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Understanding How to Lead Innovation: A New Model for a Transforming World

The Egon Zehnder/Paradox Strategies Innovation Quotient

It should not be controversial to say that *all* organizations must be capable of some degree of innovation. This has always been the case: customer preferences change, technologies evolve, regulations shift, new thinking emerges... and adjustments must be made. The importance of innovation has varied by industry, with some constantly evolving (fashion), and some enjoying a fair amount of stability over time (soft drinks – until recently). What has undeniably changed is the *pace* of change. The arrival of the over-used but accurately named “VUCA” world — fueled by vast quantities of data, global inter-connection, and scientific advances — touches every industry, every sector, every assumption and every leader.

Innovation can no longer be confined to one part of a business, or one part of a business cycle, as change has truly become constant and pervasive.

Leading innovation has always been challenging, but whereas in the past it was often seen as the remit of those responsible for developing “the next big thing” (R&D leaders, entrepreneurs,

consultants), going forward *all* leaders will need to have some understanding of how to unlock the best ideas from their people, or risk being left behind. In the past the ability to innovate quickly, effectively, and repeatedly was a competitive advantage, albeit one that most organizations were unable to achieve. Today, it is necessary for survival.

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Linda Hill, the Wallace Brett Donham Professor of Business Administration at Harvard Business School and faculty chair of the school's Leadership Initiative, is one of the world's leading thinkers on Innovation. She has conducted years of research on how organizations and their leaders confront the challenge of unleashing individual genius and harnessing it all together into the collective genius, and last year (with co-authors Greg Brandeau, Emily Truelove and Kent Lineback) published *Collective Genius*, a book which describes a new approach to leadership – a framework tailored to innovating and thriving in an increasingly VUCA (volatile, uncertain, complex and ambiguous) world.

Complementing this, for over 50 years Egon Zehnder has worked with clients to address similar challenges, helping organizations find leaders and build teams capable of taking their organizations in new directions. The firm has accumulated a wealth of practical experience in

leading innovation, and as the pace of change has increased, the demand for new thinking and workable solutions has followed. To address this need, Egon Zehnder is partnering with Professor Hill and her team (now organized into a new company called *Paradox Strategies*). The objective of this partnership is to apply the learnings of years of research and decades of consulting across the globe to help organizations understand and ultimately master the art (and science) of *leading innovation*.

Working together, we have developed a methodology for helping clients understand where they are with respect to the essential elements needed to effectively lead innovation. However, before describing this process, it's important to understand the framework at the core of *Collective Genius*.

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The Innovation Framework

Professor Hill's research has shown that organizations that innovate consistently share three attributes: They have the *willingness* to innovate, the *ability* to innovate, and pulling it all together, the *leadership* to innovate. Each of these three attributes, in turn, are comprised of three fundamental elements. These components are present regardless of the organization's size, industry or region, and together challenge some traditional notions of what "great leadership" looks like.

The Leadership to Innovate

Whereas in the past leaders were expected to define a vision and align around it – usually from the front – innovators see their role not as the visionary, but as the creator of a context within which others are willing and able to innovate. In place of stability and certainty, leaders of innovation must embrace and manage a number of paradoxes that have no "right answer" and require constant adjustment. These include:

- **The Paradoxes of Collaboration:** Affirming both the individual *and* the group, while both supporting to unleash *and* confronting to harness

- **The Paradoxes of Discovery-Driven Learning:** Balancing experimentation and continuous learning and results/performance, and promoting improvisation and needed structure
- **The Paradoxes of Integrative Decision-Making:** Showing both patience and urgency, while balancing bottom up ideas with top-down interventions

Finding the right mix of these competing traits is difficult, and requires leaders who tend to demonstrate three important qualities:

- **An Open Mindset:** The leader of an innovative organization must be prepared to set aside preconceived notions about stakeholders, corporate structure and the task at hand. In doing so, s/he will thus model for others the style of thinking that needs to define discussion and debate.
- **The Ability to Manage Paradox:** The ability to manage the paradoxes above to both unleash and harness innovation.
- **The Right Personal Qualities:** Leading innovation requires high levels of both confidence and humility. It also demands the insight, engagement, curiosity and determination that are characteristic of those who thrive in ambiguity and uncertainty.

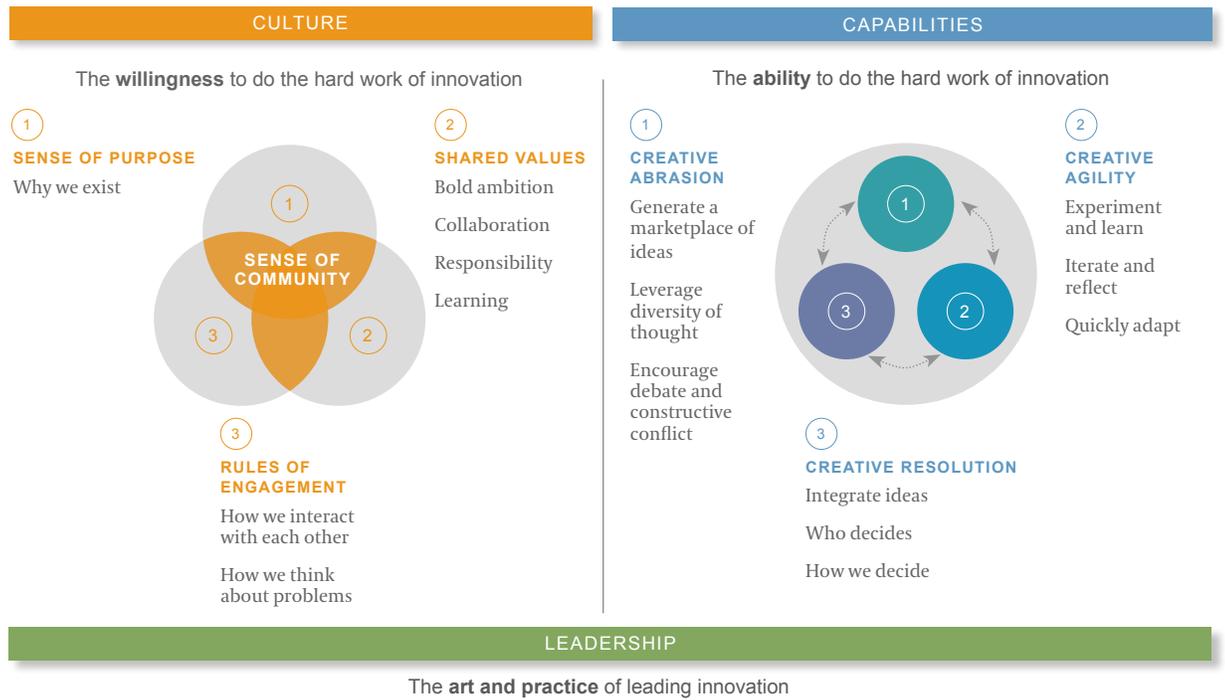
Paradoxes

Unleash		Harness
Individual Identity		Collective Identity
Support		Confrontation
Learning & Development		Performance
Improvisation		Structure
Practice		Urgency
Bottom-up		Top-down

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Collective Genius Framework

Innovation demands a community that is **willing** and **able** to do the hard work of innovation.



The Willingness to Innovate

The research shows that successful management of the difficult trade-offs described above depends on the leader's ability to foster the willingness to stay the course on a challenging, often inefficient-feeling path. Successfully innovative organizations' willingness to innovate is defined by three traits which together create the necessary sense of community:

- **Shared Purpose:** Community comes first from a common purpose that spans functions and geographies. That shared purpose reaches beyond merely adding value or getting the product out; innovative organizations often see what they do as a lever with which to affect broader change.
- **Shared Values:** Innovative communities are also bound together by shared values that

drive *how* they achieve their purpose. While the specifics may vary, those values typically include bold ambition, a collaborative approach to working, a hunger for learning and a sense of responsibility to the group.

- **Rules of Engagement:** The messy process of innovation can only take place if the group is guided by a common ethos that aligns how the team pursues vigorous debate alongside mutual respect and trust. These rules help the leader "adjust the dials" on the various paradoxes s/he must manage, and keep the various pendulums from swinging too far from one side or another.

The Ability to Innovate

Having a leader with the right qualities and a team with the right sense of community are necessary, but not sufficient. Professor Hill's

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research shows that the team still needs to demonstrate the following capabilities if they are to succeed:

- **Creative Abrasion:** The core capability of *creative abrasion* taps into the fact that innovative solutions usually arise when diverse, often conflicting, ideas rub against one another. Innovative organizations are able to bring together people with diverse perspectives and wide ranging expertise and create a dialogue that produces a marketplace of ideas offering an array of competing approaches—many of which will be hybrids born of multiple viewpoints.

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- **Creative Agility:** Creative agility requires that teams are able to develop and test different options, learn from the outcomes, and try again. The team must resist the urge to eliminate options, and rely on data-driven reflection to examine what happened and expose new possibilities.
- **Creative Resolution:** Creative resolution is the team’s ability to synthesize all of a group’s learning – even those ideas that were once considered mutually exclusive. Where traditional organizations often approached final decision-making as a choice between either “A” or “B”, innovative organizations are able to reach past this binary mindset and integrate aspects of many possible solutions to create a superior result (“both/and”).

These capabilities mirror the paradoxes noted above: creative abrasion is linked to the paradoxes of collaboration, creative agility to the paradoxes of discovery driven learning, and creative resolution to the paradoxes of integrative decision-making.

The Innovation Quotient

This is a lot to think about. In order to help clients better understand this framework, and more importantly where their organizations stand with respect to the necessary capabilities, Egon Zehnder and Paradox Strategies have created a diagnostic that measures an organization’s “innovation quotient.” Leveraging Linda Hill’s framework, the diagnostic uses the following approach to help leaders understand where they are, so that they may better determine how to get where they need to go. The approach has 4 steps:

- **The Innovation Leadership Survey:** We have created a proprietary on-line survey which focuses on the key attributes described above, gathering data on the organization’s values and priorities and how the organization approaches challenges, handles conflict and makes decisions. The survey is typically taken by the leader and his or her direct reports, but can be applied much more broadly if desired.
- **Confidential Interviews:** The survey provides insights that can be probed in confidential, one-on-one interviews. These discussions probe key points more deeply, gather examples, and tease out different points of view between team members.

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- **Synthesis:** Once the team has gathered both on-line and live data, the results can be synthesized to expose what is really going on within the organization: looking through the innovation leadership frameworks, where the team is strong, and where there may be gaps.
- **Action:** With the starting point defined, we work with the leader and his/her team to develop plans to identify the highest impact ways to make progress on the path to successful innovation leadership.

Addressing the Hard Work of Innovating

As stated at the outset, leading innovation is difficult – but is increasingly essential. Egon Zehnder and Paradox Strategies are working with clients to provide a *framework* for understanding the challenges, an *approach* to diagnosing the starting point, and *support for moving forward* towards a new approach to leadership that can help organizations not only survive, but thrive, in the complex and changing environment that defines the foreseeable future.

 Innovation Quotient A Service of Egon Zehnder & Paradox Strategies

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