



Leader 2.0

Integrate technological shifts into your management model



Didier Avril, série Storytelling

Our sources

This synopsis is based on the publications presented below and on the back page.

The Leader's Dilemma

Jeremy Hope, Peter Bunce, Franz Rösli, Jossey-Bass, 2011.

Open Leadership

Charlene Li, Jossey-Bass, 2010.

Leadershift

Emmanuel Gobillot, Kogan Page, 2009.

In recent years, the advent of the information society has transformed attitudes. People now have easy access to an unlimited volume of information. More and more of them are becoming used to sharing their thoughts and opinions in blogs or social networks. Whereas authority figures previously played an essential structuring role, individuals today demand more autonomy, and increasingly have the means to assume this responsibility.

This is generally considered to be a fundamental shift which profoundly affects how people see the world and interact with it. Yet, many businesses have not yet fully integrated this new context into their management model, and continue to be organized around an executive team that does the strategic thinking, defines a vision and then sets objectives for the rest of the organization to follow. When it comes to the outside world, many companies continue to see customers as an essentially passive population which must above all be convinced.

This type of philosophy, however, appears set to lose touch gradually with the real world. To promote operating practices more aligned with the transformation of modern society, our selected publications suggest three main courses of action:

- **Create an organization that stimulates and develops individual engagement.** More than ever before, employees must work in structures they can identify with and where they feel valued as individuals.
- **Bet on transparency.** Often perceived as dangerous by management, the free flow of information, structured around a few simple rules, is generally a winning investment.
- **Bet on agility.** Rather than trying to project, plan and control everything, managers must give their teams the means to react to unexpected and unpredictable changes in their environment.

In this synopsis...

- 1 A **managerial** – not just technological – **revolution**
- 2 Build an **organization that recognizes individuals**
- 3 Foster the **free flow of information**
- 4 Favor **agility** over control

1 A managerial revolution

The organizational model that prevails in a large number of companies is based on a hierarchical design inherited from the military (Figure A). At the top of the company, a small team of executives is responsible for analyzing the market context, anticipating possible changes, identifying opportunities and

The advent of the information society is radically challenging traditional management principles.

defining a strategy. This team then sets objectives for the rest of the organization, which are cascaded down level by level to permit the execution of the defined strategy. Although employees are certainly more autonomous than they used to be, thanks to recent empowerment-friendly approaches, generally speaking, they are still expected to be good troopers who faithfully execute the decisions made by their superiors within a relatively narrow framework.

The traditional industrial management model made huge progress possible, and the success of many of the largest players in today's econo-

mic landscape is attributable to this approach, often thanks to talented executives who made the right decisions at the right time and adroitly facilitated their execution. However, the basic underpinnings of the command-and-control model are now being challenged by a number of fundamental shifts that have occurred with the advent of what is commonly known as the "information society."

The power connected with possessing information has shifted

In yesterday's business organizations, there was an explicit distinction between those "in the know" and everyone else. Only the first group had access to strategic information. This distinction is less and less relevant, however. Thanks to the Internet, everyone can gather information about all conceivable subjects, and pass this information on easily. Many doctors experience this every day, as they see patients come to their offices with volumes of information on potential diagnoses for their symptoms, possible treatments, etc. Likewise, the relationship between hierarchical superiors and their employees has changed

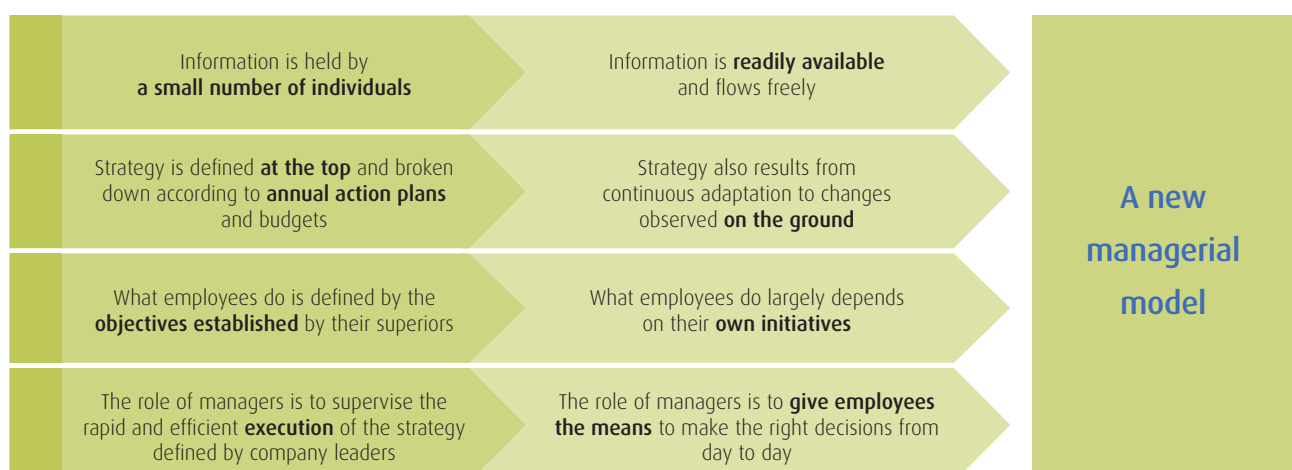
dramatically. Authority is no longer organized around the top-down flow of information. The objective today is rather to facilitate the sharing of information, both vertically along the hierarchical ladder and horizontally across company functions and departments, to allow everyone to contribute as much as possible to collective success. This truly cultural revolution is experienced by many managers as a loss of power, however.

Employees at all levels now want to be true stakeholders

With the proliferation of blogs and the rise of social networks, people have become accustomed to expressing themselves, be they employees, customers or mere observers. This trend is even more marked among the younger generations, who have never known anything else, and for whom this has become second-nature. Companies are currently composed of active individuals who feel they have the right to decide more or less whether to accept the ideas of their superiors, and have the means to let other people know it. Whereas, under the traditional management model, subordinates were supposed to implement decisions dictated

FIGURE A The traditional management model is becoming obsolete

The dominant concept of a company was long that of an organism made up of a "thinking head," composed of a small group of leaders at the top, directing employees expected to follow orders like good troopers. However, this model is now deeply challenged by the advent of the digital age.



Based on *The Leader's Dilemma*, Jeremy Hope, Peter Bunce, Franz Rössli, Jossey-Bass, 2011.

from above, the goal is now to federate these individuals around shared objectives and capitalize on their ability to invest in the success of the company. Yet, this change can represent a managerial challenge for people who are not used to seeing their authority called into question.

Planning is hobbled by environmental instability

The traditional organization is founded on the assumption that it is possible to make accurate forecasts and build long-term strategies, which should then be implemented in a disciplined manner. However, this is becoming increasingly difficult in many sectors. Technological breakthroughs have become so frequent that entire markets may be completely transformed in just a few months. The vacuum cleaner market, for example, has seen the sudden emergence of intelligent devices that clean while consumers are out of the house after registering the characteristics of the room – an advance that took many traditional industry players by surprise. Similarly, the competitive field is now open to global players and the dazzling increase

in the flow of information has fostered the sudden emergence of unsuspected competitors and opportunities that must be seized in record time to avoid being left quickly in the dust. In this context, business success is determined not only by the ability to define relevant long-term development strategies, but also to react rapidly to change. This requires a management model where decision making is not hobbled by procedural hurdles and where individual initiative is encouraged – changes that may mean redefining the managerial role.

Some companies that have emerged from the Internet revolution, such as Google and Facebook, integrated this new reality into their managerial practices from the outset (Figure B). But for most traditional businesses, the resulting changes are not easy to implement. Our selected publications recommend three main courses of action:

- Create an organization where every member feels like a full stakeholder.
- Bet on the free flow of information.
- Organize the business to react to unforeseen market developments.

2 Build an organization that recognizes individuals

Despite common fears, the omnipresence of technology in the workplace is not necessarily a dehumanizing force. To the contrary, employees empowered by the technological tools available to them are observed to want to play a greater role in decisions. Companies must consequently not only organize the scope of this freedom, but also earn the support of their members to ensure that the latter contribute actively to success. This may require making major changes to the organization and the management model.

Give preference to an organization in small independent teams

Since prehistoric times, man has largely lived in tribes composed of a few dozen individuals at most. This should serve to remind us that although larger structures permit scale economies within a mass production system, they make it more difficult to establish bonds of trust and get people actively engaged in collective success. In an environment where individual engage-

FIGURE B Some managerial practices of digital economy companies

Google, Facebook, MySpace and many other Internet businesses, large or small, are characterized by a culture and set of practices that can serve to inspire companies working in more traditional sectors. For example:



ment has become critical, organizing people into small teams has helped some companies turn themselves around. This happened at Nucor, a steel maker now run by small units at every level of the organization, from the head office to divisions, right down to individual production units. These small teams are composed of people who know one another perfectly and

Employees must have a strong emotional bond with the structure where they work.

who are given great leeway to take initiative. They are the basic functional unit of the company. Indeed, this is the level where objectives are set and rewards are distributed – each unit then being responsible for deciding how to distribute these rewards among its members. This type of organization has considerably reinforced the involvement of individual employees, who

now feel accountable for their performance to their colleagues, which whom they share success and failure. This type of decentralized management enabled Nucor to continuously improve its productivity and the quality of its products, while remaining over time a global benchmark in an industry struggling in the face of fierce competition from emerging nations.

Reconsider the role of middle management

Since companies now expect people to take more initiative and be more autonomous, the role of middle management is changing accordingly. Supervising the proper application of executive decisions is no longer the goal. Rather, managers in the field must be facilitators who can coordinate the activities of their team members, encourage individual initiative and facilitate collaboration with other

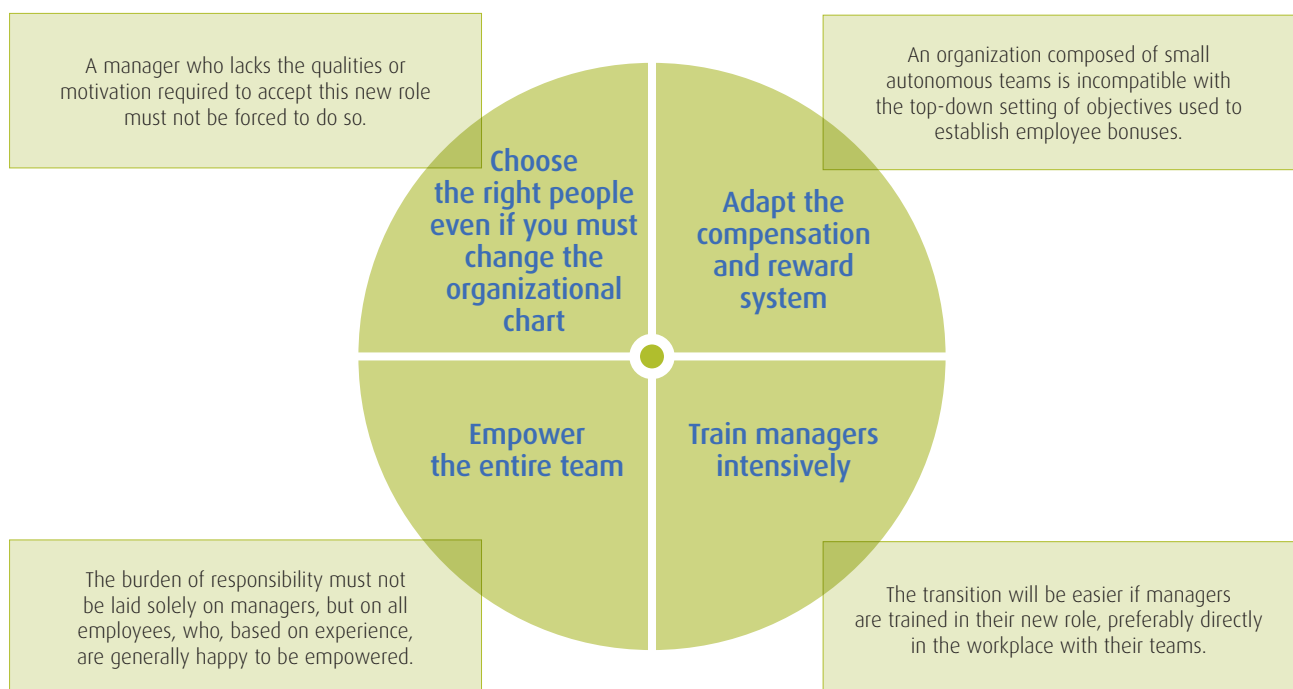
teams. This transformation is often difficult to implement, because the concerned managers often experienced it as a loss of power. The British truck manufacturer, Leyland Trucks, learned this from experience (Figure C). Indeed, 40 percent of middle managers departed in the two years following the restructuring of the company into autonomous teams. This transition was difficult, but allowed the emergence of a new generation of leaders who supported the rebirth of a strong business that many felt was doomed in the early nineties.

Establish a foundation of unifying values

In a world where individuals are increasingly asserting their autonomy and want to control their degree of commitment toward their employer, proposing an attractive vision based on strong values has become an essential

FIGURE C A new role for middle managers

Organizations based on autonomous teams require middle managers to play a completely new role. Whereas they were formerly expected to supervise the proper execution of decisions made at the top, they must now lead a group of individuals responsible for making their own decisions and facilitate coordination with the rest of the company. This is a difficult transition, which the British Leyland Trucks company was able to make successfully using the following key drivers:



Based on *The Leader's Dilemma*, Jeremy Hope, Peter Bunce, Franz Rösli, Jossey-Bass, 2011.

factor in getting employees engaged. What is more, this vision must be sincere and the underlying values more than merely a superficial façade, in an era where, thanks to the Internet, everything ends up one day in the public eye. They must be a fundamental part of the everyday practices of the company, and particularly of its leaders, whose ability to walk the talk is a key component of credibility. Southwest Airlines, for example, is known for the power of its culture and the trust that reigns in the organization. This trust was built at key moments, such as when company leaders refused to lay people off in the weeks and months that followed the September 11, 2001 terrorist attacks, and when the company offered placement opportunities to New Orleans staff after the devastation of hurricane Katrina, etc. In the same manner, Apple federates its employees around a culture of perpetual innovation, a concern to continuously push the envelope and not rest on its laurels. Clearly stated cultures such as these help develop a strong sense of belonging among the members of an organization.

3 Foster the free flow of information

Advances in information technology have changed the rules governing the circulation of information within business organizations as well as with their environment. Nowadays, whether companies want it or not, information gets around! Employees, customers, and other stakeholders, such as suppliers, NGOs, etc., can express themselves on social networks, create blogs, attract the attention of the press, etc. This is a real revolution for leaders long used to connecting power with the possession of privileged information, and for whom the dissemination of information was a key management driver.

Companies must consequently get organized to ensure that information is not circulated chaotically and destructively, but to their advantage.

Dare to bet on transparency

Transparency is not always greeted with open arms by managers, who worry that the free flow of knowledge will increase the risk that confidential information will be leaked to the outside world. In practice, however, contrary to the initial fears of many leaders, this risk can be effectively mitigated by clearly establishing the game rules. The founder and CEO of Facebook, Mark Zuckerberg, is known to regularly send emails containing sensitive information to all of his employees. At first, some of this information did leak to the press. He then took the floor to remind people that the counterpart to the trust

Accepting and organizing the free flow of information is better than trying (in vain) to control it.

shown to them was their obligation to be discreet to the outside world. Since that time, leaks have been extremely rare. The Roche pharmaceutical lab also observed the empowering force of a transparency policy. It decided one day, as an experiment, to authorize some of its managers to incur all of the travel expenses they wanted, without prior authorization and without limitation, on the sole condition that these expenses be published on the company intranet. The company noted that not only did expenses not rise relative to the time when they were strictly monitored, but they even dropped in some cases.

Facilitate networking

Technology facilitates the sharing of information to an unprecedented degree. However, this sharing cannot take place unless everyone is encouraged to participate and the pooling of useful knowledge becomes a reflex, which can sometimes come up against deeply ingrained habits. Managers, and especially executives, thus have great responsibility in this regard. Indeed, if company leaders actively participate in breaking down silos, the

rest of the organization will follow suit. The Cisco group was a pioneer in this domain, in response to the initiatives of the CEO, John Chambers. He invested massively in remote collaboration tools, such as videoconferencing, insisting that they be used by everyone in the organization regardless of rank. A blog was created on the company intranet to cover each project, allowing all employees to track its progress and share their ideas. The involvement of top management in developing these cross-enterprise systems helped the company become more efficient while reinforcing trust within the organization.

Create space for employee expression

The desire to control everything people say within the organization is increasingly illusory. Some company leaders have embraced the idea of facilitating free expression by creating dedicated space for this purpose. They are generally delighted with the result, because this enables them to keep active tabs on what is being said and limit abuse by setting a few simple rules (Figure D). These firms have observed that despite a few isolated incidents, the atmosphere generally improves as a result, because employees are grateful for this freedom and are aware of the trust placed in them. Microsoft, for example, lets employees create their own blogs to talk about their work and the company, reminding them only of the confidentiality clauses in their employment contract. Dell went further by creating Employee Storm, a space where employees can submit their comments and suggestions on company policies, with a discussion forum and online voting system permitting the collection of feedback in real time. At first, some executives expressed reservations concerning the suitability of the system, which they perceived as an encroachment on their scope of responsibility. But the resounding success and utility of this sharing tool quickly overcame their initial reticence.

Get involved in online customer discussions

Like employees, customers have also become used to saying what they think of companies and possess ever greater access to information. This trend puts many executives ill at ease, because it forces them to challenge the traditional vision where companies must control every bit of information communicated to the outside world at all costs. At the very least, a certain degree of monitoring is required to keep tabs on what is being said about the company in blogs and on social media. Companies must also know to get involved in the flow of conversation at the right time and appropriately, to engage in real dialogue with suitable humility. HSBC UK, for example, was able to respond very rapidly when students protested against the establishment of systematic overdraft penalties on their checking accounts. Noting that the Facebook page created on the topic received over 5,000 likes in a matter of days, the bank decided to reverse its decision. Conversely, when a

Canadian musician, displeased because United Airlines refused to compensate him for damage caused to one of his guitars, posted a song titled “United Breaks Guitars” on YouTube, the airline reacted too slowly, because company leaders considered this incident to be trivial. Only after more than a million people had seen the video did the company contact the musician to offer an arrangement. This delay was extremely costly in terms of brand image.

4 Favor agility over control

In an era of continuous technological change, where no one can predict the next breakthrough that will change

In an unpredictable world, agility has become an essential quality to be cultivated.

the market game rules, the ability to react quickly and suitably has become critical. For managers accustomed to planning carefully and closely supervi-

sing the execution of their plans, this is a major revolution. Three changes in particular are required:

Redefine the concept of planning

The traditional annual planning exercise, aimed at forecasting the business and budgets as accurately as possible, has become too rigid for a growing number of markets. More and more companies thus complement this process with more flexible systems, whose objective is not so much to predict the future as to identify areas of uncertainty and prepare to cope with the most probable developments. The British industrial group, Tomkins, for instance, decided to implement a quarterly review system. The object of these reviews is to provide an update on the most recent market trends and review the options available to the company to address these changes. Focused not on financial indicators, but rather on strategic operational choices, these reviews quickly became an important event that largely contributed to the group’s rising success in the mid-2000s. Southwest Airlines, in turn, regularly employs the scenario method, which helps to focus attention on uncertainties rather than basing decisions on hypothetical forecasts (Figure E).

Truly empower front-line employees

Front-line employees are ideally placed to observe the changes that occur on the market and to imagine how their company could benefit from these changes. Still, management must encourage them to adopt this mindset and accept the risk of allowing them to test out their ideas. The US-based electronic consumer goods retailer Best Buy is a good illustration. This company provided employees with a tool to enable them to design simple IT applications to meet the needs of their customers. A Best Buy employee

FIGURE D Establish a framework for employee expression

Whether companies like it or not, a growing number of employees are accustomed to using the Internet to talk about their professional life or share information with customers, who in turn use these media to express their thoughts and feelings about the company and its products. Communicating a charter of good behavior can serve as a useful guide in this domain. The following are a few helpful recommendations in this regard:

Three points to remember in an expression charter

The need for contributors to identify themselves. Readers of a blog or message must know that the person speaking is a company employee.
e.g.: Honda found itself in trouble the day its Facebook page members noticed by chance that one of the people who found a recently distributed model “magnificent” was in fact a company employee.

The individual responsibility of contributors. Readers of a blog or message must clearly understand that employees who contribute do so in their own name, and not on behalf of the company.
e.g.: Kodak requires in its charter that employees specify in their publications that their statements reflect their personal views and not those of the company.

The obligation to maintain confidentiality. Employees must be aware that they may be sanctioned for divulging confidential information.

Based on *Open Leadership*, Charlene Li, Jossey-Bass, 2010.

in Florida, for example, created an application to help customers select the best home cinema system, based on the type of room, budget, etc. An employee also created a Twitter application to let customers ask questions directly to all Best Buy employees. In this manner, the company got every member of the organization involved in customer service and encouraged them to take initiative in creating new solutions.

Routinely seek ideas outside the organization

Many leaders continue to be influenced by the “not invented here” syndrome, which places high value on in-house innovation to the detriment of ideas found outside the company. This is a strategic error in a context that demands agility. To the contrary,

businesses must encourage their employees to be on the lookout for any discoveries that could end up being useful. This mindset was successfully instituted by A.G. Lafley at Procter & Gamble in the 2000s to breathe new life into innovation. He asserted time and time again that “P&G employs 9,000 researchers, but there are two million in the world working on the same subjects,” and that it was consequently necessary to take a closer look at their work. P&G instituted a tool called Connect + Develop to enable every employee who observes a potentially attractive innovation to notify product development teams about it. And this openness to the outside world works both ways, as P&G no longer hesitates to sell licenses to its patents. While in 2001, barely 10 percent of P&G products were developed from ideas born

outside the group, today, this is true for over half, with the result of a return to growth and excellent profitability.

• • • •

The advent of the information society represents a challenge to several profoundly embedded managerial assumptions, such as the need to control information and to ensure that it flows top-down through the organization. The objective today is not simply to establish IT tools to enter the “Web 2.0” era; companies must also take active measures to change behavior to ensure that their management models are aligned with the new realities created by this technological revolution.

FIGURE E A strategic planning tool: the scenario method

The scenario method does not claim to help predict the future. Rather, the objective is to identify the principal uncertainties that influence market trends in order to prepare effectively for different possibilities. In an increasingly unstable environment, this is a useful complement to the inherently rigid annual budgeting process.

Approach	Example: A pharmaceutical company											
DEFINE THE SCENARIO FRAMEWORK	• Timeframe: Seven years, the intermediate period between the slow pace of development of new drugs and the fast pace of technological innovation. • Scope of action: US health market. • Players: Doctors, patients, hospitals, insurers, regulatory agencies.											
IDENTIFY MAJOR UNCERTAINTIES	• Identify the main parameters. About fifteen parameters were identified, including the power of patient advocacy associations, the pace of genomic research, etc. • Sort parameters according to their degree of uncertainty. For example, the rise of preventive medicine is a relatively foreseeable phenomenon that cannot be used to distinguish the scenarios. • Choose the most fundamental uncertainties, such as advances in medical research and the liberty with which patient information may be circulated.											
DEFINE SOME EXTREME SCENARIOS	• Cross the extreme evolutions of two major uncertainties Freedom to circulate patient information <table><tr><td></td><td></td><td>LOW</td><td>HIGH</td></tr><tr><td rowspan="2">Medical research advances</td><td>LIMITED</td><td>Scenario A</td><td>Scenario B</td></tr><tr><td>SPECTACULAR</td><td>Scenario C</td><td>Scenario D</td></tr></table>			LOW	HIGH	Medical research advances	LIMITED	Scenario A	Scenario B	SPECTACULAR	Scenario C	Scenario D
		LOW	HIGH									
Medical research advances	LIMITED	Scenario A	Scenario B									
	SPECTACULAR	Scenario C	Scenario D									
DEVELOP THE SCENARIOS	• Develop the scenarios. Imagine how other parameters would evolve in the four scenarios. For example, the pharmaceutical company imagined that in scenario D, the general context would be highly prosperous and the pace of change in the pharmaceutical industry would be very rapid. • Make the scenarios concrete. The company presented its four scenarios in the form of a story describing a day in the life of one of its senior top executives seven years hence.											

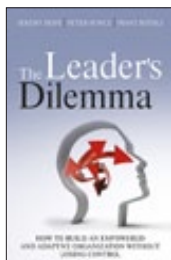
Based on *Profiting From Uncertainty*, J.H. Schoemaker, The Free Press, 2002.

Our selection

To find the best ideas on this subject, we recommend the following publications:

The Leader's Dilemma

Jeremy Hope, Peter Bunce, Franz Rösli, Jossey-Bass, 2011.

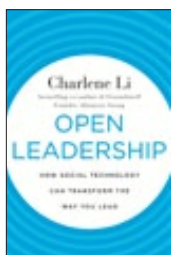


This book can be classified among those seeking to “rethink capitalism,” no more, no less. For the authors, the crisis that has shaken the Western world since 2008 is deeply rooted in the failure of a system based on a military business model where people must act within the narrow framework of individual objectives established to serve strategies aimed at maximizing short-term profit. They propose an alternative vision in which companies are seen as living organisms, composed of “cells,” that is, autonomous units interacting freely with one another, and whose ultimate objective is not to “maximize shareholder value,” but rather to ensure the long-term survival and development of company.

Covering a very broad spectrum of subjects, this book is at its best in the first five chapters, where it underlines the need to free up information, trust employees to get the most out of available information and allow them great leeway for initiative by giving meaning to their work, rather than micro-managing them. This philosophy is illustrated by the success of companies such as Whole Foods Market, Nucor, or the Swedish bank Handelsbanken, examples which are cited recurrently throughout the book.

Open Leadership

Charlene Li, Jossey-Bass, 2010.



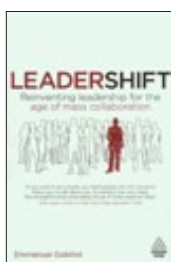
Social media, such as Facebook and Twitter, are not simply another technological innovation, claims the author. They are truly revolutionary advances whose full consequences have not yet been absorbed by many companies. The main consequence is that company executives can no longer control very much – neither their employees, who have the means to express themselves and are decreasingly hesitant to use them, nor their customers, who can make themselves heard as never before through these media, nor the press, which quickly learned to scan this parallel universe and can rapidly echo what is said there.

Rather than vainly seek to barricade themselves, companies are better off trying to turn these social media into drivers of growth. For, although they can serve as sounding boards for dissatisfaction, they can also facilitate sharing and collaboration, as companies such as Dell, Procter & Gamble and Cisco have found. The main interest of the book is to underline the fact that, above and beyond technical aspects or the need to set certain rules, what must change is the attitude of managers, who must henceforth learn to foster transparency, be more responsive and encourage their team members to express themselves.

This book is highly focused on the “new economy,” but raises some real questions for companies in all industries and proposes concrete ideas on a subject that disconcerts many executives who are not part of the Facebook generation.

Leadershift

Emmanuel Gobillot, KoganPage, 2009.



This little book attempts to provide an update on the challenges posed to managers today by the advent of social media. For example, how can you assert your leadership in an environment where individuals are increasingly autonomous? What real authority do you have when information is available to everyone in just a few clicks? How can you use social media to implement mass collaboration concretely? Gradually, the author paints a portrait of business leaders as facilitators, experts in dialogue and essentially capable of giving meaning to individual initiatives they no longer control.

This message isn't necessarily revolutionary, but somewhat reassuring, as the qualities of a good manager will apparently remain quite useful in the “Web 2.0” era!

Further readings

To explore this topic further:

- **Creating value in an interconnected world** (Manageris synopsis 194a)
In an unpredictable environment, the key to responsiveness is no longer necessarily owning your resources, but knowing how to mobilize the right resources at the right time.
- **The Agile Organization** (Manageris synopsis 171a)
How can you develop the ability of your teams to react to changing environments? Rather than undertake successive change programs, it is better to organize continuous change.
- **Promote a culture of transparency** (Manageris synopsis 136a)
Companies must be transparent today, but applying this principle is harder than it seems. What skills can one develop to resolve the dilemmas of transparency?

MANAGERIS

28, rue des Petites Écuries
75010 Paris - FRANCE
Tel.: +33 (0)1 53 24 39 39
Fax: +33 (0)1 53 24 39 30
E-mail: info@manageris.com
www.manageris.com

One-year subscription to Manageris synopses

Web subscription (20 synopses)	850€ + V.A.T
Full archive subscription (over 400 synopses)	1850€ + V.A.T

One synopsis

Subscribers	35 € + V.A.T
Non subscribers	70 € + V.A.T

For copyright permissions and group rates, please contact us.