

Leading lasting change in an ever-changing world.



Executive Summary

What kind of leadership thrives in a time of such great uncertainty and transformation? How do you overcome resistance to change and then avoid complacency once it's underway?

In this white paper, we examine the principles of successful change, take lessons from organisations and individuals who have done it well, and identify the stand-out behaviours required of leaders as genuine change-makers.

Welcome to VUCA

The acronym 'VUCA' has been used extensively in recent times to describe the prevailing operating context for businesses around the globe.

It was originally used in military settings to describe the more volatile, uncertain, complex and ambiguous world order resulting from the end of the cold war in the early 1990s.

More recently, it has been increasingly applied to describe the pace of change and level of unpredictability facing current business executives and government leaders.

As the world arrives at what appears to be a pivotal juncture in the fast-moving evolution of modern industry, with digitisation firmly taking hold and machine technology promising to disrupt or transform almost every sector in the coming decades, the only question is, does the term go far enough?

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Early Warnings

Burning issues occupying organisations the world over include digital transformation, block chain automation, 'robot' technology, corporate citizenship and social impact, well-being (in an 'age of overload'), global collaboration and trade, enterprise leadership, hyper-connectivity, corporate social responsibility and sustainability.

Establishing sustainable, diversified economic conditions is at the heart of these changes, with continued historically low oil prices sending a large warning shot across the Middle East.

Despite a recent partial recovery, alternative energy sources, over supply and more efficient, 'cleaner' technologies continue to threaten the sector, one which has been a primary driver for the economic advancement and prosperity the region has experienced over the last half century. This has contributed to a clear awareness among the region's leaders that far reaching and accelerated change is required, to achieve ambitious targets and attain global competitiveness.

'Sustainability', 'Citizen Happiness', 'Digitization' and 'Diversification' (by stimulating previously untapped sectors), are subjects at top of the regional agenda. It is also widely recognised that certain 'types' of leaders are required to successfully drive these changes.



Adapting to the Environment

To 'swim' within the VUCA environment described earlier, it has been said that today's business leaders need to bring their own version of VUCA.

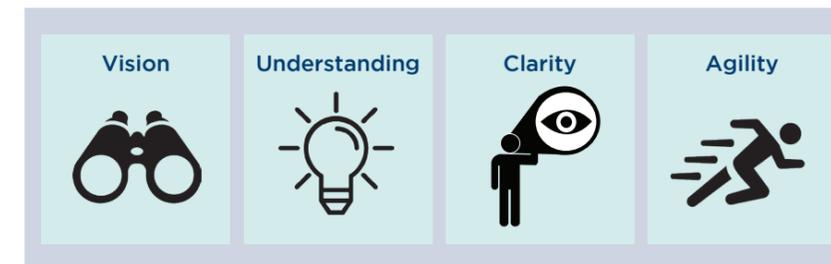
Vision, Understanding, Clarity and Agility

Having Vision, Understanding, Clarity and Agility is key to successfully navigate the challenges and deliver the transformations so desperately required.

So what are the characteristics leaders need to demonstrate to survive and thrive in this new landscape?

A study of change leadership research and corporate case studies reveals a number of behaviours that are consistently seen to be prevalent and critical in transformation scenarios associated with successful implementation.

Before addressing these, it is important to consider the challenges facing leaders tasked with pulling off successful, large scale transformations required by the region's businesses and government organisations.



Failing to Change

According to Harvard Business Review, two-thirds of transformation efforts fail (HBR 2016). According to change guru John Kotter, 50% of those transformations “fail at the first hurdle.” (Kotter, 1995).

Leading organisational psychologist and test publisher Bob Hogan lays much of the blame at the door of business leaders, stating that “two thirds of managers in corporate America (business, government, education, healthcare) are ineffective or incompetent and ultimately will fail because they are unable to build and maintain a functioning team.” Hogan 2012.

Kotter famously set out a model for successful change in 1995, a model still used or referenced widely today. In it, he describes the eight important steps that organisations and leaders must take, in sequence, to successfully implement the desired change. As a reminder, this model is illustrated below:



Total Effort

The likes of Ken Wilber and Anderson & Ackerman Anderson have talked about the importance of implementing change across ‘all levels and all quadrants’ simultaneously. This is referred to as the AQAL model (Wilber, 2000).

As the title suggests, according to this model, attention and focus needs to be given to multiple layers at the same time. These include (but are not limited to):

- behaviours,
- mind-set,
- new technology,
- strategy, systems,
- culture,
- processes etc.

In their book, Beyond Change Management, Anderson and Ackerman Anderson have categorised these elements into four dimensions: Internal/External and Individual/Collective. Failure to attend to any one of these, according to the theory, can significantly or even terminally disrupt a change initiative. Therefore, successfully implementing change is not easy and as earlier referenced, can often be beyond the capabilities of the majority of leaders, as Harvard Business Review and Bob Hogan have confirmed.

Successful Change

The good news is that there are specific behaviours and orientations leaders can adopt and demonstrate (consistently), to strengthen the likelihood of success.

Kotter defines leadership as follows: “Leadership is about mobilising a group of people to jump into a better future” (2013). Hogan also focuses on this aspect of followership in his definition, “If leadership is the ability to build an effective team, then a good leader must be someone others are willing to follow.”

It seems there is an inescapable link between the failure rate of change initiatives and that of our leaders (the ‘two thirds’ rule). Perhaps if we can improve our leaders, we can improve our ‘hit rate’ when it comes to successfully implementing change.

Collaborate and Improvise

The leader's role in transformation is always key.

Charles Darwin is quoted as saying "In the long history of humankind (and animal kind, too) those who learned to collaborate and improvise most effectively have prevailed."

Certainly, a look back over both successful and unsuccessful attempts at organisational transformation reveals that this aspect of mutual collaboration (pulling in the same direction) and improvisation (or agility) are fundamental and make all the difference.

The leader's role in all of this is always key. The likes of Shell, GE, Nokia, Santander and Virgin, have all undergone large scale and ultimately successful transformations in recent times. These can be compared with the likes of Blackberry, Toys R Us, Kodak, Borders and Blockbusters, all of whom have failed to 'reinvent' themselves in time, as the pace of market change outstripped their capacity to adapt.

Shell, led by CEO Jeroen Van der Veer, recognised the need to transform its structures and processes in order to cope with changing global market conditions. These changes were not well received by many business units who stood to suffer in the short term as a result of the changes.

Leaders therefore required unflinching determination and focus to secure adoption from all parts of the business, by communicating what was required and why, and doing it repeatedly and compellingly.

Santander CEO, Antonio Horta-Osorio (now CEO of Lloyds TSB), was tasked with establishing a stronghold in the UK banking sector by a Spanish brand with little or no previous track record. The bank made a number of acquisitions, buying up several traditional and commercially conservative 'building society' brands with legacies dating back as far as 1849, and transformed them into a new retail powerhouse.

He successfully achieved this, in large part, by convincing stakeholders to grasp the value and importance of 'shredding old ways'.

Virgin Group, who have evolved from a student magazine in 1968 to a conglomerate of 42 companies, encompassing airlines, media, mobile, health, hospitality, retail and finance, describe themselves as "having disruption in our DNA" and "changing business for good."

Urgent Need

So what are some of the 'enablers', leaders must consider as they embark on their 'journey against the odds'? First of all, a new leader must believe in and see the need for change in the first place. This sounds obvious and straightforward, but can actually be challenging for an incumbent, who may be attached to a previous business model or culture. As a result, the leader must have strong capabilities to 'regenerate' or else be oriented towards change at a fundamental level. If this isn't the case then a new leader should be considered to head the initiative.

Successful change leaders need to foster a sense of urgency, creating a necessity for change, whereby the prospect of staying the same is actually more frightening than the prospect of change.

Some organisations have taken deliberate steps to create an internal 'crisis', to act as a catalyst. For example, one leader deliberately ran a customer survey, knowing full well that the results would make grim reading, in order to create a shared understanding and agreement for a need to change.

Addressing the Heart

John Kotter states "the core of the matter (change) is always about changing the behaviour of people, and behaviour change happens in highly successful situations by speaking to people's feelings."

An internal crisis, even if self-inflicted, can and often does serve this purpose. Leaders must also recognise that they cannot do it all themselves and therefore need to assemble a powerful guiding coalition to cascade the message and address obstacles and dissenters, who must be convinced or moved.

A powerful, compelling vision, that resonates and speaks to people's 'feelings', is also a necessity. "Don't address their brains, address their heart," as Nelson Mandela famously said. The message needs to feel authentic; the 'corporate line' typically will not suffice on its own.

Additionally, in line with Kotter's eight-step model, the achievements and celebration of short-term wins is critical to build belief and motivation (and counter cynicism). In Saudi Arabia, we are seeing this with the widespread publication of the changes in social policy and regulation.

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Overcoming Resistance

Amongst the challenges 'change leaders' must overcome include affecting a cultural shift (for example, moving to a more performance- or results-oriented culture), which is clearly a hugely onerous task in its own right. The 'reimagined vision' for an organisation may require specific skills and tacit knowledge, not currently in place or immediately available.

At an individual level, we typically have an in-built and inherent resistance to change. We all function by establishing set behavioural patterns and routines, even mind-sets to which we have become accustomed. These will take energy, will and effort (and therefore a large amount of convincing) to change.

Furthermore, leaders will often find that departments or separate entities operate in silos, or even in competition with one another, and are therefore reluctant to collaborate. That's particularly true if the change impacts one business unit more than another.

Risk can be mitigated by embedding the change in new systems, policies, processes, culture.

Avoiding Complacency

This notion of 'institutional competitiveness' must be overcome and leaders must be encouraged to adopt and foster an 'enterprise mind-set'. Deficient systems or physical infrastructure that is not up to the task can also be debilitating.

At the individual level, a lack of responsibility, whereby people see the task of change as someone else's job, must be overcome, and replaced by a sense of accountability, ownership and togetherness.

Even when change efforts appear to be going to plan, the threat of complacency must not be allowed to take hold. On many occasions, change leaders, having considered the change to have been successfully implemented, have been blind-sided and found progress stall and changes overturned under their noses, due to a failure to institutionalise the change. This risk can be mitigated by embedding the change in new systems, policies, processes, culture, and by putting in place a succession pipeline of leaders who are advocates for the new direction and demonstrate the requisite behaviours.

Good Behaviours

So what are these good 'behaviours' leaders need to demonstrate? Before getting to these, there are several foundational or 'price of entry' behaviours that are important. For example, 'integrity' should be present and visible.

In a survey of 1,000 professionals, 81% rated trust as the most important leadership characteristic they wanted to see in their superiors. In this research, Bob Hogan found that trust in a leader predicted a raft of organisational outcomes, including productivity, job satisfaction and organisational commitment; all important elements of a successful change campaign.

'Judgement' or 'decision making' is also critical. It is all well and good engaging the organisation in a new direction, via a compelling story and vision, however it is clearly an imperative that the decision to go there in the first place is rooted in rational thinking and shrewd judgment.

It is also important for leaders to be seen as having 'business competence' if they are to inspire others to follow them. 48% described their best boss as being good at business strategy. Finally, having the capacity to 'create and communicate a compelling vision' is also critical, in order to convey the significance of the collective mission, in order to transcend personal interest, clarify roles and clearly chart the way forward.

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Foundational traits of a change leader



Stand-out Behaviours to Drive Change

So when it comes to driving change, the following five behaviours stand out as consistently being present and critical among leaders who have successfully delivered against a challenging change mandate:

1. Courage.

Significant change inherently carries significant risk. And leaders need to put their necks on the line. For example, when Rajeev Suri took over as CEO of Nokia, the company was facing a crisis with plummeting sales of their previous 'cash cow' handset business. They made a huge call to sell off this core product line in order to focus and invest in network infrastructure. They sold their handset portfolio to Microsoft and simultaneously bought out their JV partner Siemens from their network business. This change ultimately resulted in a twelve-fold increase in stock value from its 2012 low, but would clearly have placed their CEO under huge pressure had it not gone well. Following GE's transformation over the course of his tenure (2001 to 2017), Jeff Immelt remarked that "we never feared taking big steps to create long-term value". John Kotter highlights the importance of leaders having the courage to tackle resisters head-on,

"whenever smart and well-intentioned people avoid confronting obstacles, they disempower employees and undermine change" (2001). The great JFK famously said, "only those who dare to fail greatly, can achieve greatly."

2. Agility.

We noted earlier that in order to cope and thrive within a 'VUCA' environment, leaders needed to bring 'Agility', alongside 'Vision', 'Clarity' and 'Understanding'. 'Leadership Agility' can be described as "the capacity and ability of the individual to deal effectively with new and unfamiliar situations and optimise their contribution, impact and personal growth through complex, challenging and stretching contexts." (Odgers Berndtson LeaderFit™ model, 2017). Sub-components of this include adapting one's interpersonal approach to successfully influence others, thinking broadly to find solutions to complex problems, striving to achieve stretching targets with resilience and determination and regularly

engaging in self-reflection and personal development in order to continually enhance and grow one's capabilities. All are qualities relevant when it comes to driving change.

3. Resilience (and determination).

The former world heavyweight champion boxer Mike Tyson famously once said, "Everyone has a plan, until you get punched in the mouth". In his book, 'Good to Great', Jim Collins reported that "leaders (of the greatest companies) had an unwavering resolve... to do what needed to be done." Putting in place a raft of changes, at all levels and quadrants, Internal vs External and Individual vs Collective, is hugely challenging and, of course, never goes instantly to plan. To last the course, leaders need to be able to dust themselves off from the inevitable setbacks, overcome obstacles and withstand intense pressure, often absorbing heavy criticism from multiple directions.

4. Optimism.

"The more you believe in your own ability to succeed, the more likely it is that you will," said Shawn Achor in his book, *The Happiness Advantage*. He documented the evidence gathered from hundreds of research studies, investigating the impact of mind-set. The findings are conclusive: self-belief and self-efficacy are vital qualities leaders must possess to improve their chances of success. And they must be able to carry that belief and 'optimism' forward with a conviction and confidence that convinces others to follow. "Each tiny move towards a more positive mind-set can send ripples through an

organisation." (Achor, 2010). Indeed, it is not possible to jump start a 'dead battery', with another one.

5. Visibility.

While belief and conviction in the message is critical, it is equally important that the same message is communicated and shared as regularly and widely as is humanly possible. This requires 'Visibility'. "You have to be all in... I personally spent 50% of my time in growth regions... communicating the message repeatedly, at the yearly meeting, corporate offices, gatherings, quarterly executive council, town halls, webcasts, blogs, annual report." (Immelt, 2017). In his published fable, 'The Four Obsessions of an

extraordinary Executive', Patrick Lencioni talks about the importance of "over communicating" key messages, particularly around vision, mission, key objectives, company values, purpose etc. Indeed, in change scenarios it is actually incredibly difficult to actually over-communicate, with most change initiatives suffering from a lack of it. "People were given clear messages about the future. The aim being for people to understand and embrace the change." Antonio Horta-Osorio, Santander.

The above five key behaviours can be captured and remembered with the acronym 'CAROV'. Leaders need to show these characteristics consistently to take 'CAROV' the changes they have been asked to make.

Whilst implementing large scale change is typically immensely challenging and seldom straightforward, adoption of the above five key behaviours described above, and demonstrated by leaders in charge of many successful previous transformations, will certainly improve the chances of success for those charged with the task.

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ABOUT ODGERS BERNDTSON

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FOR MORE INFORMATION



Paul Vella
Partner, Dubai

Paul Vella is a senior Business Psychologist and Executive Coach, with over 15 years strategic human capital consulting and coaching experience within the UK, Europe, North America

and the Middle East. He has worked up to board level with expertise in Talent Strategy, Succession, Leadership Development, Leadership Assessment, Executive Coaching, top team effectiveness and Organizational optimization.

Prior to heading the Middle East Leadership Practice at Odgers Berndtson, Paul was a member of the leadership team at another international Human Capital consultancy, with responsibility for designing and directing large-scale leadership development, assessment and strategic talent management consulting projects. Paul's additional prior experience includes heading the UK division of an international psychometric test publishing and consultancy business and prior to that, various leadership and talent consulting roles. Earlier in his career, he also headed a regional government department.

Paul has consulted across a range of industry sectors, including Financial Services, Healthcare, Industrial, Consumer, Engineering, Telco, Consumer, Retail, Media and Professional Services. Paul's core purpose and passion are to apply hard psychology research combined with a commercial focus to enable leaders and top teams to fulfil their potential and optimize performance in order to drive business outcomes and positively impact the organisations they serve and the teams and communities around them.

He is a certified and registered Occupational Test User: Ability and Personality, a member of the British Psychological Society and ASTD certified in Coaching, Talent Management and Career Development. He is also a regular conference speaker, facilitator and media contributor. Paul holds an MSc in Occupational Psychology and a Bachelors degree in Psychology.

E: paul.vella@odgersberndtson.com
T: +971 (0)43621829



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