Leadership

Executive Hazards Ahead

Keep your dissonance

By
Lars HÄGGSTRÖM

Amrop
Leaders For What's Next

Executive Hazards Ahead
Keep your Dissonance

A venerable multinational is forced to search in unusual places to reverse a creeping decline, and emerges stronger than ever. After a series of painful experiences, a senior executive questions his assumptions and unearths invaluable lessons. His quest for lifelong learning begins.

In this turbulent business environment, shareholders and stakeholders, in particular young leaders, are demanding that organizations are able and willing to learn. Recent research (including Amrop's exploration of 'wise decision-making') leaves little room for doubt: in order to effectively embrace change, leaders must constantly call into question the way in which they lead, and more importantly still, learn. Organizational survival and prosperity are the rewards. Multiple failures to evolve mark the path to extinction. Yet it is precisely in the ability to evolve, and how that evolution takes place, that the answers lie.

Learn or die

Both organizational and executive learning have become central to corporate reinvention and renewed entrepreneurial vigor. In the recent past, organizations too inwardly focused on their own operations and industry have often failed. A bank looking at another bank for ideas on how to survive may well be looking in the wrong place. Key to understanding our world and to reinventing ourselves is to seek out ideas from where we normally don't, from customers, suppliers, other industries, start-ups, NGOs or from people within our own organization other than the usual suspects. However, this is not an instinctive move.

Organizations coming under threat will often intensify their inward focus and become more effective at what they have always done - increased efficiency will leave them as 'the last man standing', or so the theory goes. But this 'go lean and mean' approach is today more often a race to the bottom. It may work in the short term, but it is essential to open up and consider foreign and disparate contexts to achieve long term prosperity.

Lars Häggström drives company transformation through leadership and learning. He is Executive in Residence at IMD, lecturing in large company renewal and working with organizations going through large-scale change. He has a prestigious track record serving leading multinationals in global HR functions in a range of sectors, from renewables and banking, to pharmaceuticals.

He was Executive Vice President of Group Human Resources at Stora Enso AB from 2010 to 2016. Formerly, he was Head of Group Human Resources at Nordea Bank AB, and earlier, med-tech company Gambro. This followed senior HR positions at AstraZeneca Sweden and Eli Lilly & Co. Lars earned his BSc in HR Development and Labour Relations, specializing in Personnel Management and Educational Planning, at the University of Uppsala, Sweden.

Amrop

Organizational learning – joining the (unusual) dots

As a business lecturer and former executive, Lars Häggström is a passionate proponent of a new business dictum: embracing the new and managing the discomfort that often comes with it singles out the successful organizations and leaders from the rest.

During six years at the renewable materials company Stora Enso, Häggström co-led a transformation that represents a leading example of how a company can open itself to radical new ideas and successfully reconfigure itself, (referred to in two articles in The Harvard Business Review). Crucially, it meant listening to and engaging external stakeholders the company's management had never looked to before, and not least, the company's whole workforce. He relates:

"I was part of an organization (Stora Enso) that was failing to see the developments interrupting its core business. Later on, and almost too late, it had to take drastic measures to survive, scaling back its operations and workforce. Then that same organization went from barely surviving to winning, creating value in a broader sense (financial and environmental), moving into totally new markets with very different offerings. This second phase of the organization's transformation was driven by conscious efforts to open up and understand the world way beyond the organization's field of competition at that time. This moved it away from paper towards renewables. Significant focus and resources were put into developing its leaders on all levels to rethink learning and leading, not least to generate employee engagement.

I dare to say, had the organization not done this, it would barely have survived, and surely not been as prosperous as it is today."

Digging deep

Organizational learning comes in various forms. IMD Professor Howard Yu argues the need for executives to embrace new knowledge bases as a way to compete with copycats. In the early 20th Century, Proctor & Gamble invested in a new detergent, based on their micro-biological research, that undermined the company's own soap production business. Some in the company were alarmed. But, being open to learning, the P&G executives realized that if they did not self-cannibalize, someone else would cannibalize them.

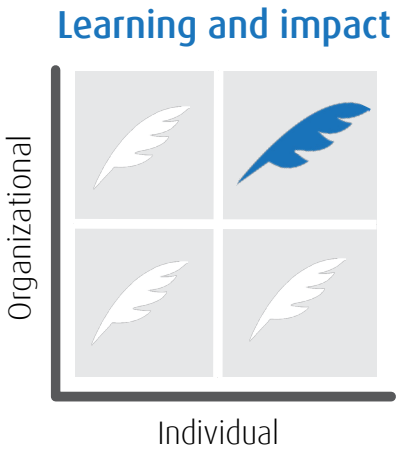
The urgency for business reinvention is now widely felt in many sectors. Häggström speaks of organizations where efforts at greater openness are poor, the approach is too narrow or overly intellectual. And whilst lip service is paid to the idea of involving external stakeholders and employees, this involvement is conducted in a casual or superficial way.

"Commonly, executives complain that their organization needs to be more innovative and agile. But those same executives then act in the same way as they have always done. They dampen the learning process by the way they act as individuals. It seems that executives are effectively saying: "the organization needs to change, but I personally do not".

Commonly, executives complain that their organization needs to be more innovative and agile. But those same executives then act in the same way as they have always done. They dampen the learning process by the way they act as individuals. It seems that executives are effectively saying: "the organization needs to change, but I personally do not".

The answer to the problem lies in the fusion of organizational and executive learning - where the executive sees the benefits of openness to learning, both to the organization and herself personally. Openness means risk-taking, which for the individual executive is scary. But if the organization is set up to learn and is ready to embrace that risk, openness will become part of the culture and learning will become endemic.

> One of these ideas led to a drop in our supply chain costs of €20 million. From an outlay of €2 million, that's not a bad investment. And we could show over a six year period that over 70% of the participants went on to significantly different and/or more senior positions within twelve months, having learned as individuals they were now ready to create additional organizational impact.



What's in it for us? Creating tandem impact

Lars explains: "Imagine a matrix with on one axis "individual learning and impact" and on the other axis "organizational learning and impact". The most effective way to work with learning is to be in the upper right hand corner."

I just came out of a meeting with a global high street retail brand that are looking at exactly this: how can we stop seeing executive development as this process where we put them through lots of exciting training and experience but are only able to measure benefits to the individual? The willingness to pay for initiatives like this is dropping because organizations see no or limited impact for the company. Facilitating individual and organizational impact that can be seen and measured, is almost priceless.

I saw exactly this happen at Stora Enso where executive learning and development was initially paid from the HR budget. As the company began to transform, our CEO, Mr. Jouko Karvinen, viewed this as integral to our journey and he started funding it from his own budget. He saw the organizational impact of the executive learning and prioritized it, to the tune of around €2 million a year.

The gift that keeps on giving

Development of the individual in that training was secondary, to his mind. But the organizational impact was evident after the first year. A concerted number of initiatives led to ideas that took the company into new markets with totally new perspectives, in part taken from disparate industries, like the washing industry in China or start-ups working on renewable materials in Silicon Valley. One of these ideas led to a drop in our supply chain costs of €20 million. From an outlay of €2 million, that's not a bad investment. And we could show over a six year period that over 70% of the participants went on to significantly different and/or more senior positions within twelve months, having learned as individuals they were now ready to create additional organizational impact.

Our CEO was bold in backing this initiative but he saw it as the only alternative to the company dying.

In a way, when driving a transformation, being at the top of a company like Stora Enso, being faced with an existential crisis, is easier than sitting at the top of a bank that's making loads of money, but where everyone inside knows intellectually that they need to rethink and operate differently. In that situation it's harder to find the courage to drive change through. Still, it must be done."

Individual learning - when the executive searches

Taking the risk to leave behind Stora Enso's core business of paper and to a degree, board manufacturing, was a decision taken in the knowledge that not to do so would mean the eventual end of the company, even though in the short term it had returned to profitability. For Häggström, the wisdom to do so was born from the experiences of professional failure that were already under his belt.

He relates: "From a personal perspective I have twice failed to read the context properly when changing jobs, between companies and industries. I continued to lead as I'd always done. I neglected external changes and unique internal dynamics. I led on the basis of past successes. In both of those jobs it led to a performance rating below my expectations. In one case I managed to bounce back, while in the other I resigned and left for another job, blaming the organization. But I was the main reason for my mediocre performance."

What has he learned from these experiences that impacts the way he acts now?

"It taught me to be an active student of context, external and internal. While I can look back and gain energy from past successes, I now know that I always have to study and learn and adjust to the new, continuously reinventing myself. It also taught me to never just say, "The world is changing, the organization needs to change, but that doesn't apply to me." Rather, it starts with me, giving priority to learning. I know now, that as an executive, learning is a prerequisite for continued impact."

Few executives would describe themselves as having no need for learning, or being closed to it. What could be more natural? But Ben Bryant, an IMD Professor of Leadership and Organization, has identified four distinct areas in which executives hold themselves and their companies back (see right). Our human defence mechanisms underpin all four factors. We do not decide to employ them, they occur in us naturally and unconsciously.

If it hurts, its probably working

It is easy to talk up the need to embrace failure. But, how many times can an executive fail before she is considered, in the broader sense, a failure? The answer, according to Lars, lies in the organization's appreciation of learning, and the understanding that this at times needs failures. And in the ability of the individual to combine a relish for newness with the stability that people also want and expect in their leaders. Lars outlines a personal case in point:

"At Eli Lilly I was moved from managing HR in the Nordic region to managing HR in Latin America, which was performing poorly. There the culture was very different and your ability to perform well was intricately woven with your ability to connect with people; *"How's your wife? How are you doing? I care about you,"* etc.

Why executives stop learning

1. **Routines kill curiosity** - organizational roles are full of routines
2. **Over-confidence – "I'm senior therefore I'm right".** This tends to get worse the more senior you become
3. **Repeating the successful formula** - this seems as if it is the best way to avoid failure (an illusion)
4. **Fear of vulnerability** (caused by lack of feedback) - even though vulnerability is our most accurate measure of courage.

> Why, if you see and hear something different that forces you to learn and change, would you throw yourself in that direction? It's extraordinarily risky. Showing vulnerability and taking risks when in a very senior role is anathema to what got you there in the first place.

When the melody changes

I struggled with that and instead did what I knew how to do – to work even harder, launching new initiatives. To borrow a music metaphor from Ben Bryant, I arrived to Latin America hearing this new type of "music", and it confused me. There they put a lot of emphasis on seniority and relationships, and you as a senior leader making the decision, and with me being young and looking to involve people in decision making, they concluded that I was inexperienced and weak.

Also, I worked hard to gain the trust of my manager, which only served to distance me from the organization below me. Honestly, I cared less about the staff than for myself and for my continued success. Again, they were looking for more decisive leadership, not someone like me who admitted to ignorance and was keen to canvas opinion and knowledge before making decisions. So, when I should have picked up on what was different, this new music, I forced it back into the sounds that I already knew - which was to tell myself that my drive, my inviting them to make decisions together with them would, in the end, win them over.

I think the number of failures you'll be allowed to make depends on the organization that you're in, and on your own ability to learn from those failures and realize that maybe it wasn't the context that was wrong, maybe it was your own ability to read and understand that context, and that it's up to you to learn and enjoy other types of music.

This is difficult for executives, not least when they step up in the hierarchy on the back of multiple successes playing a certain type of music. Why, if you see and hear something different that forces you to learn and change, would you throw yourself in that direction? It's extraordinarily risky. Showing vulnerability and taking risks when in a very senior role is anathema to what got you there in the first place."

What's in it for you? The beauty of dissonance

Dissonance is good. Feelings of discomfort and vulnerability were seen in the past as painful and unproductive, and therefore to be avoided. But this is no longer the accepted wisdom. Taking time during difficult periods to reflect is one sure way to find the best way forward, Lars explains.

"As one manager said to me earlier in my career, *Lars, you've got to get better at being lost.* In the past I facilitated a resolution too quickly because I couldn't stand the feeling of dissonance. So why would you expect people to choose dissonance, make themselves vulnerable and admit they're not sitting on all the answers? To say: *"let's open up this organization and engage with our clients, suppliers, our previous enemies".* Why would you do that when it's so uncomfortable?

Picking discomfort over resolution is a rare thing, and I don't think anyone would choose to do it unless you realize the benefits of it, or the pitfalls if you don't. Executives often agree intellectually that their organizations need to do these things, but do they set their organizations up to act accordingly and are they themselves leading by example? I argue that too few do, and that this will impact both themselves as well as the organizations they lead."

Learning engagement

Häggström's experience at Eli Lilly might seem like a natural piece of learning for a young executive. But he believes he got away with it, since Eli Lilly was truly commited to learning. In today's business world, this era of massive disruption, would they be so patient with someone performing below average during their learning process?

"I think too few organizations value learning to the necessary degree. In this case, I might very well have been fired. And this is what often happens from an organizational perspective today.

Our research shows that if organizations operate in that way, not giving priority to learning and showing patience as people grow in new contexts and new roles, then highly qualified Millennials are deciding not to work for them. They demand that companies cater for organizational and individual learning. Otherwise the talent goes elsewhere. Also, the larger part of the organization, and many employees, might be less able to vote with their feet, but I argue that this stagnation is contributing to dropping engagement levels, as evidenced by Gallup's annual engagement survey." (In late 2018 Gallup found that 87% of employees worldwide are not engaged at work. Yet companies with highly engaged workforces outperform their competitors by 147% in earnings per share).

With some learning from his experience at Eli Lilly, but apparently not enough, Häggström stepped into a CHRO role at a bank. He failed to read the context of the organization, and soon found certain dynamics to be out of tune with himself. And not learning enough from the mistakes he had recently made meant repeating some of them again.

> "Disengagement happens because people are not doing their due diligence before they take a job. It leads to a clash between their personal identity and their job. And after a while their work environment becomes unbearable.

Try before you buy

"I tried to bring to the role the things I'd learned from past experiences, to ask a lot of questions, work through the organization and not be aloof from it. But at the bank, if I'd asked to listen to some of the songs before buying the record, I simply wouldn't have bought it. But I didn't ask, and yet again my performance was not where I wanted it to be.

This is an all-too-common story of disengagement, again, backed up by the Gallup figures.

It took Häggström's self-styled alienation from his position at the bank to finally appreciate that he needed to work for a company whose core was close enough to his own that he could influence it.

"This happens because people are not doing their due diligence before they take a job. It leads to a clash between their personal identity and their job. And after a while their work environment becomes unbearable.

There's a Foo Fighters song called 'Best of you' which is about whether someone is getting the best version of you. You need to ask yourself if you're working close to your full potential - if you're not then you should at least consider doing something different. When I changed jobs again I did a very good piece of due diligence for the first time in my career. Before joining Stora Enso I made sure the culture was right, and I effectively interviewed them as much as they interviewed me.

It's very easy to say and hard to do, but you need to fight for choice."

1. Realize that this is the only way. If in doubt, look at organizations that failed or succeeded and you'll find the evidence you need.
2. In parallel, look at your own past and try to identify when you've been impactful and happy, or the opposite, and you'll come to the same conclusion as me, that learning is key.
3. Find the most compelling way for you to learn. I'm no big reader of business books, but I like to observe and I get hooked on stories, from real people with whom I consciously engage.
4. I like to reflect on my own past, and my current behaviors, trying to analyze what did and didn't work, and why.
5. I'm a sucker for feedback. Rather than just relying on my boss, I reach out to people that I trust and respect, asking for specifics.

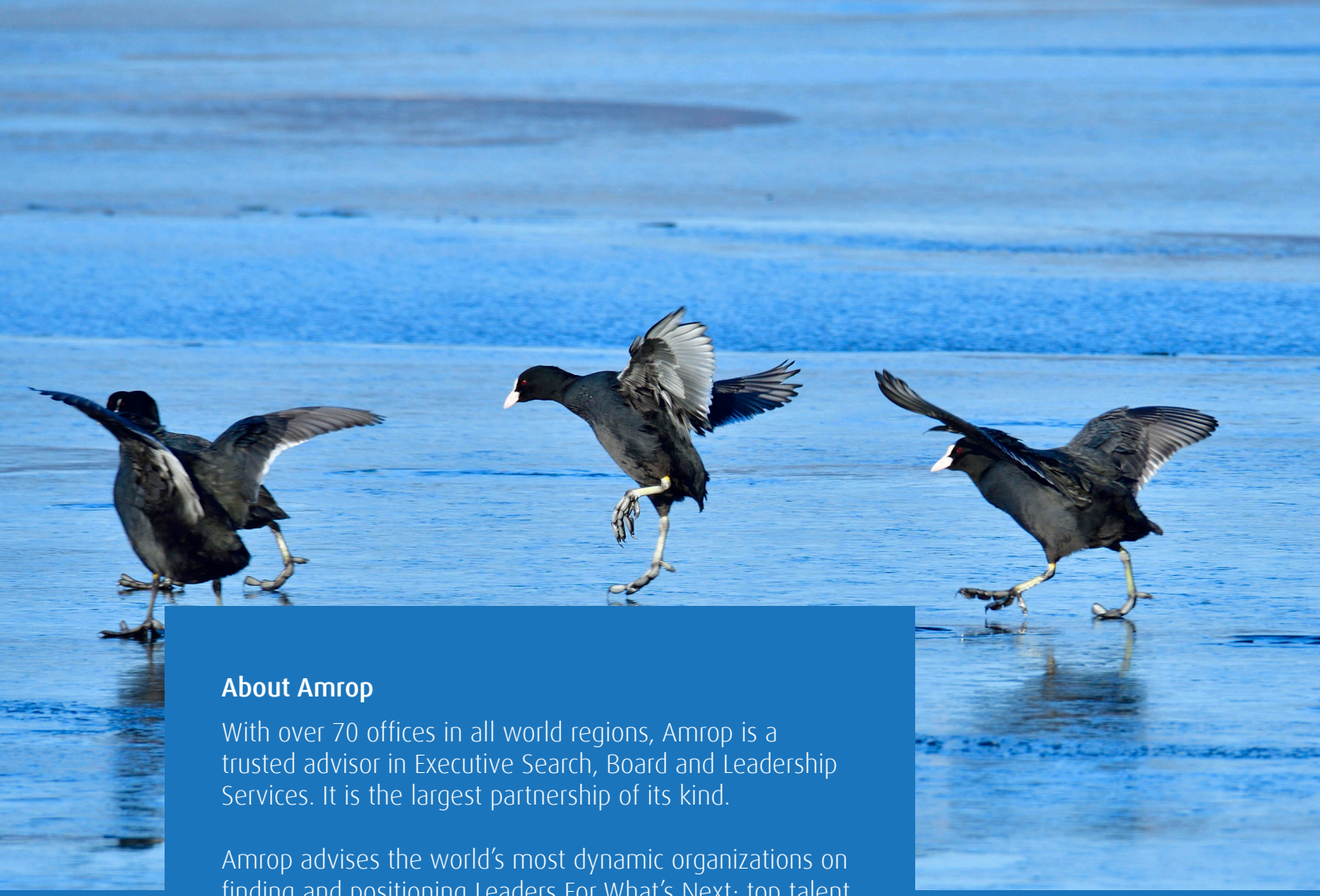
Finally, I have some tips on how to best cooperate with executive search consultants.
How to sort out your plans for the future, increase the chances of your plans being realized and make sure you're aiming for an industry and/or a company where you're likely to be successful.

Try to get to know a search consultant you really trust, someone who's able to probe for your true values and identify what must be in place to make you successful. Someone who has your best interests in mind. Once you've done this, foster this relationship as it'll be a wonderful asset for your continued growth.

Move from your vision of where you want to be to a practical level. Discuss with your trusted search consultant on what that plan might be and how to act on it. Search consultants do this for a living. Not tapping into this insight is simply stupid.

When you are in the process of getting a new job be aware of all dynamics at play that might increase the likelihood of things going wrong. For example, an employer who's keen to get you may well be telling you more what of you want to hear than the truth, whilst you, if you're like most people, loving confirmation and praise, are less critical than you normally are. Hence, my advice is to sort out what your values are and what needs to be in place for you to be happy and successful. To ask for as much evidence as possible that this is in place, or secure the mandate to put it in place yourself.

Finally, once you're in the right job, realize that the first 90 days have a tremendous impact on the likelihood of success. I refer you to the book: "The first 90 days", by Michael D. Watkins. Read this, and act upon it, and you'll be well positioned to succeed.



About Amrop

With over 70 offices in all world regions, Amrop is a trusted advisor in Executive Search, Board and Leadership Services. It is the largest partnership of its kind.

Amrop advises the world's most dynamic organizations on finding and positioning Leaders For What's Next: top talent, adept at working across borders in markets around the world.

Amrop's mission: shaping sustainable success through inspiring leaders.

Amrop's partnership with IMD Business School provides a strong academic foundation for the ongoing executive development of Amrop Partners and Consultants. Delivered via multi-day in-person sessions at the IMD Campus in Lausanne, Switzerland, as well as lectures and speaking events at our global and regional meetings, IMD's Professors drive research-based and real-world learning on a range of business themes.

www.amrop.com/offices

©2018 The Amrop Partnership SCRL. All rights reserved.
Photography by 123RF
Icon by Freepik at www.flaticon.com