The Value of Organisational Development from the CEO's Perspective [1]

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When you ask a CEO what keeps them awake at night, they will typically mention two things: concerns about how to get their organization to deliver against expectations in the short term, and how to develop the organization so that it is fit for the future.

These two challenges have remained unchanged over time. However, what has changed – quite dramatically, in the past five years – is the world in which CEOs operate. Globalization, the pace and scale of technological developments, demands for greater transparency of leadership, closer communication with customers and stakeholders – all of these factors are influencing the way successful organizations operate.

Business leaders need to identify, prioritize and capitalize on these contextual changes in order to sustain their businesses. They need new approaches to tackle today's challenges – and many of these approaches are to be found in Organisation Development (OD).

OD occurs at all levels of an organization. However, given the scale and complexity of the challenges facing today's organizations, the natural place for the leadership of system-wide organizational change is the CEO. The CEO supported by experienced OD practitioners has the potential to make a significant impact on organizational performance in both the short and long term.

The CEO's increasing need for OD expertise

Recent research undertaken by Mullwood Partnership in collaboration with Dr. Sukanya Sen Gupta, Associate Professor of Warwick Business School, Andrea Adams, Triumpha's Managing Director and supported by CriticalEye (Network of Leaders), offers insight into the increasing need for OD expertise among CEOs.

The research identifies the career experience and attributes required for future CEOs, with data from three questions particularly relevant:

1. What has changed/is different about the CEO role today than five years ago?
2. What are the leadership challenges that today's CEOs need to meet?
3. What is the one factor that makes a CEO successful – which areas most influence CEO success?

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Responses to these questions provide CEOs with insight into where OD interventions may create the most value.

So what has changed in the past five years? Responses to this question are shown in Table 1 below.
Four clear themes emerged about the CEO role itself, the impact of the environmental context, standards for creative people leadership and the critical external relationships on which a CEO must focus.

Table 1 What has changed in the past 5 years?

Role: • Greater transparency; • Need to deliver constant/transformational change, while also ensuring stability and direction in unpredictable market conditions; • Shorter average tenure, less patience among stakeholders for results; • Higher customer expectations, greater need for detailed market knowledge; • Reputational risks and correlation between personal reputation and corporate requires greater personal resilience; • More leadership versatility, able to think at big picture and operational levels.	**Environment:** • Accelerated pace of change and expectation of fast results; • Faster, more dynamic communication methods (social media) and technological developments; • Pressure from stakeholders to outperform the market and focus on how results are delivered; • Competitive edge reliant on agility, creativity and innovation. Constant economic uncertainty demands multiple strategies.
Creative People Leadership • Genuine integrity and consistency of leadership; • Connection with people at all levels of an organization; • Talent attraction and development; • Ability to inspire and mobilize the whole organization; • Creation of exceptional senior team, using a coaching mindset.	**External Focus** • Managing a range of stakeholders, from investors to media to regulators; • Increased amount of personal time dedicated to external issues; • Public scrutiny at a personal level.

Stakeholders – including customers and employees – have higher expectations of CEOs, yet market conditions have become increasingly complex and unpredictable. Public scrutiny has increased, with corporate leaders expected to demonstrate strong personal and professional values.

CEOs today must be flexible and agile enough to seize opportunities, and need organizations that are primed to embrace innovation and creativity.There is greater demand for versatility in leadership, with CEOs called upon to be equally able at setting organizational vision and strategy and at developing and coaching individuals.

Interestingly, 60% of respondents said none of these leadership challenges was new. Instead, today's 'stretch' results from the amplification of existing leadership challenges, which are outlined overleaf in Table 2.

These leadership challenges are changing the proportion of time CEOs spend on different topics, in the approaches they deploy and accelerating delivery timescales, influenced by typically shorter CEO tenures.

Table 2: Today's leadership challenges

Engaging employees	• Engaging people locally and globally • Building diverse talent and leadership capability • Creating a real sense of belonging for employees • Enabling diverse and innovative thinking • Managing the complexity of different generations and cultures within one organization
Communicating with customers	• Re-inventing customer relations • Gaining continual insights through a variety of channels: understanding what customers are thinking • Being open minded and inventive in customer engagement
Managing stakeholders	• Ensuring transparency and visibility among all shareholders and stakeholders
Providing future vision	• Holding people's attention and loyalty • Creating context and meaning for the short and long term in a volatile marketplace • Providing clarity, enabling courage
Managing complexity and uncertainty	• Adapting to an environment of rapid change created by globalization and technology
Understanding and setting strategic course	• Knowing how to drive, change and lead the business • Managing consistency and spotting opportunities for growth
Communicating	• Handling the immediacy of social media, media and being transparent and accessible
Managing risks	• Dealing with high levels of personal risk and visibility, while being an engaging leader
Ensuring diversity	• In its broadest form, beyond the business plan and beyond gender and thought diversity
Maintaining personal health	• Both physically and mentally

What is the one factor that makes a CEO successful?

Each of the top seven factors identified by the Mullwood respondents is one where OD makes a transformational difference:

1. People Leadership
2. Vision
3. Drive/Passion/Energy
4. Business Insight/Understanding
5. Articulate/Communication Skills
6. Team Building/Delegation
7. Strategy

A CEO is expected to develop a vision, strategy and financial goals for the business, but it is strong people leadership that is the differentiator.

The following quote from Jonathan Chapman, Audit Director Planning, Resources & Risk at AVIVA, effectively illustrates this point:

> *Today's CEO must be able "to take people with you on a journey. You can have the best strategy in the world, but if people don't want to follow you then you won't be successful. Ironically, you are almost better having a mediocre strategy that is well implemented, than a brilliant strategy that is poorly implemented. Succeeding comes from getting people behind the direction [you've set]. That is about building your executive team around you to really… pull it forward, and having that spirit and drive cascade down through the organization."*

Turning from the specific challenges of the CEO role to the macro challenges for today's organizations, OD is again a central requirement.

As Gary Hamel argues in "The Future of Management", for organizations to be fit for the future they need to be fit for human beings. He identifies the biggest challenges facing organizations today as:

Accelerated change: Building a company that can change as fast as change itself.
Hyper-competition: Building a company where innovation is the work of everybody, everyday.
Creating new knowledge: Building a company where people are willing to bring the 'gifts' of their initiative, creativity & passion.

Today's organizations operate in a profoundly different world to the one that existed when many of the prevailing management models and approaches were developed.

There is a need to design and develop organizations that are more adaptable, innovative, collaborative, inspiring and ultimately accountable. This calls for a different approach, one where collaborative multi-disciplinary communities produce interventions fit for the times – and it is a challenge to many deeply held beliefs and practices. Quite simply, we have run out of road with the existing management model and we need to do things differently.

OD offers approaches that resonate with today's business challenges, it helps CEOs balance short-term performance objectives with longer-term resilience, or, as Colin Price and Scott Keller describe it, organizational health[4]. Price and Keller's research makes it clear that CEOs need more help in defining their

longer-term 'health' agenda and we can assume that striking a balance between performance *and* health is not the norm.

McKinsey's 2010 survey of companies undergoing transformations reveals that organizations that focused on performance and health simultaneously were nearly twice as successful as those that focused on health alone and nearly three times as successful as those that focused on performance alone.

OD practitioners working at senior executive level need to be able to partner the organization on their journey, being responsive and addressing issues conversation by conversation. For example, Triumpha was asked to facilitate a board strategy session to define the purpose, vision and strategic priorities of a newly independent organization – a seemingly straightforward brief.

However, before the session, the Chair raised questions about whether the incumbent CEO had the experience and capabilities to lead the next phase of organizational development.
This resulted in the organization of a second board-level conversation to help the board define the success criteria and CEO role profile they needed. Ultimately, the board decided to appoint a new CEO. Triumpha then developed the underpinning leadership behavioral model and joined the selection panel to conduct a behavioral interview, and coach the new CEO once appointed. It was able quickly to respond to the board's changing requirements.

Today's opportunities and problems require unique solutions. Our increasingly complex and competitive environment demands a strategic response. According to Michael Porter, Professor at Harvard Business School, strategy explains how an organization faced with competition will achieve superior performance.

If you want your organisation to stay in the mix and remain effective into the future, you need to take a hard look at your competitive environment and develop a value proposition that is in tune with, perhaps even ahead of, the marketplace you serve.

If we compete to 'be the best', we risk competing by imitation – ultimately delivering 'vanilla' offerings that are out of step with today's challenges. Competing to be unique, however, ensures we meet the diverse needs the new business context demands. Competing to be unique relies on OD practices to identify and develop the, strategic, adaptive, leadership and cultural capabilities that your organisation needs to be fit for the future.

Creating and leading organizations that are adaptable, innovative, collaborative, inspiring and accountable used to be the concern of the few. It is now the concern of the many. OD finds itself occupying an unfamiliar position at the top of the organizational agenda.

The work from the Mullwood partnership, McKinsey and Gary Hamel provides a strong directional indicator of OD's importance as a board-level practice.

References

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About the author

Andrea Adams' approach is shaped by 20 years of operational HR & OD experience and over 10 years at Board level in both executive and non executive roles. She combines mastery of HR with an equally comprehensive understanding of board level business and strategic issues. Her particular strength is bringing these disciplines together to help leaders deliver performance today and ensure they and their organisation stay fit for the future. She particularly enjoys helping leaders to think differently and bridge the divide between ideas, strategy and action to deliver performance breakthroughs that translate into bottom line results.

Andrea is the Managing Director of Triumpha, a niche consulting practice which specialises in, 'breakthrough perfomance led by people'. She is also an Asssociate Consultant for Ashridge Consulting.

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