



Leadership



# Reinventing Your Leadership Team

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# Reinventing Your Leadership Team *Your* organization's future depends on getting this right.



PHOTOGRAPHER ALICE MANN



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**As companies strive** to build competitive advantage in a world obsessed with digitizing (which is often a must but rarely differentiating), they find that what they need from their leaders is changing. Their top people must be able to reimagine the company's place in the world and transform the organization to live up to a more ambitious purpose. That will mean fundamental change not only in the executives themselves but also in how they collectively manage and lead the firm.

Consider, for example, how the skills that leaders need for success have evolved—and the degree to which many executives are seen to struggle with these new demands. A recent survey conducted by Strategy&, PwC's global strategy consulting business, highlighted the importance of balancing certain characteristics that on the surface look paradoxical. We used to accept, for instance, that leaders could be either great visionaries or great operators. No longer. Companies now need their top people to perform both roles—to be strategic executors, in other words. They're also expected to be tech-savvy humanists, high-integrity politicians, humble heroes, globally minded localists, and traditioned innovators (see the exhibit "Six Paradoxical Expectations of Leaders"). Not only did large majorities of the survey respondents agree on the importance of those roles, but they also voiced alarming concern about leaders' lack of proficiency in them. Addressing a company's leadership gaps, however, is not merely a matter of building individual executives' skills. Although that's certainly desirable, the need to improve collective leadership is urgent.

As part of the research that led to the book *Beyond Digital*, from which this article is adapted, we interviewed senior executives at 12 prominent firms (Microsoft, Inditex, Hitachi, and nine others) and gleaned insights as to why expectations for leadership have changed. It is clear that if companies are to thrive in the years ahead, they must build new forms of advantage rather than just digitize what they are doing today. Accomplishing that means being ready to shed past belief systems and define new, bolder value propositions. Companies have to switch from competing

#### IDEA IN BRIEF

##### THE PROBLEM

*To thrive in our increasingly complex world, companies must move beyond digitization and reimagine what they do to create value. But most leadership teams aren't set up to transform their organizations and position them for success in the future.*

##### THE WAY FORWARD

*CEOs need to fundamentally rethink their leadership teams so that their top executives focus on advancing meaningful change rather than managing the current business.*

##### THE STEPS TO FOLLOW

*CEOs should identify the leadership roles needed to shape the future of the company, put the right people in those roles, emphasize the drive for transformation, and take ownership of their top team's behavior.*

**ABOUT THE ART**

Cape Town–born photographer Alice Mann explores the aspirational and empowered world of all-female teams of drum majorettes in South Africa, affectionately known as “Drummies.”

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with rivals to cooperating with partners in networks and ecosystems to create value in ways that no single organization can manage alone. Leaders need to be willing to challenge every aspect of their company: its purpose, its business model, its operating model, its people, and themselves. And conventional ideas about managing have to be inverted. Executives must move away from focusing on their individual areas of responsibility and responding to needs bubbling up from below; instead they must work together as a team to shape the organization’s future and steer a path toward it.

In the following pages we draw on the experience of the companies we researched to show CEOs how to build a leadership team that is up to the challenge. This approach has four key components:

► *Identifying the leadership roles needed to transform your company for the future.* For your company to remain relevant, it will need distinct capabilities that allow it to deliver on its purpose, along with leaders who can envision its new place in the world and mobilize it to get there. What positions do you need on your executive team to make that happen?

► *Assembling the right people.* Having identified the roles your team needs, you next have to think about who will best fill them. Which individuals should you bring together so that you have the necessary talent and diversity in the C-suite to generate new ideas, challenge traditional thinking, and collaborate on meaningful change?

► *Focusing your leadership team on driving the company’s transformation.* You and your colleagues will need to advance the company’s agenda—and that means spending energy and time on the big priorities for the future, not just responding to the demands of the organization today. What structures and mechanisms will help you lead the company to its new destination?

► *Taking ownership of your leadership team’s behavior.* Building the distinctive capabilities that will allow you to create real advantage requires a high degree of collaboration and a commitment to developing a team mentality so that the disparate parts of your organization operate as a harmonious whole. How can you build trust and a culture that powers the organization’s collective success?

While we’ve listed these measures in sequential order, you will have to work on them simultaneously, because they reinforce one another. Don’t worry about getting everything

right on the first take, including how you establish the team itself. No high-performing leadership team we know was built overnight, nor did it do everything perfectly. But don’t let that be an excuse for failing to make substantial progress on all four fronts.

## Six Paradoxical Expectations of Leaders

In a 2021 survey of 515 businesspeople from around the world, respondents placed high importance on leaders’ ability to balance the paradoxical demands inherent in six key roles. At the same time, they had much less confidence that leaders could effectively manage the tensions involved.

■ % of respondents indicating that both elements of the paradox are important or critical to the company’s future success

■ % of respondents indicating that top leaders in their organization are good or best in class at both elements of the paradox

### Strategic executor

96% Has bold, ambitious ideas as well as the practical capabilities needed to realize visions

51%

### Tech-savvy humanist

90 Drives technology enhancements to generate future success while remembering that organizations are run by people, for people

39

### High-integrity politician

84 Navigates the organizational dynamics to make things happen while remaining highly principled

49

### Humble hero

83 Has the confidence to act decisively in an uncertain world and the humility to admit mistakes

42

### Globally minded localist

72 Navigates a world that is increasingly both global and localized, looking for the places where scale truly matters

42

### Traditioned innovator

71 Uses the past to help direct the company’s success while also creating a forward-focused culture that allows for innovation, failure, learning, and growth

36

Source: Strategy&



## Identify the Roles You Need

When CEOs look at the organizational capabilities their company must have to create value in the beyond-digital world, they often conclude that they have to add some nontraditional leadership positions and eliminate a few traditional ones. That has led to an explosion of new C-suite titles in recent years: chief innovation officer, chief data officer, chief sustainability officer, chief analytics officer, chief behavioral officer, chief brand officer, chief customer officer, chief design officer, and so on.

What's important, however, is not the titles but the fact that these roles focus the organization on the capabilities that are critical for delivering on your emerging value proposition. Those may involve working collaboratively with external partners. Microsoft, for example, put in place a corporate vice president for One Commercial Partner, a program to simplify its engagement with other companies that sell and support Microsoft products. The decision to create this senior role reflected the importance of the ecosystem to the company's ability to serve customers, and it ensured that partners would be represented in high-level decision-making.

The roles you choose to have on your leadership team send a message about the strategic destination you've chosen and how you are transforming to get there. Apple's creation of the chief design officer position in 2015, for

example, signaled to the organization (and, in fact, the world) that design has huge importance for the company. Establishing the role greatly helped it attract the world's best designers, from the fashion industry and elsewhere, and produced one of the most differentiating capabilities that Apple has ever built.

Getting to a capabilities-based leadership model does not have to be done in one shot via a major reorganization, but leaders often regret not having moved fast enough on key positions. The more your top-team roles are aligned with the outcomes necessary for future success, the better. And if you conclude that you need, say, a chief digital officer or a chief analytics officer for a transition period, don't set up those jobs as "pirate ships" that exist outside the core structure for building and exploiting your capabilities; instead make sure you integrate them with the actual work of your company and the outcomes you seek.

## Assemble Your Team Thoughtfully

Having the right roles on your top team isn't enough. You must also fill the positions with the right people—those with the skills, behaviors, and experiences you require. Thinking about the six paradoxical expectations of leaders we mentioned earlier will help. Not everyone on your team has to excel at balancing the tensions involved in each one, but collectively you should have them all covered. Where



do you have gaps? Which capabilities can you develop from within the current team, and which should you bring in from outside?

It's also valuable to have leaders who can see problems and opportunities from a fresh perspective and who hold themselves—and their colleagues—accountable for tackling the most pressing and daunting challenges and realizing your aspirations. You should therefore seek people who look, think, feel, and act differently than is customary in your organization, and you should be open to—and encourage—being challenged. In fact, you might have to stop assessing new hires using the old paradigm of “How will this candidate fit in here?” and instead ask, “How will we fit with this person?” So when you look for the right talent, look beyond the usual suspects. Perhaps your next leader will be someone who once managed an unruly ninth-grade classroom, coached a sports team, or ran a local government. The people who can steer your company's future do not have to be cut from the same cloth as traditional leaders with MBAs or engineering degrees.

To be clear, we aren't suggesting running a corporate diversity initiative that makes for a colorful page in your annual report, or recruiting atypical individuals out of pure altruism or a sense of social commitment. Those motives may contribute to your thinking, but this is really about strategically building the diversity you need so that your leadership team represents the future your company is



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envisioning. Look for people with varied experiences, who have worked within different ecosystems and understand the capabilities, technologies, channels, and transformational approaches you will be deploying. You want leaders who have demonstrated that they can build and scale up the capabilities you aim to perfect. Your team should also reflect the diverse voices of your total ecosystem—including the customers you seek to serve, your workforce, and your partners. Very likely, those voices will cover a range of gender identities; national, racial, and ethnic origins; abilities; and economic and educational backgrounds.

Carla Kriwet, who formerly led the connected-care business at the health technology company Philips, told us that her leadership team there “sometimes [felt] like the United Nations.” But she considered having such a multicultural group a necessity. As she explained, “If you have a team full of Americans who think of Europe like one U.S. state, that won't work because health care systems and reimbursement models are very different [from one country to the next]. If you only have Europeans, and they don't understand how the large hospital chains in the U.S. work and what their issues are around cybersecurity and safety, that won't work either....Therefore, one of the top requirements for people to join my leadership team was that they needed to...actually have lived [abroad] so they know what the cultural differences mean.”

## Focus Your Team on Driving Transformation

One CEO we worked with spoke of feeling ineffectual until he made a fundamental shift in how he managed his work: “I used to spend all of my time responding to other people's issues through email, meetings—the entire day was making decisions related to what others provided. One day I recognized that the only way to *lead* the company was to do the work I felt was required for the organization to move forward.”

Time is the top team's scarcest resource. What are the executives in the C-suite going to focus on, and how will they ensure that the urgent does not crowd out the important? Given the complexities of running a successful business today, it is more important than ever for your leadership team to be very deliberate about how it sets its agenda. It



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must make sure it drives transformation, rather than letting the agenda be driven by requests coming from below.

Leadership teams will always need to manage two distinct responsibilities: running the business day-to-day and building for the future that they've committed to. Philips's CEO, Frans van Houten, explains: "We talk about the need to both perform and transform. If you only transform but don't perform, you have no here and now. If you only perform but don't transform, you have no future. Therefore, in our scorecards we measure both. In our reviews we talk about both. And the targets that I give to all my executives...always [include] some transform objectives."

Some companies create a separate group to manage their strategic transformation effort in order to prioritize and protect it. Usually this group includes many of the executives responsible for operations—and to infuse new thinking, it may even include lower-level employees. Regardless of the governance approach you choose, make sure to hold yourself and your team accountable for addressing difficult questions about how best to shape the future.

The role of the leadership team does not stop with making big choices; senior executives must also see that their decisions are successfully implemented. That's what the "strategic executor" leadership paradox is all about. Your top people will need to get their hands dirty working through the implementation details and making sure that the activities of disparate parts of the organization add up to a coherent whole.

Howard Schultz, the former CEO of Starbucks, understood this. When he ran the company, he envisioned its coffee shops as a "third place" where people would spend time, beyond their offices and their homes. And he got involved in the nitty-gritty of bringing his vision to life—deciding, for example, that employees should grind beans to create appealing aromas rather than using flavor-locked bags of ground coffee. He also had big espresso machines replaced by smaller ones so that customers could more easily interact with the baristas making drinks. He ordered the removal of products near the cash registers, because although they generated revenue, he felt that they detracted from the experience that distinguished Starbucks from competitors such as McDonald's and Dunkin' Donuts. Schultz even helped select the music that would play in the coffee shops.







## Take Ownership of Your Team's Behavior

Many companies experience a lot of rivalry in their top ranks. People may compete over who's managing the strongest P&L performance, whose function contributes most to the bottom line, or who will succeed the CEO. This individualist thinking, while rewarded in modern corporations because it sometimes drives accountability, gets in the way of transformation. Your goal should be to have everyone in the executive suite aligned around an understanding of why your company must change, what unique place in the world you're aiming for, and which differentiating capabilities you will need to get there. All your team members have to wholeheartedly own the transformation program and see their personal objectives and agendas tied to its success.

Creating ownership around the vision isn't enough. You must also create a shared purpose: Why does your team exist? What big issues is it here to solve? When defining their areas of responsibility, your people should believe that leading the company through its transformation is their most important task and that success will depend on the collaboration of team members rather than on the sum of individual units' performance. You also need to establish that when the executive team gathers, it is not to approve or reject proposals but to create value together.

Perhaps the most effective mechanism for engineering collaboration is to get pairs of leaders to work jointly on solving companywide issues. As you reinvent for the future, you'll face no shortage of challenges, and meeting them will require the development of complex capabilities across your leadership team. Encouraging pairs of executives to

## How to Tell If Your Leadership Team Is Actually Leading

We like to challenge top executives to think through whether they spend their time together really leading the company and propelling growth. Consider the following questions to judge whether you and your team make the most of your meetings.

- ▶ How much of your time is spent running the day-to-day versus shaping the future?
- ▶ How much of your time is spent reacting to what others in the organization bring to you, rather than driving the top team's agenda?
- ▶ How often do your strategic discussions lead you to make hard choices about your company's future?
- ▶ When your team spends time on strategy, do you focus on the external environment or the bold choices that your organization must make?
- ▶ How much time do you spend reviewing actions after the fact versus proactively shaping actions and a direction?
- ▶ How often do you ask people to come back with more-detailed proposals because your team doesn't quite have the energy or the clear vision to be decisive?
- ▶ How often do you spend time debating who is responsible for solving an issue rather than addressing it?
- ▶ How often do you and other members of the leadership team work together on issues?
- ▶ How well do you know your colleagues on the leadership team? Do you get the feeling that they care about your success, and do you care about theirs?

You may be surprised by the answers. Some teams find that more than half their time is spent in rather unproductive ways. Much more significantly, they realize they aren't dedicating the energy to the transformation that will position their company for success in the future.

join forces enables them to merge their strengths, get to know each other better, and gain a clearer understanding of the drivers of success and the constraints that exist in areas outside their own spheres of influence. When they come up with solutions, they can share the praise and see the power of bringing different perspectives to bear on big, complicated problems.

This type of collaboration requires trust, which may be scarce among hypercompetitive senior leaders. CEOs thus need to encourage confidence that everyone is truly invested in the team and its mission. Otherwise a large-scale transformation won't work. Philips's van Houten recounts: "I started to take my executive committee to off-sites...in order to have the difficult discussions, but also the personal reflections.



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What are we here to achieve? What does success look like? But also: Why are *you* here? Do you want to be here? And if you are here, can you change your tune in how you transact with each other?"

Addressing how a team behaves is not about getting leaders to like one another and agree. It is about encouraging everyone to put issues on the table, solve problems together, come to decisions quickly, and feel committed to each person's success. That's why effective teams create rules and mechanisms for members to feel comfortable asking for help or calling out their colleagues for not following through on promised actions. At Philips, the executive committee off-sites incorporate speed-dating-style feedback exercises. Each day every member has to connect with five others and share two things: an appreciative comment about the other person and a suggestion to help that person grow in the job.

**A MAJOR TRANSFORMATION** can't be undertaken by the company's top team alone. The new kind of leadership that we've been advocating will have to cascade downward to build leadership muscle throughout the organization. But the place to start is in the C-suite. Surround yourself with talented people who can balance seemingly paradoxical leadership behaviors and challenge one another to collectively accomplish big things. Most importantly, make sure your leadership team truly leads—setting aside the time and energy to define a bold agenda and launch the ambitious initiatives that your future relies on. Failing to do that will be a costly mistake. Succeed and you will have a powerful team that can position your firm to thrive in an increasingly complex world. ☺

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