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Shaping the Game

A Bigger Role for Leadership Developers

By Jens Maier

How about expanding our role as leadership developers to become the focal point for '*shaping game'* strategies in our organizations?

As leadership developers we work directly with our organizations' top talent, the top team and our colleagues in charge of strategy and/or organizational development. This ensures that leadership development is indeed a strategic partner in implementing an organization's strategy. However, there is also our unique access to senior leaders across the organization and so there exists an opportunity for senior LD professionals to do much more.

This article examines the nature of *shaping game* strategies and makes a case for the role for leadership development beyond the implementation of existing strategies.

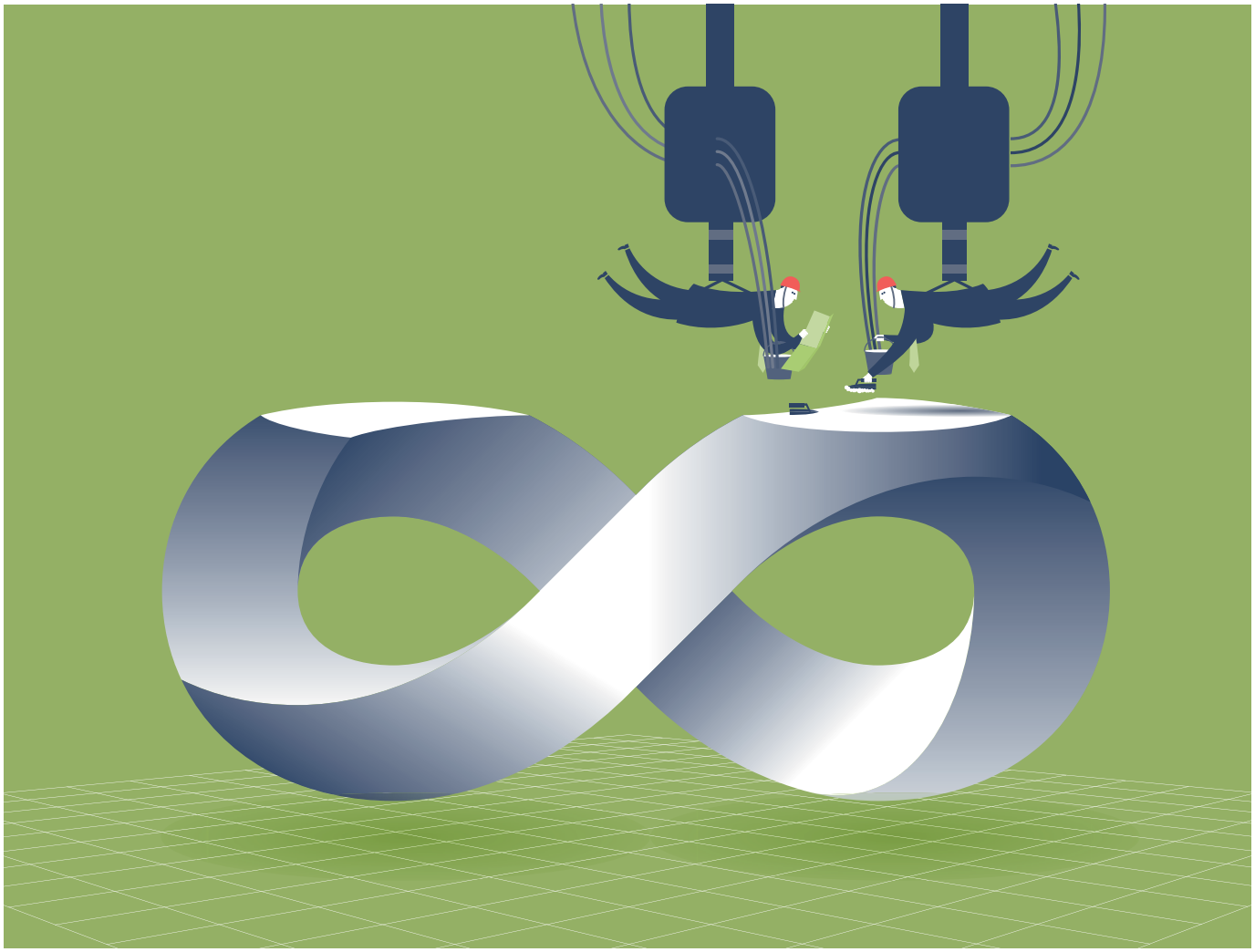
In the last decade we all witnessed that competition developed not only within our 'industry' but that it also transcended industry boundaries. A serial success is indeed the most valuable company today, Apple. As I write this article on a MacBook Air, it is easy to make a link to the first Apple product, the Apple Lisa. As a loyal Apple customer you could have moved through all the generations of subsequent developments from the Apple Lisa, and you would today be using the MacBook Air.

A strategist would describe this fact as the result of Apple being good at 'exploitation', improving an existing product to please a loyal customer base. But as you reach for your iPhone, you may realize that this other successful Apple product has got no direct link to the Apple Lisa. Indeed the iPhone – at least the first version – is not the result of exploitation; it is the result of 'exploration'.

Ambidextrous organizations

The idea that organizations should be good at both exploitation (continuous improvement) and exploration is not new. In the 1990s Harvard professor Michael Tushman demonstrated that from a strategy perspective, 'ambidextrous organizations' outperform those organizations which are only good at exploitation <u>or</u> exploration.

If at this point you reach for your cup of Nespresso coffee, you will realize that ambidexterity has reached your office or home. The highly valued Nespresso brand brings together the industries of 'coffee' and 'consumer electronics'. Your favourite Nespresso capsule has to be used in a suitable Nespresso machine. And, if you are in The Netherlands or Belgium, it is quite likely that you will reach for Senseo, the coffee offered through a joint-venture between Philips, the consumer electronics company and Douwe Egberts, the coffee specialists.



How about expanding our role as leadership developers to include also being the focal point for shaping game strategies in our organizations?

From these examples it is obvious that the notion of convergence between industries is not just reserved to high-tech applications. How come that Nestlé and Philips end up competing in similar markets? How come that Apple was able to shape the markets for smart-phones and tablets? These organizations did not get there through 'exploitation', playing their existing game better. They succeeded through their ability to apply ***shaping game*** strategies. Ambidextrous organizations can use both hands to play the existing game better (exploitation) and to apply ***shaping game*** strategies (exploration).

Challenges in shaping game strategies

Challenges for developing shaping game strategies can be identified at both the organizational as well as the individual level. Let us explore these challenges in turn:

Organizational challenges: structural vs. contextual approaches

There are two types of organizational approaches to ambidexterity: structural and contextual. The structural approach favours the setting-up of two separate units; one unit focusing on continuous improvement (exploitation) often with an organizational home in R & D or 'Business Process Re-engineering'. The other unit (exploration) is then conducted purposefully far away. In Pharmaceuticals this unit would be called 'innovation beyond the pill' to illustrate the point that its focus is deliberately 'beyond' the existing industry boundaries.

Alternatively, organizations favouring the contextual approach deliberately do not set-up separate units. These organizations expect their leaders to be able to handle both exploitation and exploration projects simultaneously. They place their trust in leaders who can 'use both hands', ambidextrous leaders.

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From a strategy perspective, 'ambidextrous organizations' outperform those organizations which are only good at exploitation or exploration

A number of academic studies have demonstrated that the contextual approach to ambidexterity seems to be more successful. Common sense suggests the same. In the structural solution the benefits of having separate units not influencing each other is easily cancelled out by the drawbacks of later having to re-integrate the new business ideas and creating two classes inside the organization, the continuous improvement, core-business people and the 'beyond' people.

As with aiming for leadership at all levels in an organization, it is equally important that we view ambidexterity similarly. Both continuous improvement as well as *shaping game* approaches at all levels is needed. The structural approach reduces the executives in the core business to their role as managers, and so can divide the organization artificially into an old and the new business.

So we can see that there are two major drawbacks with the structural solution, the 'not invented here' response when the beyond people come back with concrete proposals and secondly, the executives in the core business abdicating their leadership responsibility and seeking shelter in their role as managers, honing the existing business.

Why then are we seeing so many examples of the structural approach to ambidexterity? Two fairly simple answers come to mind, both very much related to the top executive team in an organization: power and frustration.

Frustration: After years in which the CEO and the top team invite senior executives to be ambidextrous, to both polish the existing business and to 'think out of the box', what do executives do? They take the safe bet of playing the existing game better, and making the numbers the next quarter; thereby leaving the field wide open for new entrants, the 'disrupters', to do the exploration work. After a while 'learned helplessness' kicks in: "In our organization we can only do exploitation, the exploration part will be taken care of by the disrupters to our industry." So, what, typically, is our solution? Set up a new unit, reporting directly if possible to the CEO, far away from existing business to avoid the influence of 'nay-sayers'.

Power: Setting up a new unit, the 'beyond unit' will make a good story to investors and analysts. Yes we have focus: the main organization is focusing on managing the core-business and – as a matter of top-team/CEO priority – we have the 'beyond unit' reporting directly to me/us...

The result is the organization is split: here are the 'zombies' fine-tuning the old business and there are the 'cool guys' developing the future. Where is the tension resolved? At the very top! The implications are that the top team holds the reigns – the others are reduced to straight management roles.

Process and approach to failure

Organizations usually have well-honed processes for exploitation projects, including checks for strategic fit, ROI and subsequent stage-gating which ensure that exploitation projects are being managed effectively. But what works for exploitation, can be quite detrimental to exploration projects. Here we are dealing with higher risks and a different way of understanding 'failure'. Failing fast is a good thing for the organization: it means the organization has 'explored' a new opportunity and may come to the conclusion that this project will not succeed generally or at least not at this moment in time. To create this insight fast is critical as it avoids wasting resources, but it also frees resources to focus on other, possibly more attractive options.

Therefore, 'failure' in exploitation and 'exploration' projects has to be handled differently. In exploitation projects such as implementing a new IT system it should not be tolerated. However, failing fast in an exploration project should be rewarded equally as a recommendation to accelerate the project.

Many organizations do not distinguish in their innovation processes between exploitation and exploration projects. So it is no wonder, if in these organizations' volunteers for exploration projects are thin on the ground – exploitation projects are simply the much safer bet…

Mind-set: prediction vs. point of view

In exploitation projects detailed predictions about cost/benefits are standard parts of the approval process at the start of a new project. In shaping game strategies it is not about prediction – it is about having a point of view. Shaping game approaches by definition indicate that there is currently no 'market'. Therefore, any questions about market share at the beginning of a shaping game project are futile. What matters is to offer a robust point of view as the basis for winning the hearts and minds of internal and external partners. Now, after an initial 'prototyping' period, say three months, the project leaders should also be expected to offer a robust business case, having had a chance to test their 'point of view' first.

Individual leadership challenges – the hallmarks

Ambiguity. Executives involved in shaping game projects either at the level of project manager or in their role as executive sponsor have to deal with ambiguity. It is their point of view that matters as they are entering unchartered waters.

Influencing (without power) in shaping game projects is all about winning the hearts and minds of contributors. Expertise from many sources inside and outside the organization has to be gathered. Likewise, in shaping game projects alliance partners have to be found with capabilities beyond an industries' capability set. However, alliances also have to be built inside the organization, across functional expertise.

Shaping game strategies deliberately create a new realm for all the partners. The more important it is to create a picture, a vision. CK Prahalad always likened this process to creating a 500 piece puzzle. The task, is to recreate the picture on the outside of the box with the 500 pieces. In shaping game strategies it is different as there is no picture on the box, and you do not know whether you have all the pieces required to solve the puzzle… It boils down to the individual leader to provide a compelling picture for her/his internal and external followers.

Developing the ambidextrous leader – and the ambidextrous organization

The idea of 'bandwidth'

As developers of both individual competences and corporate capabilities we are used to taking stock of where we are today and to identify the desired new state. The distance identified would then have to be bridged through explicit development means.

The idea of using 'bandwidth' as a metaphor was very much supported through the application of the 'big five' personality test and the implied notion of adaptability.

In the big five personality tests participants receive their score based on a 0-100scale. As leadership development experts we understand the importance of 'adaptability' for individual leaders. Yes, a person may score 90 on extraversion as their normal 'preference for behaviour'. However, in a shaping game project, where influencing may be the key to success, can this person behave in a less domineering fashion, may be equivalent to a score of say 27? If this was possible in an authentic fashion, then this person would have a 'bandwidth' of 90 – 27= 63 points on extraversion.

The same analogy around bandwidth applies to organizations. In innovation projects the usual suspects tend to be recruited from R&D and Process Re-engineering. Additionally, many organizations have purposefully increased their organizational 'bandwidth' to include individuals from Sales and Marketing. Now, the challenge for shaping game projects includes how to bring in people from Finance, Legal and owners of core processes such as supply change management or IT, as they can be the ones to hold the keys to innovating 'beyond'. To include new alliance partners as well as new revenue sources. The purposeful increase of the organizational bandwidth should be part of the official corporate agenda.

Forum: Leadership Development Programs

As we look for an organizational forum to create the opportunity for developing bandwidth at both the individual and organizational level, there is a great opportunity for executives in Leadership and Development.

When an executive team is looking for the most appropriate forum for addressing shaping game opportunities the following processes come up as the most natural candidates:

- Strategy Process
- CEO Conference
- Consulting Assignments
- Leadership Development Programs

Looking at these in turn; the *strategy development process* could be the natural home. However, the strategy process focuses usually on the rational side of the organization where superior strategic positions create higher returns and subsequently a higher return for shareholders. The focus is on identifying the right organizational capabilities which can be used to leverage the strategic position of the organization. In most organizations developing the individual bandwidth is neglected as part of the strategy process.

Conference: this usually 2-3 day long annual event has got both the potential for individual and organizational bandwidth. However, its lack of frequency and intensity of activity conspire against it. Beyond the important strategic 'rallying cries' and the social bonding there is not much time left to work effectively on shaping game projects.

Consulting assignments: the top team can at any time call an outside consultancy to support the development of shaping game strategies. However, it too can be compromised,

As L&D experts we should help develop 'ambidextrous' organizations, which can both innovate in the existing business (exploitation) as well as develop and implement 'shaping game strategies' (exploration)

as outside consultants typically want to prove their merits and their necessity to stay on for the next phases, so it is doubtful that this approach will have a lasting effect on increasing both individual and organizational bandwidth.

Leadership Development Programs: many established organizations have created robust development programs for their top talent; this is a platform worth building on. These top-talent programs frequently focus on various general management competencies. Critically, the participants are usually recruited from across the organization, covering different businesses and functions. We see that in these general management programs the individual participants can improve competencies, which in their functional career they may not have had a chance to develop. These programs also have the important effect of building effective networks across the organization, in particular if the general management program is conducted in several modules, and even more so when action-learning projects connect the modules.

The opportunity for Leadership Development

I see that the L&D experts in charge of general management programs are sitting on tremendous opportunities to augment their currently successful programs to purposefully include building the organizational capability of developing shaping game strategies and indeed developing both an ambidextrous organization and ambidextrous leaders. In fact, the L&D experts are holding the key to making the contextual approach to ambidexterity possible.

Let's explore the elements of this potential:
Participants typically cover 'the full organizational bandwidth', that is uniquely, such corporate forums bring together senior people from across the organization.

Senior Sponsor, usually the CEO or significant senior executives are already part of the Program, supporting its progress and engaging with the top talent. Link with Corporate Strategy: the design of general management programs frequently is led by the L&D experts in close consultation of colleagues in corporate strategy and organizational development. These relationships can in many cases be further strengthened.

Expertise: often world-class faculty are present for the 'teaching' element. This creates the opportunity to expand their role to enable 'exploration' – supporting 'shaping game' projects.

Shaping game projects; in most general management programs some elements of action-learning is built in. These action-learning projects provide a real opportunity to leverage

The example of a service company

The German economy has flourished on the strength of its 'hidden champions' –b2b companies with a low public profile but great manufacturing or technology and international distribution strengths in their sector.

In this real example, a hidden champion in the service sector following restructuring, including a new ownership structure, saw the top team engaged in a two-stage process:

Stage 1: Introducing a General Management Program covering topics such as Strategy, Finance and Innovation/Change which all of the top 80 in the organization had to go through . For the top 40 the Program had a stronger focus on the strategic elements, whereas for the other half of the target group it followed more of an implementation focus. After all 80 participants completed the basic development, reinforcing the strategic agenda and creating a common language/methods, Stage 2 was launched.

Stage 2: The Corporate University.
Now at this stage the focus shifted from individual development to corporate development. The University platform was used to work explicitly on corporate development. The members of the Management Board personally wrote best practice cases which were worked on in two stages: first within the group of the top 40 and a short time later the results were discussed with the remaining members of the top 80 group. This led to the implementation of best practice cases across 20 countries/businesses. The understanding gained through this process gave the self-confidence for the company to invite key corporate clients into the next phase of identifying exploration projects. The exploration projects subsequently launched were then anchored in both customer insights (corporate clients) as well as the internal view provided by top management through the cases written by the members of the Management Board.

the learning into real outcomes, though often currently are, at best seen as 'add-ons' created at the last minute, with sponsors not really committed so their impact is much less than it could be.

Also, general management programs are often modular and supported by individual coaching. This allows for the creation of a safe time and space in which to experiment and to explore – failing fast is possible here – increasing both the personal and individual bandwidth.

Making it happen:
As outlined above, the L&D experts have the unique opportunity not only to support the implementation of existing strategies, but to support building an organization with the capability to use both hands: to be excellent at exploitation and exploration, developing shaping strategies; in fact supporting the development of an ambidextrous organization. However, the L&D experts also hold the key to developing individual leaders.

The aspects L&D professionals should underline to the CEO/top team to reinforce the benefits of development programs as the logical place to develop shaping game strategies include:

- the opportunity to build both individual competencies and organizational capabilities
- the natural fit of shaping game strategies as part of development programs agenda
- including real exploration projects as part of the 'action learning experience' to address shaping game strategies
- to purposefully identify potential partners from other industries
- to have suitable sponsors for these projects
  - to have real teams
  - to write own cases,
  - to proactively engage clients
  - to provide the backbone for the organizations knowledge center, information center, best-practice hub, external focal point for aligning thought leaders

Some organizations may be able to do all that inside their own corporate university. Those who live and work outside of the academic sector tend, for good reason, to think of universities as primarily teaching institutions; whereas those inside the sector view

universities as primarily research ones. In the corporate university context the research component is typically non-existent or at best heavily under-utilized.

A CU with a capacity to conduct research would provide a formal setting to utilize internal process facilitators and coaches; to bring knowledge, expertise and cross-networking in from diverse parts of the organization that in normal operations are unconnected; and to purposefully link them with selected outside thought-leaders providing extra impetus for the need for exploration. In addition these corporate universities have also got the opportunity to align themselves with other organizations corporate universities to create enlarged platforms for joint exploration activities.

Corporate universities also have the crucial advantage of being 'at a distance' from the high-risk frontline of business, so a safer environment to experiment is available and where failure is acceptable – in short, an exploration lab.

Conclusion

This article examined the nature of shaping game strategies and makes a case for a role for leadership development beyond the implementation of existing strategies.

At the outset I provocatively asked: How about expanding our role as leadership developers to include also being the focal point for shaping game strategies in our organizations?

We observe around the globe that existing organizations are being 'disrupted' by new challengers, oftentimes coming from different industries. As L&D experts we should help develop 'ambidextrous' organizations, which can both innovate in the existing business (exploitation) as well as develop and implement 'shaping game strategies' (exploration).

Moreover, as L&D experts we should support our organizations in building the ambidextrous organizations through developing ambidextrous leaders. This contextual approach to using both hands (exploitation and exploration) seems to be the equivalent to the mantra: 'leadership at all levels'. What about 'ambidexterity at all levels'?

Positioning for L&D: Catalyst for linking individual and corporate development.

Experts in L&D are quite uniquely positioned for this task. We know and regularly meet key individuals from across the organization. This puts L&D experts in a pole position compared with say strategy or R&D. However, in shaping game strategies you also need partners from other industries. Our L&D networks have a long tradition of exchanging 'best practice'. There is now a great opportunity to leverage these networks to the benefit of building an ambidextrous organization.

Opportunity of L&D: To link individual development (competencies) with corporate development (capabilities); becoming the trusted partner of the CEO and the top team to build the ambidextrous organization in a contextual way and through ambidextrous leaders. The biggest benefit to the organization is that participants do not leave the field to the 'disrupters' in your industry – your organization will have the self-confidence and the capability to implement shaping game strategies itself.

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Despite much discussion about the need for leadership development in corporate and public organizations, and the considerable industry that surrounds it, this is the first authoritative periodical focused entirely on this area.

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