

# Jomer & Co

## **Leading the organization as a whole system**

Your organization is a system. Leaders across the spectrum of organizational endeavor, in business or public can execute systemic change. Regardless of venue, the act of leadership is one that improves the system. The first step is to understand the system you inhabit, its leaders, followers and context. The second is to develop judgment in selecting the right levers for change. Finally, you must summon the courage to execute. For some leaders, the challenge is to make the system's power structure better distributed and more forceful, and for others it may be clarifying the strategic direction.

To make change successful, all key elements in the system must reinforce each other to support the desired outcome. Therefore, it is important to focus on understanding and developing the organization as one system. Taking a systems view is really to look from an outside-in perspective in order to understand how demand, value and flows result in a better fulfillment of customers' and stakeholders' needs. A single part of the organization cannot effectively do this alone. It is necessary to examine each element in turn and make the necessary changes to ensure that they are acting in concert supporting the chosen strategic direction.

If great leadership would only be a paint-by-numbers exercise, great leaders would not be hard to find. Our view is that driving change is a function of leadership, and generating a common purpose and a unified and energetic behavior is fundamentals for coping with obstacles. A clarified, compassionate, and shared purpose brings members of the organization together and helps them reach their targets. Contemporary leadership is not about pushing people in the right direction in a command and control fashion. Instead, it is about showing compassion for the purpose and a deep understanding of the environment in which the organization must compete and win. By applying a systems-based approach to leadership and satisfying people's basic needs for achievement in the context of purpose and strategic direction, you have to sense your people's additional need for belonging, recognition, and self-esteem. Allowing for a systems approach to leadership enables an organization to identify, analyze and fix root causes of obstacles throughout the organization.

This white paper explores leadership and organizational learning in the context of leading the organization as a whole system. The objective is to discuss the quality of direction, quality of learning and quality of implementation in a context of a systems approach to leadership.

## **A systems-based approach to leadership enables organizational learning**

The recognition that learning is central to successful adaptation has given rise to a body of thinking, which is called the learning organization. A learning organization facilitates learning of its members and continuously transforms itself as a result of the pressure facing the organization. Thus, it enables the organization to continuously remain competitive in its business environment. Some leaders may think that getting their

organizations to learn is only a matter of articulating a clear vision, giving employees the right incentives, and providing lots of training. This assumption is risky in the face of intensifying competition, advances in technology, and shifts in customer preferences and behaviors. Strategic learning is a key ingredient of a learning organization and aims at generating learning in support of future strategic initiatives, which will, in turn, foster knowledge that lead to improvements in business performance. Strategic learning is a systems approach to strategy creation and implementation, and embraces, develops and disseminates knowledge, adapting to changes in the world for the benefit of customers, employees and shareholders.

Organizational research over the past two decades has revealed three broad factors that are essential for organizational learning and adaptability:

- A supportive learning environment
- Concrete learning processes and practices
- Leadership behavior that provides reinforcement.

Leadership, which recognizes the value of competing departmental views and alternative outlook, will increase energy and motivation, spark fresh thinking, and prevent myopia.

Learning is not only about correcting mistakes and solving problems, it is also about crafting novel approaches. A supportive learning environment allows time for pauses in hands-on work and encourages thoughtful review of the organization as a system. Organizational learning is strongly influenced by the behavior of the leaders. When leaders actively question and listen to employees, and thereby prompt dialogue and debate, people feel encouraged to learn. If leaders signal the importance of spending time on problem identification, knowledge transfer, and reflective post-audits, these activities are likely to flourish. When leaders, through own behaviors, demonstrate a willingness to consider alternative viewpoints, employees feel emboldened to offer new ideas and options.

Regardless of venue, the feedstock for innovation is insight, i.e. an imaginative understanding of an internal or external opportunity that can be tapped into to improve customer value, efficiency, generate revenue, or boost engagement. Leaders who are willing to systematically tap into the wisdom of the crowd are often rewarded with strategic opportunities, identified by forward-thinking employees, experimenting with new ideas at the fringes of the organization.

### **Releasing the wisdom of the crowd fuels organizational learning**

Since the beginning of human history, people have shared ideas and made decisions in groups. As the saying goes, two heads know more than one. Thus, three heads know more than two, and four know even more. Then, with hundreds or thousands, knowledge is even greater, hence the wisdom of crowd.

Employees have different backgrounds and traditions, and they take notes of different things. If these are properly aggregated, they will naturally lead to more knowledge than any employee would have individually, including top management. In an era when almost everyone has access to the same information, new value arises when clustering

ideas in novel ways and asking smart questions that open up untapped potentials. Today, most organizations consist of employees who have an appetite for doing a good job up and down the ranks. If you, as a leader, can tap into the organization through an effective leadership, you will find plenty of talent and energy to release.

Dialogue is core in fostering a culture of organizational learning. Line managers and employees must understand the strategic direction and the steps needed to implement the strategy. They need to understand how their tasks contribute to the closing of the strategy-to-execution gap. They must recognize that leadership acts in ways that are consistent with their actions, not just their words. Hence, management needs to encourage new ways of doing things and gain confidence in executing the tasks being addressed.

Our research and experience tell us that an open and honest dialogue, between employees and management about the strategic direction and the challenges the organization is facing, is needed to fire up engagement. Thus, employees will approach their tasks with energy, enthusiasm, and creativity in the pursuit of closing the strategy-to-execution gap. Unless commitment is made, there are only promises and hopes. When senior management decides on a new strategic direction and launches a program for change, it is not unusual that they fail to capture what employees with great influence think.

We have in our own research and consulting practice found that organizations with top scores in employee motivation are about 70% more likely to be in the top quartile of overall strategy implementation performance. The more employees know about the vision and strategy, the more likely they are to engage in the task of closing the strategy-to-execution gap. After all, if the strategy and challenges are not communicated, understood and reflected upon by members of the broader organization, a successful transition to the wanted position becomes nothing but an aspiration.

Surprisingly few leaders make a serious attempt to engage their organization in an honest conversation about the strategic and organizational issues they face. As a result, they do not only lose the opportunity to benefit from a sincere open dialogue to build a common commitment around the strategy, they also lose the opportunity to learn what the broader organization believe drives rapid change and improved performance.

Successfully realigning the organization behind a new strategic direction requires almost always simultaneously changing the worldview and the behaviors of a whole set of interdependent players, such as the CEO, the senior management team, and managers and employees down the line organization. This will not happen without an honest, collective and open dialogue. By “honest” we mean that the participants are allowed and given the opportunity to securely articulate their uncensored opinions. By “collective” we mean that several levels of management across important functions and value chain activities have to be engaged. By “open” we mean that senior managers need to keep everyone three to four levels below them informed about what has been learned, as well as what changes are planned. To energize the organization, the conversation must be focused on the most important issues, i.e. the obstacles and the organization’s strengths to perform successfully. Hence, an honest dialogue shall focus on the essentials: *Do we have a distinct and clear strategy that managers and employees believe in and do we have*

*the capacity to implement the strategy?* Allowing for an honest dialogue around the strategy is a proven way to identify and overcome the implicit and explicit barriers and to create broad engagement in closing the strategy-to-execution gap.

### **Choice and action define true leadership**

When members of the organization value your leadership practice, they get inspired to excel and they act with commitment. When they do not, they disengage and lack the strength to commit. Our experience has taught us that it is seldom effective to focus on what leaders need to be. It is much better to focus on the activities that leaders need to undertake to engage and motivate employees to deliver results. Leaders are accountable for the choices and actions they take in order to deliver performance.

Traditional leadership coaching tends to be quite generic and is often detached from what the organization stands for in the eyes of the customers and stakeholders, as well as from the results they expect to achieve. Without a thorough understanding of where the leadership stands and where it is falling short, a forceful case for improved performance cannot be made. Our experience tells us that it is not uncommon to find that 25% to 45% of the activities leaders provide have questionable value to those above and below them. In addition, it is not uncommon to find that leaders are underinvesting 30% to 40% in the activities that their peers cite as important. Cutting back on those activities that provide low or questionable value gives leaders time and space to address system barriers, coaching, and empowerment. It gives them time to think about changes in the industry and implications on the strategy, but also gaining clarity about needed organizational changes, identifying new opportunities, and gearing up the organization to capitalize on those opportunities.

System thinking helps leaders identify the parts in the organization that add value and ensures that these parts function together as an effective and efficient whole. In order to lead the organization as a whole system, leaders must acknowledge the uniform state of the organization when making choices and taking actions to deepen and broaden focus on customer value and the level of external cohesion when serving customers and collaborating with key stakeholders. In addition, they must nurture organizational learning and adaptability, and develop and maintain organizational cohesion in order to build long-term sustainability and resilience. They need to take actions to deal with increased complexity by taking a system approach to change, and enhance levels of simplification, e.g. standardization and modularization.

### **Leadership evolution**

Many of the leadership teams and executives we have supported in implementing and executing strategy have come to understand the importance of leading the organization as a system. Working closely with them has put us in the fortunate position to influence and support them in raising their ambition and commitment. Leading with a higher ambition means applying a systems view. This means regarding the entire organization as it is and has been, envisioning the full potential, setting worthy economic and social goals and fostering organizational learning. In addition, it also means to carefully monitor and address all system components and not compromising on the things that

matter. Leading the organization as a whole system requires dialogue, teamwork and collaboration from the top down to the people doing the actual work.

Other executives we have supported have also come to recognize the need to strengthen middle management relationships across functions and divisions to successfully deliver change. In the day-to-day emergence of ideas and dialogues around strategy and change, the importance of cross-functional middle management dialogue is essential. This is important since middle managers often are reluctant to openly talk about problems that may block efficiency and performance. Transparency is an important enabler for middle managers to act with accountability and to generate further ideas of improvement. Hidden agendas must be banned.

Furthermore, systematic actions to strengthen companywide and cross-functional dialogue will identify down the line leadership barriers, which often are neither visual nor explicitly addressed. These barriers represent critical organizational stress points that are possible to identify and remove when applying a systems thinking to leadership. From experience we have found that when members of the top leadership team take a systems approach and acknowledges the need to identify and eliminate these stress points, they are giving themselves more than a fair chance to become successful. Many of them have also benefited from additional management experience and enablers for system-based leadership, see fig. 1.

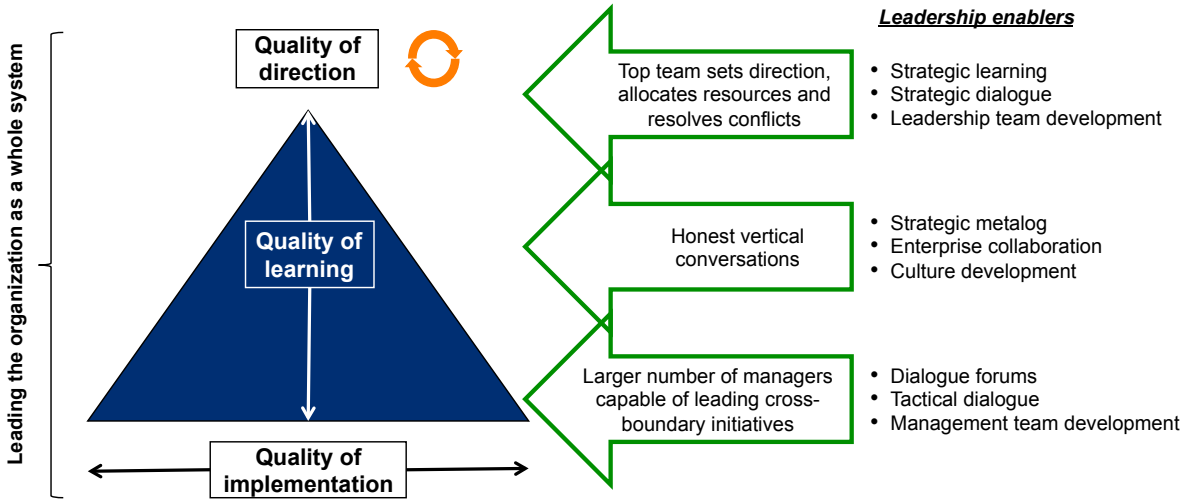


Figure 1. Aligning leadership for leading the organization as a whole system

**How can we help?**

It is impossible to eliminate all risks when making choices, especially when it comes to finding the right strategic direction. Nevertheless, we argue that it is possible for an organization to significantly improve the chances of success when it comes to strategy execution if they expand their tool kit with leadership enablers for leading the organization as a whole system.

Jomer & Co has long experience and knowledge of aligning leadership behind the strategy and supporting senior executives and managers in leading their organizations

as a system. Our support is always bespoke and there are several possible entry points to a successful collaboration, for example:

- Running a Strategic Learning Workshop with the leadership team is a fast way to understand the benefits and possibilities of a systems approach to strategy and execution.
- Running a Leadership Alignment Workshop with the leadership team is a fast way to understand possibilities and barriers for leading the organization as a whole system.
- Conducting a Strategy Audit, with focus on a set of execution areas when lacking progress in strategy execution, is a fast way to validate the company's organizational alignment behind the strategy.
- Engaging in a Strategic Dialogue with senior managers, to solve their key challenges in their strategy implementation and execution work, provides high caliber individual hands-on support.
- Conducting a Strategic Metalog, to help senior leadership teams in establishing the right conditions for an honest dialogue about strategy and implementation, collects the organization's honest opinion in a structured and anonymous way.
- Engaging in establishing and running Dialogue forums, which is a structured and forceful way to strengthen collegial forms of collaboration, and sharing constructive solutions for executing strategy and change, between managers in different positions across the organization.
- Supporting the Execution phase of the Strategic Learning strategy process gives management a comprehensive approach and drive for strategy execution.

## **Jomer & Co**

We help clients close the strategy-to-execution gap by creating and implementing winning strategies.

Jomer & Co is a boutique advisory firm, focusing on strategy creation and implementation. Our focus on employing professionals with extensive experience provides us with the executive resources of a larger organization while still being flexible and responsive in the relation to our clients' challenges.

We are devoted to knowledge and situational insight and are aligned to the shift in demand for management consulting services by its way of leveraging knowledge, experience and giving advice. Our experienced Consulting Associates work closely with clients throughout the stages of strategy creation and implementation.

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