become more empowering. Most have a hard time adapting.

THE CHALLENGE
Those who choose to shift styles need to recognize that the transformation will be long and difficult—an odyssey that will require humility, self-awareness, patience, and resilience.

THE JOURNEY
Leaders should expect their odyssey to have three main stages: the departure, *when they recognize the need for change;* the voyage, *when they leave behind familiar ways of working; and* the return, *when they reach a new understanding of what kind of leader they need to be.*

> Broadening your repertoire of people skills is not a single event but an involved process that unfolds over time, often uncomfortably, with many twists and turns.

shareholder return, revenue growth, and operating margins. We also interviewed a subset of leaders about their development experiences to understand the variety of styles they used to deliver results. In doing so we looked for evidence of strengths and developmental opportunities along the spectrum between directive and empowering styles. We also studied the executives' ability to work through networks and to enhance organizational performance by instilling and leveraging people skills.

In this article we'll outline our findings. First, showcasing the stories of several of the candidates in our study, we'll describe the extended journey that most aspiring CEOs must go through to properly develop the people skills necessary for leadership today. Then we'll lay out a few guidelines for anyone embarking on such a journey. (We've disguised the identities of the people whose stories we share, at times combining them to protect their privacy and capture the full range of experiences we observed.)

A Three-Stage Journey

How can leaders who fall short on soft skills develop a more enabling style?

The primary lesson we gleaned from our interviews is that there's no one moment when everything snaps into place. People love stories of sudden conversions, which exist in every culture. Think of the biblical story of Saul, who suddenly became the Apostle Paul after being struck blind by God on the road to Damascus. However, most transformations don't happen this way. Instead they involve wandering and uncertainty, inner battles, and protracted periods of personal struggle. A better analogy might be the story of Odysseus, who had a long and arduous journey back to Ithaca from Troy.

So it is with broadening your repertoire of people skills. It's not a single event but an involved process that unfolds over time, often uncomfortably, with many twists and turns. That said, there are predictable stages and challenges along the way.

The first stage is the *departure,* during which the leader recognizes the need for a change and deliberately starts to leave behind familiar ways of working. The second is the *voyage,* a time of transition during which the leader encounters obstacles and trials that teach important lessons and open the path to transformation. Finally, there's the *return,* during which leaders arrive at a new understanding of who they are and what kind of leader they want to be and start to transfer what they've learned to others.

Now let's explore each of these stages.

The Departure

Leaders alter their habitual—and successful—ways of doing things only when they become aware of a gap between where they are and where they want to be. The catalyst might be a particular event or feedback from colleagues or coaches. But usually people embark on a concerted effort to change only after multiple experiences and conversations make them realize that their behavior is impeding outcomes they care about.

Take Flavio, who worked as the general manager of engineering at a major technology firm before becoming its COO and then its CEO. In his role as general manager, Flavio was eager to enhance the ways that his sales teams positioned products and to increase sales. In his view they weren't getting products to market fast enough, so he drove them harder and harder. Soon he began to hear that people felt he was pushing his own agenda instead of the company's—but he dismissed that as the grumbling of those resistant to change. Then colleagues he respected began to withdraw from conversations with him—including people whose support was critical. His behavior, one former team member told him candidly, was alienating the very people he needed to make his go-to-market strategy work. An executive coach helped him understand the core of the problem—he wasn't crafting strategy jointly with others—and acknowledge the urgent need to change.

The impetus for change can come in other ways. We've often seen executives emulate bosses with more-developed people skills—usually in the context of an organizational shift toward a more empowering culture—and discover that their new behaviors help them achieve valued results.

That's what happened with Rajiv, a newly appointed divisional CEO. Rajiv's boss, the company's CEO, had launched an initiative to instill a culture of collaboration and psychological safety in his leadership team, which included Rajiv.

LEADERSHIP

> Many leaders underestimate the extent of change required and need the help of a trusted partner—an adviser, a mentor, or a coach.

Keen to follow the lead of his boss, Rajiv replicated the effort with his own unit. Though he initially did so in a perfunctory, "tick the box" manner, he was surprised to find that he and his team were having more-open conversations. He also began to receive candid feedback on his leadership style—which, he learned, instilled fear and encouraged silence. Rajiv turned to an external coach, assuming the "fix" was a simple matter of picking up better listening skills. But the coach helped him recognize a big disconnect between how he saw himself and how others saw him and made him see how deeply rooted, pervasive, and alienating his controlling tendencies had become. His "aha!" moment—the real beginning of his journey—came when he realized just how much time and effort he would have to devote to improving the way he worked with others.

In our experience many leaders underestimate the extent of change required and need the help and perspective of a trusted partner—an adviser, a mentor, or a coach. Not all of them reach the departure stage. And the ones who do embark on a genuine voyage of discovery will need humility, self-awareness, patience, and resilience to complete it.

The Voyage

Having watched many leaders move through this stage, we've found that those who succeed engage in three key practices.

Creating a new context for learning. Executives tend to pursue two main kinds of learning as they work on changing their behavior. One involves putting themselves in situations where they have no direct authority and so are compelled to develop a more indirect, empowering style. We call this *outside-in learning.*

Outside-in learning can be particularly helpful for CEO candidates whose leadership style is firmly rooted in holding people accountable, driving performance, and achieving results. Such leaders often have a hard time experimenting with a new style while working with teams that are familiar with their old one. By taking on roles or projects outside their own areas—roles in which they have no history and must adopt a collaborative manner—leaders can develop people skills to use later with their own teams.

Take Karen, a leader in a big industrial firm who had worked her way up through the hierarchy by cultivating a directive leadership style. With every promotion, Karen had taken on additional responsibilities, but when she finally moved into a C-suite position, she realized she wasn't well-known outside her division and didn't know how to lead people who weren't her direct reports.

Luckily, at around that time she took on an external board role that gave her an opportunity for outside-in learning. The board meetings demanded that she and her fellow directors navigate complex multistakeholder situations with competing interests, and to do that work successfully she had to learn how to exert influence without authority—for example, by asking questions and probing for desired outcomes. She was able to sharpen those skills further when, in addition to her new role in the C-suite, she was asked to lead her firm's diversity, equity, and inclusion efforts.

Those experiences helped Karen become the kind of leader that she knew she needed to be. Even so, the transition was difficult: Working under the pressures of her new role, she found herself at times striving to control even minute aspects of the tasks at hand, an old habit at odds with a more inclusive style of leadership. In those moments the outside work she was doing helped her avoid ingrained patterns and maintain her focus on empowering others.

Leaders can also transform their style by taking skills that they've developed within their own teams and subunits or even in their personal lives and using them more broadly. We call this *inside-out learning.*

Consider Alex, a recently promoted C-suite executive in an industrial company. For years, Alex had been struggling to adopt a softer style. His drive to succeed often made him feel the need to control outcomes, and at times he was perceived as competitive, highly strung, and overbearing. His opportunity for inside-out learning started at home, where he and his wife were working on developing a collaborative parenting style that would allow them to support their son through his difficult teenage years.

When Alex took on his new C-suite role, he realized that some of the skills he was cultivating with his family—active listening, recognizing and managing his own emotions, asking more than telling—might be useful to him as a leader, so he tried them out. The feedback he received was positive,

Paradoxically, as their capacity to be more empowering evolves, leaders can more intentionally—and effectively—use a directive approach in situations that call for it.

and he kept going. Previously, he had sought to push his unit's interests over those of his peers', but now, gradually, he started seeing win-win opportunities. What he had learned on the inside, in his personal life, helped accelerate his journey.

Enlisting helpers. At every stage in the development journey, you need partners who can hold you accountable, provide honest feedback, help you connect the dots, and hold up mirrors revealing your true nature. Odysseus would never have been able to make it past the Sirens on his own.

Kevin, the CEO of a large financial firm, is a case in point. He joined the firm five years before being appointed CEO. At his old firm, where he had been the head of the finance function, he had developed a reputation for having sharp elbows. But his new firm prided itself on a culture of mutual respect and warmth, and in that context his style was jarring.

When the firm began its CEO succession process, Kevin's stellar results made him an obvious candidate. But his firm's head of HR made it clear that he'd never get the top job unless he improved his ability to consider and include others' views. With stakes that high, he began working on his people skills in earnest. As is often the case with smart, ambitious people, Kevin was able to adapt enough to get the top job. But the changes he made were superficial, representing his "best" but certainly not his "everyday" self. Once in the CEO role, he regularly found himself falling into old patterns.

To *really* change, Kevin realized, he needed the help of others. He started by setting up an accountability system with an external coach, who in regular sessions worked with him to form new habits and understand what triggered his domineering tendencies. He also asked a small group of trusted colleagues to call him out on his old behaviors. Initially, he had a difficult time getting honest feedback from the people in his inner circle because they were afraid of upsetting him. So he started working to create greater psychological safety. He began regularly expressing gratitude for feedback, making a point of identifying aspects of it that he particularly appreciated, even if he disagreed. That simple technique set a virtuous cycle in motion: The more he allowed his team members to help him, the more they were willing and able to give him support.

Persisting through (and learning from) setbacks. The line to the finish is rarely straight. As the stakes get higher and performance anxiety flares up, executives often fall back into the old style that made them successful for years. Alternatively, they demonstrate only a naive understanding of their new skills, which produces less-than-optimal results. Two steps forward, one step back. The adaptation journey almost invariably involves backsliding and overshooting. To keep going, you need to focus on small wins.

One new CEO, Maria, was eager to fully empower her team but fell into the trap of delegating ownership of too many decisions. At two weeklong strategy off-sites with her top 30 leaders, for example, she hoped to co-create a new strategic direction. She was aware that the last time she had tried to give her team more authority over wide-ranging decisions, it had accomplished little—and its members had felt frustrated by what they perceived to be a lack of direction. In a conversation with her coach, Maria recognized that a better approach would be to retain authority over key decisions but gather input more inclusively. The process worked at the first off-site and set the stage for a more freewheeling and productive second session.

By demonstrating the potential of a new style and eliciting positive feedback, small wins start to shift the leader's motivation from *necessity* ("I need to be a better communicator") to *possibility* ("I'm working on communicating better because it will help me accomplish my goal") and *identity* ("I'm working on communicating better because that is who I want to be"). These subtle changes help leaders become more self-reflective and persistent—invaluable traits for anybody trying to define and anchor a new self.

The Return

The moment of return arrives when, after the trials and tribulations of the voyage, leaders at last internalize a more empowering leadership style, see it as a genuine reflection of their new selves, and can employ it across the board in their professional lives. Their learning is far from finished at this point, but it has become self-sustaining.

To be clear, there's no "best" style. Leaders must always exercise judgment about when to be more directive or more enabling. We've seen several instances of executives veering too far in an inclusive direction when a more commanding one was called for. But when leaders are equipped

What Kind of People Skills Do You Need?

Leaders need to work effectively with people in small groups, across networks, and across the organization. Here are the skills most important in each situation.

→ **Asking good questions, listening, empathizing, and empowering** (in small groups and one-on-one interactions). These skills allow leaders to draw wisdom, insight, and creativity out of their people, solve problems collectively, and foster a sense of psychological safety.

→ **Collaborating and influencing** (across networks). Agility and innovation depend on cooperation among disciplines and units both inside and outside the organization and the ability to build and work through informal relationships.

→ **Culture-shaping and aligning** (across the organization). To enable, motivate, and inspire people on a large scale, leaders must be able to communicate a compelling direction or purpose, ensure that the organization's processes and culture support the stated objectives, and act as role models in the day-to-day.

with a broader repertoire and hard-won insights about the impact of their behavior, they're better able to flex in response to what's needed. Paradoxically, as their capacity to be more empowering evolves, leaders can more intentionally—and effectively—use a directive approach in situations that call for it.

A second marker of having entered the return stage is a desire to share and amplify your learning. This is critical because it increases your organization's capacity for developing its workforce.

Three examples come to mind. One executive implemented a long-term succession-planning process to ensure that up-and-coming leaders would have the opportunity to learn how to exert influence without authority. Another executive, a lawyer who led one of his firm's biggest practices, realized that his firm's performance-management system was impeding the kind of developmental discussions that he had benefited from, so he worked with HR to overhaul the entire system. A third executive realized that the way his organization conducted quarterly business reviews didn't lend itself to the introspective conversations he had come to value in his adaptation journey. So he revamped the process to encourage others to own their mistakes and make themselves vulnerable for the sake of learning.

Starting Your Own Journey

Most high-performing executives today intellectually "get" the case for better people skills and know that their well-honed directive styles have significant downsides. But learning and sticking to new habits and skills—especially under pressure—demands commitment and effort. Here are a few tips to help you get on your way.

Know what you're in for. At the outset upping your people skills can seem simple enough. But people who lack knowledge or experience often overestimate their own competence—the notorious Dunning-Kruger effect. And even experienced managers tend to believe they're better at coaching than they really are. So it's important to develop a realistic sense of the time and effort required to genuinely adapt your style. Knowing what milestones to look out for—such as early wins and recovery from a setback—can help.

Map out your learning agenda. Remember that you might need to work on your skills in particular settings. You might be great at collaboratively navigating complex multistakeholder situations where you have no direct authority over those you're working with, but have a hard time doing the same with your own team. Or you might excel at listening and fostering psychological safety with your team but find yourself unable to leverage those interpersonal skills to get things done with your peers across the organization.

Once you've identified a strength that you want to develop, experiment with using it in different contexts. Recall Karen, whose roles on an external board and heading her firm's DEI initiative helped her learn to exert influence without having direct authority. Her experience was akin to that of many executives we've worked with: Only after they gained perspective in a new project, role, or setting did they truly understand the meaning of developmental advice they had received—one reason that temporary assignments, side projects, and job rotations can be such effective triggers for transformation. It's hard to change if you just keep doing more of the same.

LEADERSHIP

> Carving out regular time for reflection is a simple way to speed your progress and learn more from your inevitable setbacks.

What Best Predicts Success as a CEO?

Hint: It's not how well candidates have delivered results in the past.

The successful CEO candidates in our sample scored higher than the unsuccessful ones on three dimensions:

→ **Delivering results** (the ability to meet or beat goals and personally improve performance)

→ **Collaborating and influencing** (the ability to work with and through others who are not under their direct control)

→ **Self-evaluation and adjustment** (the capacity to update your point of view and behavior on the basis of new information)

Once candidates took office, however, their past success at delivering results did not have any effect on their performance. Collaborating and influencing, on the other hand, were associated with higher total shareholder return, and self-evaluation and adjustment were associated with higher revenue growth and greater increases in operating margins.

Create space for learning. Carving out regular time for reflection is a simple way to speed your progress, capitalize on small wins, and learn more from your inevitable setbacks. But this sort of daily exercise works best if you also periodically pause to contemplate the big picture. As Ron Heifetz of Harvard's Kennedy School has put it, it's important to spend time "down on the dance floor" and "up in the balcony."

Two of the aspiring CEOs in our study used the strategy of regular reflection very effectively. One spent her 20-minute ride to work every morning thinking about the interactions of the previous day and defining one learning intention for the day. The second blocked out a regular time in his week to reflect on his successes, failures, and challenges as a leader. He also used that time to seek feedback from his colleagues, often by asking them such questions as "What did you see me do/hear me say?" and "What would you like to see me do/hear me say?"

Learning requires you to recognize the patterns you fall into. Kevin identified his by writing in a journal about the many situations in which he could have been more appreciative and less hard-charging with colleagues. Later he would analyze those situations in detail—and visualize other ways of responding. A coach helped him recognize that his abrasive self often emerged when he felt impatient, so they developed a plan: Whenever he sensed his impatience rising, he would press each fingertip with his thumb before responding. Just creating that small space between stimulus and response helped him react as he intended.

Don't go it alone. Coaches and mentors outside your normal reporting lines can be very helpful, but you'll also need to rely on close colleagues and in some instances even your family or friends—people who can hold you to account and offer in-the-moment feedback in ways that nobody else can.

With that in mind, select a couple of colleagues you can trust to provide you with honest feedback and ideas for improvement. By doing so, you'll demonstrate your commitment to becoming a better leader. You'll also make clear to those around you that you care, which ensures that when you slip up, as you inevitably will, you'll get help and the benefit of the doubt. But watch out: When you ask for feedback, be prepared to follow up on it. We've found that the leaders most likely to fail in their adaptation journeys are those whose colleagues tire of giving feedback because nothing seems to come of it.

MORE THAN EVER, we need leaders who can harness ingenuity and foster engagement. At the top level of organizations, success requires a broad repertoire of people skills that make it possible to lead others indirectly on a large scale. For many executives, gaining them will involve a journey of transformation, one that's likely to be longer and more difficult than they'd imagined—but ultimately also more rewarding.

HBR Reprint R2303G

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LEADERSHIP

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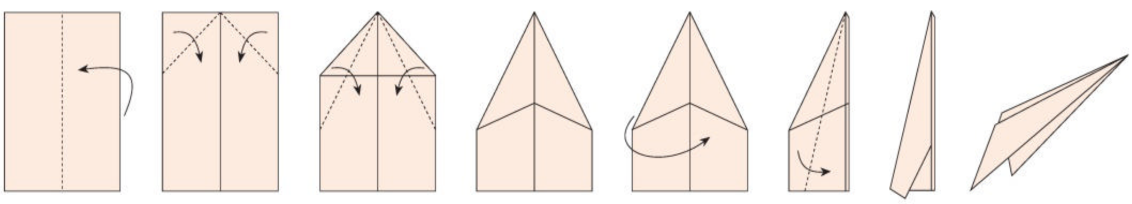
The Leadership Odyssey

It's not easy to become less directive and more empowering. Here's how to navigate the challenges.



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BRAND MANAGEMENT

How Brand Building & Performance Marketing Can Work Together

With the right metrics, you can increase the return on both.

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BRAND MANAGEMENT

IDEA IN BRIEF

THE PROBLEM
Marketers often worry that performance marketing and its focus on short-term sales is crowding out brand-building activities aimed at enhancing customer perceptions of their brand—and sometimes works against brand strategy.

WHY IT HAPPENS
Brand-building activities are typically measured using metrics that have no predictive or retrospective connection to financial returns.

THE SOLUTION
To achieve performance-accountable brand building and brand-accountable performance marketing, firms need to upgrade their brand metrics in a way that allows the two to work together.

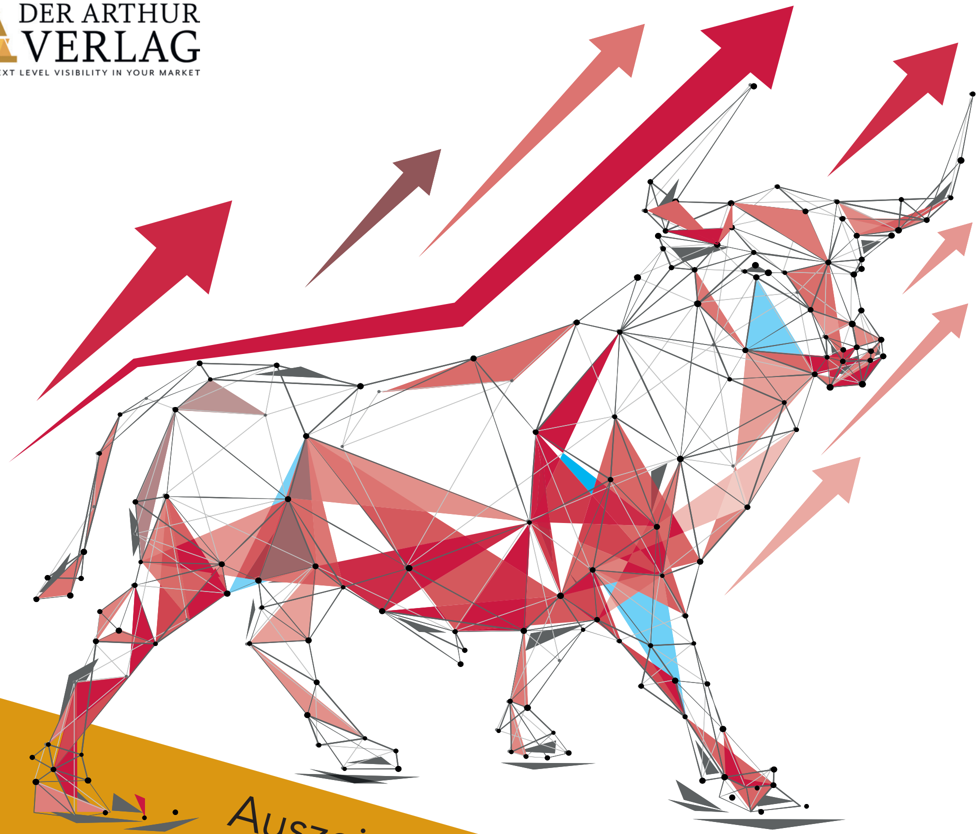
ABOUT THE ART
Barton Lewis photographs the found and accidental art of New York City subway stations, where print advertising is displayed and removed over time, creating collagelike effects.

Over the past 20 years,

performance marketing has become the dominant approach companies use to connect with consumers. It is defined by the Performance Marketing Association as paying for results from marketing campaigns—like sales, leads, or clicks—conducted through third-party channels such as direct mail providers, search engines, and social media sites. It's easy to see why the approach is so compelling: It enables companies to run highly targeted marketing campaigns that deliver measurable ROI, solving the century-old Wanamaker problem, named after the department store retailer who's credited with saying about advertising, "Half the money I spend is wasted; the trouble is I don't know which half."

But many executives worry that performance marketing is crowding out brand-building activities—such as novel packaging, new products, distinctive services, innovative distribution, and creative advertising—aimed at enhancing customer awareness of, attitudes toward, and affinity for their companies' brands. A while ago, the CEO of a B2C/B2B tech company said to one of us, "We are great at performance marketing, but our brand sucks." More recently, executives at a global electronics giant told us that performance marketing had taken over their

DER ARTHUR VERLAG
YOUR NEXT LEVEL VISIBILITY IN YOUR MARKET



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05+06/2023