DR. TORBEN NØRBY

THE
CONTEXTUAL
LEADER

MATCH AND SHAPE
YOUR LEADERSHIP CONTEXT
FOR ORGANIZATIONAL PERFORMANCE

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Ductus Press

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To the thousands of leaders who have educated me on how contextual differences drive leadership requirements—you made this book possible.

To Karina, Frederikke, and Mikkeline—for your love and support.

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INTRODUCTION

BEHIND THE WORDS

I learned about leading and following when I was a boy, during my 10-plus years as a Scout. Scouting let me be part of changing groups as we built shelters, cooked outdoors, and solved all kinds of exciting challenges that demanded collaboration. I learned the importance of including everyone to leverage the knowledge of the group in arriving at the best decisions. I learned that there is no leadership without followership, and I learned about the importance of esprit de corps. It also became evident that team members could take turns assuming leadership.

After high school, at 18 years old, I joined the Danish Army. Less than a year later, when my training had been completed, I was appointed sergeant and assumed command of people much older than myself. This was the start of a 10-year learning journey with leadership at the center.

After some years of service, I went through the Danish Army's Officers Academy. There, I learned more about leadership, including how to build motivation, develop team cohesion, and exert the directive leadership necessary during combat. During my time as an officer, I completed two diplomas, one in Human Resources and one in organizational development. My interest in leadership grew. I became a father, and after a decade of service, I left the Army to pursue a civilian career.

As an operations manager in retail, I soon understood the importance of adapting the leadership style to the context. Moving from the Army into retail was my first significant shift in the leadership context, the sum of external and internal factors setting the tone for performance and effective leadership. I later transitioned into Human Resources, still in retail. I spent the following years leading a department, developing retail leaders in the stores and in central functions like IT, finance, and supply chain. This expanded my understanding of the shifts in contextual demands across different functions. During this period, I completed a graduate diploma in organizational development.

I joined a global company as a senior HR director, leading them in organizational transformations, leader and leadership team development, and

talent assessment and acquisition. Working with teams across the globe was my second significant shift of leadership context. Over the years that followed, my cross-cultural sensitivity to leadership expectations and effectiveness grew enormously. The people I met and the people I led were very different from the soldiers and retail workers I had led before. The external environment and the organization's purpose, structure, and culture were different. The differences were amazing, and the experience ignited a desire to work across different leadership contexts.

I later became a consultant focused on leadership and organizational development. My partners and I built a consultancy assisting large enterprises in developing their leaders, leadership teams, and organizational performance. As of this writing, I have now been doing this for more than 15 years.

My appetite for understanding leadership context and effective contextual leadership grew over the years. At the same time, I found no framework to help explain the differences in context that influence leadership within and across functions, organizations, geographies, industries, and markets. There are multiple useful frameworks for parts of the leadership context—for example, the GLOBE framework for understanding the effect of national culture on leadership,[1] or the VUCA framework (volatility, uncertainty, complexity, ambiguity),[2] which assists the understanding of contextual effects from the external environment. However, no coherent approach that covers the leadership context had been identified, leaving it to leaders and leadership developers to navigate the many disparate frameworks.

My appetite and frustration led me to research leadership context more rigorously and in greater depth. Along with consulting, I joined the Master of Business and Management Research program at Henley Business School in the United Kingdom in late 2016. This program is an integrated first phase in Henley's Doctor of Business Administration program, which I completed in 2021.

From the beginning, my research focused on leadership context and its impact on effective leadership. My research and my experience as a leader and leadership developer are the backdrop for this book. This book is for leaders, leadership developers, and recruiters.

RATIONALE FOR THIS BOOK

Effective contextual leadership is complex. To handle that complexity, leadership context needs to be operationalized so factors and their impact on

leadership can be recognized. The research behind this book serves that purpose. The book is not a full account of everything that goes on in the leadership context. It is not bias-free, since the intent is to include the factors, dynamics, and perspectives that are most worthwhile for a leader in pursuit of effective contextual leadership. That means nuances are left out—this book doesn't reduce leadership context to the seven success steps every leader must know. Rather, the book dives in to discuss the effects playing out in the leadership context. The emphasis is on developing the critical analytical skills and reflexivity that will enable you to handle the messy reality of leadership.

This book addresses factors that have been confirmed to influence the effectiveness of leadership and the engagement and performance of those you lead. It provides a shared language about leadership context. This focus gives you a solid foundation for becoming an effective contextual leader. The ambition is to provide you with a practical framework of factors that have been proven to affect what matters much to leadership, backed up by solid research. I promise that when you finish this book you will be better prepared to lead, armed with an approach that will enable you to match and shape leadership context and lead more effectively.

WHAT WILL I GET OUT OF THIS BOOK?

This book is a manual assisting you in understanding the leadership context. As a leader, you can make more informed choices about which leader behavior to enact. This will draw your attention to how you optimally match the context for maximum leadership effect. The book will provide you with a language for building a shared understanding of the leadership context in your leadership team. You will gain insights on how to better promote your organization's performance by shaping the leadership context. When your organization goes through change, understanding leadership context will be incredibly helpful in assisting the design of the future organization. Understanding the "as-is" and "to-be" context, especially in mergers or large-scale organizational changes, is an effective change accelerator.

As a leadership developer, you can apply the leadership context framework to tailor and target leadership development interventions. Your leadership training can become more fit for purpose across different functions, levels, and geographies. You can teach the leadership teams more effective contextual leadership. Applying the framework enables you to empower those leading multiple entities to understand and shape their leadership context to promote performance. The contextual understanding can be applied to any leadership

framework, like the ones existing in most large corporations, and adds the value of better fit-for-purpose leadership. In continuation, the framework can contextualize and increase the value of well-warranted existing leadership theories like exemplary leadership,[3] full range leadership theory,[4] or complexity leadership theory.[5] Finally, the framework can add crucial contextual understanding to interpreting leadership or employee surveys.

For recruiters and talent developers, the benefits are enormous. The framework improves your understanding of the leadership context when recruiting, increasing the likelihood of matching the right candidate. Furthermore, applying the leadership context framework accelerates the onboarding of new leaders, as the framework helps explain the contextual demands and restraints. When designing talent programs where exposure to different contexts is often a key development driver, awareness of leadership context can increase the focus of such programs. You get better at deciding which contexts to put the talent into and how to derive learning from this exposure.

The framework can be applied directly from the book or assisted by the Leadership Context Inventory™ (LCI™). The LCI™ survey captures how the leadership context can be leveraged and shaped to promote performance. You can download an example of the LCI™ report on drnoerby.com.

CHAPTER 1

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WHY FOCUS ON LEADERSHIP CONTEXT?

Every leader who has changed jobs between organizations knows it: You need to get your hands around the leadership context to lead effectively.

🔖 **DEFINITION: LEADERSHIP CONTEXT**

> The organizational intentions, environment, structure, culture, and people factors that hinder, help, or guide leadership and work performance.

When entering a new organization, you need to understand the organizational intentions, the strategy, and which parts of the operating model it's most vital to be on top of. You need to know the critical policies and processes and understand the organizational setup and the mandates across functions and departments. It is crucial to get to know the people and find out how the culture sets the tone for how the organization operates. Also, it is important to understand how the external environment and the internal setup correspond.

A global survey published in *Harvard Business Review* of nearly 600 executives and their perception of the biggest stumbling blocks when entering a new role confirms this picture.[6] To lead effectively as a newcomer, you need to integrate into the leadership context. The same applies for leaders transitioning sideways or upward in their organizations. It is crucial for success that the transitioning leader identifies the key levers for optimizing performance in the new context rather than running on past assumptions.[7]

Given this almost self-evident importance of context, it is not surprising that, over the last two decades, leadership research has paid increased attention to the importance of context to leadership.[8] The increased attention is, however, not supported by a move toward placing leadership context at the center of research, but rather by paying more attention to the inclusion of a few contextual factors in the studies.[9] This was one of the challenges leading to the studies behind this book. There is much good research out there, but

the problem is that it treats context in a piecemeal fashion. The lack of coherent frameworks leaves the leader with the big challenge of pulling together an approach to understanding leadership context and making the best contextual leadership choices. Optimizing the leadership context to best support performance and deliberately choosing the best leadership behavior given the context is key to performance. A leadership developer must understand which parts of the context are vital to the leaders being trained or developed. The recruiter must uncover which contextual factors are most vital to job success to assess the candidates regarding the critical success criteria.

But it's complicated! Yes, leadership context is complex, but there is a limited range of most important contextual factors in any leader's context. Besides these factors, there are patterns and mechanisms that can be understood. By applying a framework, you become cognizant of what is going on, how to respond, and what can be done to shape the context. The complexity of reality is there no matter what, but the framework allows you to identify the key levers and direct your leadership energy better. That is the ambition of this book!

THE BACKGROUND: FOUR STUDIES INTO LEADERSHIP CONTEXT

The first study behind the findings in this book was a qualitative study built on interviews with leaders.[10] The study identified an initial set of factors, effects, and patterns related to leadership context and effective contextual leadership. From this orientation, a two-year analysis of existing research drew together factors and contextual effects across almost 3,500 empirical leadership studies and 400 conceptual studies.[11] It resulted in essential fundamental understandings about the nature of leadership context, which are discussed further in the following chapter. The research continued into a third study, a two-round modified Delphi study.[12] A Delphi study is research where experts are asked for their judgments in several survey rounds until you have found the judgments they statistically agree to. More than 125 tenured leadership experts from across the globe contributed, and the quotes in the book come from them. Across the seasoned leaders, Human Resources professionals, and researchers who participated, the significance of understanding leadership context more deeply came across again and again. An example of this emphasis on the importance came from Professor Dave Ulrich, one of the

most influential thinkers, professors, and authors in modern Human Resources and leadership, who ended his input with this remark:

❝You are contributing to a needed deeper understanding of leadership context in a very nice way.

Dave Ulrich, PhD, Author of 30+ Books and the Rensis Likert Professor at the Ross School of Business, University of Michigan, and Partner at the RBL Group, USA

The study uncovered the experts' agreement about which contextual factors are most important and what effects they exercise on leadership and work performance. The study uncovered three effects of the factors in the leadership context. In essence, the contextual factors can

1. hinder leadership and performance,

2. help leadership and individual, team, or organizational performance, or

3. guide the choice of leadership behavior.

The fourth and final study was a quantitative global survey study verifying the Leadership Context Inventory™, LCI™. The study, comprising input from more than 400 leaders, operationalized the findings from the global expert study into an online survey.[13] The survey results are presented in a report on the state of the leadership context, supporting leaders, leadership developers, and recruiters in their work with effective contextual leadership. To learn more about the LCI™, visit www.drnoerby.com.

There are two types of referencing used in the book. References are endnoted when referring to specific research findings, theories, or concepts, but a literature overview has also been included in appendix C that points to relevant literature in each section for those readers who want to explore more. This is done because the content represents integrated knowledge from the resources in question.

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THE FRAMEWORK FOR LEADERSHIP CONTEXT

Julie, a senior leader I worked with as a consultant, took over as the head of a division struggling with high cost of poor quality. There were customer complaints, and manufacturing struggled to keep their production timelines. Based on her experience, Julie understood that establishing a shared understanding of the key dynamics creating systemic trouble was crucial. She engaged the leadership team in mapping the external and internal factors. The division's task was to develop the organization to meet quality standards and production timelines consistently. Julie made this focus central in the leadership team's work, and only factors significantly influencing these objectives were allowed into the discussions.

The team discussed the operating conditions created by high external complexity and how they had set up the systems to handle that vast amount of information flowing in. They mapped the maturity of the processes that influenced quality and the production timeline. Finally, the leadership team evaluated the expertise of the people and the habits embedded in the organizational culture related to discipline, collaboration, and continuous learning. Julie and her team mapped the input onto the wall in their meeting room. They pinpointed three initiatives to restore efficiency and quality.

First, they planned to formalize the key processes and retrain everyone involved.

Second, they committed to involve all leaders and, hereafter, every team, in dialogue about what high discipline and good collaboration look like and how they can come to life. Let every team make commitments regarding what they would do more and less and hang these posters on the walls. They would revisit those commitments and keep working on aligning toward them.

Finally, they decided to have a central lean team that updated the continuous learning practices. The lean team spent the year that followed training teams across the organization to drive a continuous learning culture. Julie built a shared understanding of the context. The leadership team identified the key factors that would change the system and shaped the context to support the organizational intention of efficiency.

The process was driven by Julie's understanding of three essential features in a leadership context, namely

1. there are five layers in the leadership context,

2. the effects of context on leadership and organizational performance define which factors should be considered, and

3. the leadership context is a force field.

In this chapter, I describe how these features come together in the framework for leadership context.

THE FIVE LAYERS OF THE LEADERSHIP CONTEXT

Any contextual factor that can influence leadership or work performance is part of the leadership context. The effects can hinder, help, or guide effective leadership or work behavior.

There are five different layers of contextual factors that exercise an influence in the leadership context. See figure 1 below and the definitions that follow.
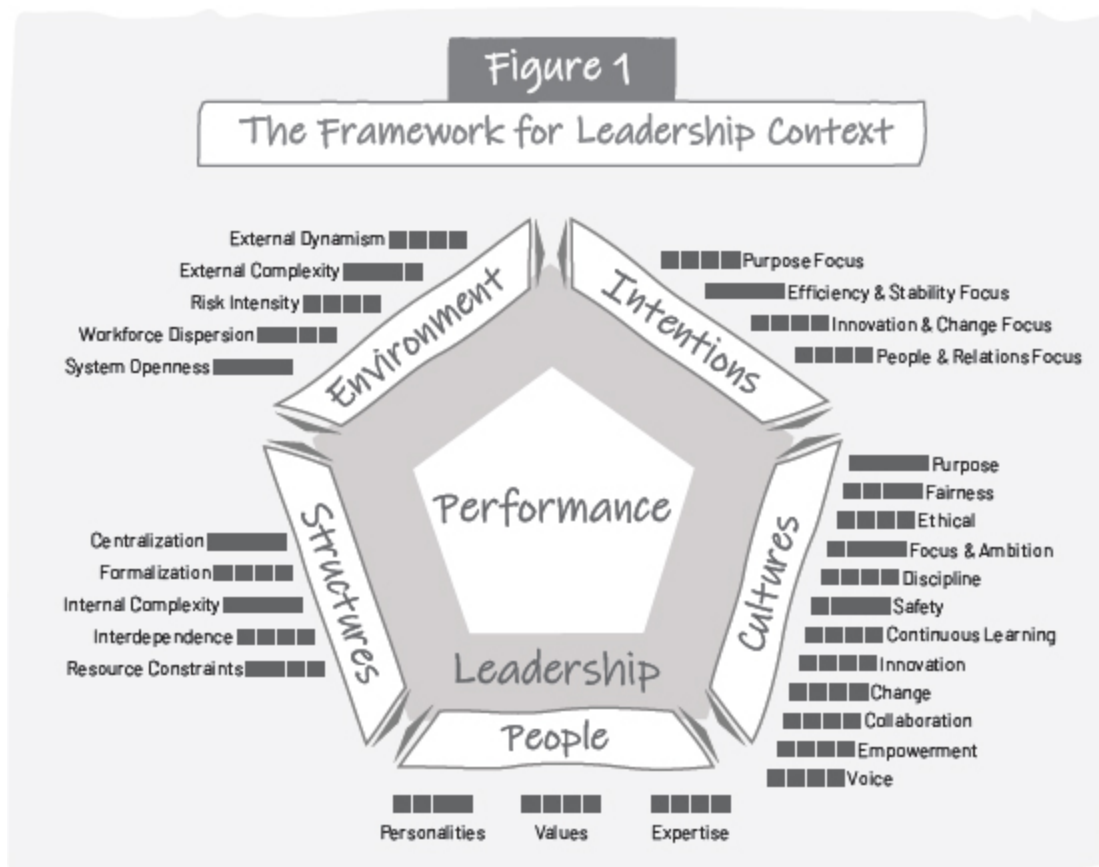
Figure 1

The Framework for Leadership Context

Environment
- External Dynamism
- External Complexity
- Risk Intensity
- Workforce Dispersion
- System Openness

Intentions
- Purpose Focus
- Efficiency & Stability Focus
- Innovation & Change Focus
- People & Relations Focus

Structures
- Centralization
- Formalization
- Internal Complexity
- Interdependence
- Resource Constraints

Cultures
- Purpose
- Fairness
- Ethical
- Focus & Ambition
- Discipline
- Safety
- Continuous Learning
- Innovation
- Change
- Collaboration
- Empowerment
- Voice

People
- Personalities
- Values
- Expertise

Performance

Leadership

Intentions

Since leadership is about influencing people to make organizational intentions come true, these intentions comprise the first layer in the leadership context. The intentions are about what the organization tasks the leaders to achieve through their leadership, exercising a guiding influence on leadership. The organizational intentions guide the leader in how she should be investing her person-to-person leadership efforts and shape the leadership context. The intentions fall into four related categories:

1. Purpose Focus: The intention to contribute positively to the greater good of society and our world.

2. Efficiency & Stability Focus: The intention to maximize return on the invested resources, minimize cost, and improve performance.

3. Innovation & Change Focus: The intention to innovate or change the foundation for future business beyond what we currently do.

4. Human Capital & Relations Focus: The intention to get, grow, and keep the talent, expertise, engagement, and relationships that enable performance.

Environment

An organization always has an external environment influencing organizational behavior. These external factors are mainly outside the organizational members' control. Still, their effects create a set of operating conditions that must be considered. These factors reach into the organization's everyday life and demand that leaders and employees build and maintain practices that fit the operating conditions. There are five contextual factors in the external environment layer:

1. External Dynamism: The rate, speed, magnitude, and predictability of external changes influencing decision-making.

2. External Complexity: The number, transparency, and diversity of external elements influencing decision-making.

3. Risk Intensity: The presence of threat or error potential, how critical the consequences would be, and how likely it is that the risk manifests.

4. Workforce Dispersion: The degree of employee separation due to time- or place-bound demands and hybrid working choices.

5. System Openness: The number of channels and the exchange frequency between the organization and its external environment, influencing priorities, attitudes, and behavior.

Structures

The structures in a company emerge as the organizational design evolves and choices are made during the organization's birth, being, growth, and crises. The structures, processes, and procedures comprise the operating model. These structural features are built over time to respond to the external environment and operational demands from the company's core activities. When it comes to structures, a leader must reflect on what needs to be considered operating conditions and which parts can be rethought or reshaped to promote leadership effect. There are five contextual factors in the structures layer:

1. Centralization: The extent to which decision authority and mandate are centralized or delegated into the organization.

2. Formalization: The level of decided and documented policies, procedures, rules, and guidelines that must be followed.

3. Internal Complexity: The number of different job roles, the level of task complexity, and the change rate in task requirements.

4. Interdependence: The number and intensity of dependencies across jobs, functions, or boundaries requiring coordination or alignment.

5. Resource Constraints: The availability of resources to operate, innovate, or change, including resources that can reallocated through optimization or prioritization.

Cultures

A layer of cultures in a leadership context includes the shared beliefs and habits held by the people participating. The company culture comprises a combination of multiple subcultures that have emerged for a reason, often to regulate specific parts of how people come together to make something

happen. So, in response to recurring challenges, dilemmas, and demands, we will build organizational habits that turn into cultures. The cultures are highly interesting since they are malleable and hold hindering, helping, and guiding contextual effects that significantly influence performance. Furthermore, the cultures are related to the organizational intentions, making it possible to identify which cultures should be strengthened to promote particular organizational intentions. There are twelve subcultures, whereof three cultures each relate to an organizational intention:

Related to Purpose Fulfillment

1. Purpose Culture: The way we prioritize our company's purpose in our decision-making and actions.

2. Fairness Culture: The way we act and react to the fairness of rules and policies, leader decisions, and the distribution of resources, rewards, and sanctions.

3. Ethical Culture: The way we act and react to behave ethically, promote ethical conduct, and make ethical decisions.

Related to Efficiency & Stability

1. Focus & Ambition Culture: The way we set direction and goals, translate goals into actions, and stretch our ambitions to always perform better.

2. Discipline Culture: The way we act and react to meet expectations, deliver on commitments, hold each other accountable, and rigorously adhere to standards.

3. Safety Culture: The way we approach physical and emotional safety, evaluate, prevent, and mitigate threats, accept necessary risks, and respond to incidents.

Related to Innovation & Change

1. Continuous Learning Culture: The way we learn continuously to refine, develop, improve, and expand existing operations.

2. Innovation Culture: The way we drive progress through experimenting, innovating, adopting new technologies, and applying new skills and work methods.

3. Change Culture: The way we adapt to changing work requirements and constructively respond to and contribute to change.

Related to Human Capital & Relations

1. Collaboration Culture: The way we collaborate, act on shared principles, trust and include, embrace diversity, nurture good relations, help each other, and back each other up.

2. Empowerment Culture: The way we actively engage when being led, take charge, and act out responsibilities, also when having to guide and influence peers.

3. Voice Culture: The way we voice concerns, speak up, and engage in discussions to align, promote problem-solving, and arrive at good decisions.

People

At the base layer of leadership context, we find the company's most important asset, its people. The people composition influences the leadership context greatly because it lays the foundation for the cultures and performance behavior in the organization. The diversity in the people composition also impacts the leadership context and comes with particular expectations for leadership. There are three composition factors in the people layer of the leadership context:

1. Personality Composition: The composition and diversity of personality dispositions influencing our beliefs and guiding our behavior.

2. Value Composition: The composition and diversity of value orientations influencing our beliefs and guiding our behavior.

3. Expertise Composition: The composition, levels, and diversity of expertise influencing work abilities and approaches.

THE EFFECTS OF CONTEXT DEFINE THE FRAMEWORK

Understanding which of the above factors could influence leadership or performance behavior in the context is key. Usually not all the factors are relevant, and the leader should identify the handful of influential factors she

should consider in choosing her leadership approach. Focusing on the few significant contextual factors, as we saw Julie and her team doing at the beginning of this chapter, is the first step in becoming an effective contextual leader.

We can have several different leadership contexts in a single organization. For example, we might have one leadership context in the customer service department and another in the production department, or we might have different leadership contexts in the French and American subsidiaries of the same company due to different national cultures, employee backgrounds, and market conditions. Consequently, a leader can exercise leadership in several different leadership contexts. It depends on who participates in the leadership relations and how other factors shift between departments. For example, the leadership context changes between employees who are physically near and those at a distance or between those pursuing innovation and those pursuing operational efficiency. In a military setting, it changes between leading those in harm's way and leading those supporting them from safety. Even with these differences in leadership context, though, other large parts of the leadership context remain the same because of the employees' shared organization.

RECOGNIZING THE EFFECTS OF LEADERSHIP CONTEXT IS ESSENTIAL FOR A LEADER

To understand what is important to consider to lead effectively, look for the effects of leadership context. There are three crucial effects that a leader should recognize and respond to, namely hindering, helping, and guiding effects.

Hindering effects make life more difficult. One example of a hindering effect is when distance forces us to communicate in online meetings, and a lot of body language disappears. Another is when a leader is trying to implement aligned processes, but it isn't easy because the organization has celebrated the freedom to work in one's own way for the last ten years, resulting in a weak discipline culture. Other examples are when a job is cumbersome because of risks demanding safety precautions or when a dynamic and complex market makes it difficult for a leader to plan.

Context can also help a leader exercise influence. One example of a helping effect is when a strong collaboration culture and a high level of trust makes people put in extra effort to pull through what the leader has asked of them. Another is when a strong empowerment culture in combination with

formalized processes helps workers handle operational problems effectively. One more example is when a diverse team composition helps the team think outside of the box because of the many different perspectives. These helping effects can be actively used by the leaders in an organization. This shows us that some parts of leadership context can be shaped to strengthen the leadership influence and, in some instances, substitute for the constant leader presence.

The third effect of leadership context is that it guides the choice of leadership behavior, such as when a risk-intense external environment guides certain decision-making practices to ensure that decisions can be made quickly when incidents occur. Also, different leadership intentions, which are part of the leadership context, naturally guide the choice of leadership behavior. For example, the intention to optimize a running operation guides the leader in implementing detailed key performance indicators (KPIs) and recurringly benchmarking these externally to drive continuous improvements.

The effects above show us that leadership context comprises tangible and intangible factors. Tangible factors may include the task interdependence between two departments, the physical distance between team members, or the level of formalized standards and rules. Intangible factors may include the collaboration culture, the values and beliefs held by different nationalities, or the differences in personalities among team members. These factors connect and influence each other. The more the leader recognizes the hindering, helping, and guiding effects, the better. It allows the leader to leverage, mitigate, and shape the leadership context to promote the organizational intentions.

Some of these contextual factors are malleable, while others are unyielding and firm. As examples of malleable context, the leader can strengthen the ethical culture, increase the formalization of particular procedures, or change the team's composition to bring in new skills. Conversely, the distance between employees, the risks a team faces in solving their tasks, or the dynamism in the market an organization serves can be immalleable for the leader. She cannot influence these contextual factors and needs to interpret how she best leads in the response given these settings. The awareness of what context the leader cannot shape and the interpretation of how to mitigate hindering effects while leveraging helping effects within these settings is an integral part of contextual leadership. At the same time, it is just as important to identify and shape the malleable factors in the leadership context to promote work performance.

GIVE PEOPLE A LANGUAGE TO TALK ABOUT CONTEXT

On an ongoing basis, people in an organization interpret the context, individually and together, allowing them to act with what they perceive to be adequate responses. The interpretations occur through individual thinking and are influenced through dialogue and the experience from interactions. These ongoing interpretive processes make leadership context somewhat fluid, as the perception of the norms for how we do things around here will differ from person to person.

At the same time, organizations cannot function effectively without shared interpretations of the context influencing the vital parts of the operation and decision-making. This fluidity demands an ongoing leader engagement in dialogue, alignment of perceptions of the context, and adequate responses.

This makes building shared language important for exercising effective leadership. Language influences the prototyping and sets boundaries for employees' opportunities to participate in building shared understandings. Hence, it is important to provide a language to talk about the context and a process that engages employees in interpreting the contextual dynamics. An example is when a team applies a risk assessment framework for discussing risks and deciding about risk mitigation. Another example is when a company formulates common values, engages its teams in interpreting them into expected behavior, and uses the language to provide feedback at weekly team meetings. This was the mechanism Julie and her team applied in the team sessions described at the beginning of this chapter.

This shows us that the leadership context encompasses very tangible factors like dangerous conditions, a distance between employees, or complexity in the market. Also, the leadership context has a large portion of more intangible factors concerning how things are done within the organization. Both tangible and intangible contextual factors have in common that we interpret their effects and decide how we should react based on the interpretations. That is done by accessing our individual and shared prototypes and using the language available. Therefore, it is essential to understand that people choose what they do and how they go about it by following the meaning they ascribe to their world. They act from their map of the world, yet under the social influence of the people they work with, including the leader.

THE LEADERSHIP CONTEXT IS A FORCE FIELD

In the leadership context, the contextual factors interact, and the effects from one factor can diminish or intensify the effects from another factor. Therefore we cannot understand the leadership context by considering one factor without looking for knock-on effects from other factors. Some factors keep each other in check, so influencing one contextual factor can shift the balance with other factors, which should be handled as part of the same change process. Herein lies an understanding that the organizational intentions and external environment hold guiding effects that the leader must match by shaping the context to optimize performance and engagement. See figure 2 below for an illustration of the force field. Throughout the book, we will investigate these dynamics between factors to consider how to shape the context best to promote performance and engagement.
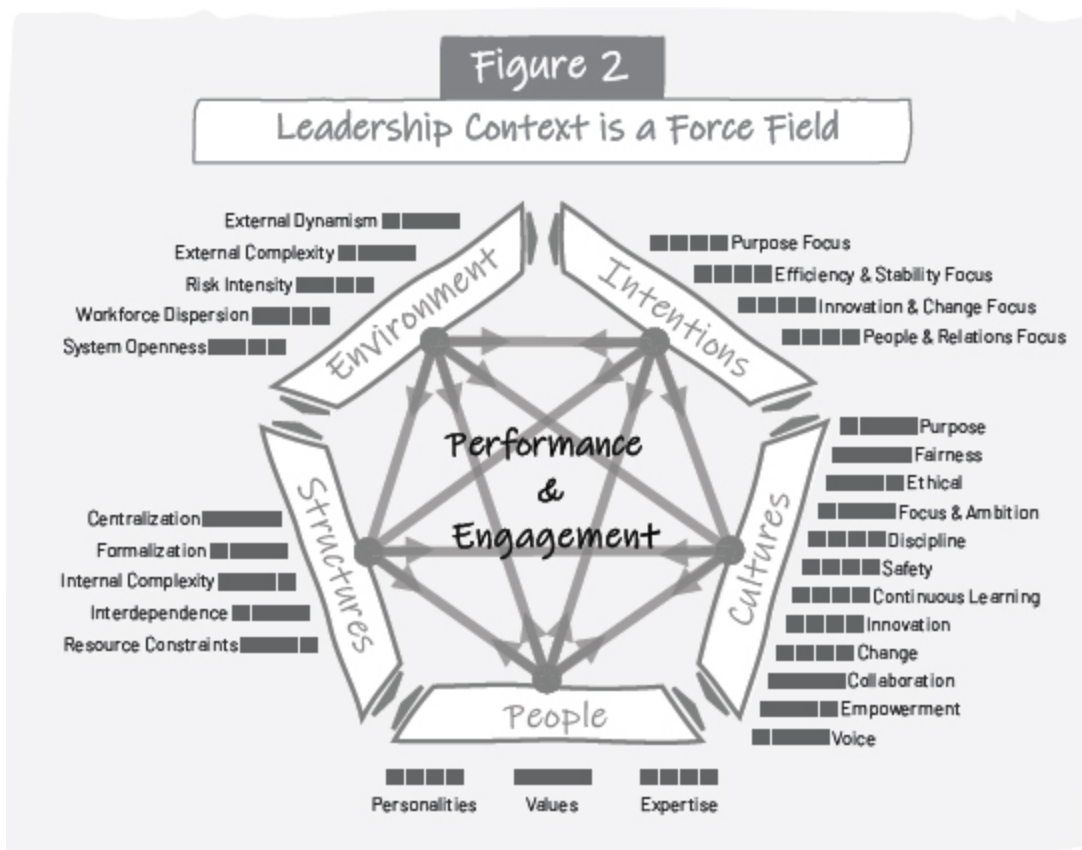
Source: Data from Noerby (2021, 2023).

There is no mathematical formula for how the factors influence each other, and most factors influence across the layers in many ways. However, patterns can be recognized, and some factors play well together in supporting performance and engagement. If some factors are out of balance with each

other, other factors will create less optimal support for performance and engagement. This book will highlight a range of these patterns to build awareness of how to optimize the leadership context. In the force field, we can consider if a given factor holds the power to intensify or diminish the effect of other contextual factors. For example, we can compensate for weakly formalized processes that are not well documented by hiring people with high expertise, or we can strengthen the empowerment culture to match a highly dynamic external market. The empowerment culture would strengthen decentralized and quick decision-making in response to the dynamic changes in the market. Julie and her team recognized the force field when they decided to formalize processes, train people to build expertise, and strengthen their discipline culture to restore quality and production predictability.

As leaders engaged in understanding and shaping context, we should look for how strongly the contextual factor is connected to other factors. These connections come together to form the context's compound influence on leadership and performance. The purpose is to build a strong context promoting organizational intentions. Sometimes, that requires that other parts of the context be changed simultaneously to alter some of the factors sustaining an undesired balance.

An example comes from a leader I met who shaped his organization's context toward a stronger service culture because of customer dissatisfaction. Besides strengthening the service culture, he also decentralized mandates to empower frontline staff to handle complaints. In addition, the leader formalized the complaint handling process to secure consistent and speedy action no matter who served the customer. During the process, the leader changed the composition of the customer service teams. Despite intensive work to strengthen the service culture, some employees kept reinforcing beliefs that "customers are a nuisance," so they were rotated to other departments to remove the contextual factors maintaining the undesired culture.

In this manner, the contextual factors act in concert and should be understood from a holistic viewpoint. However, like when cooking, first, we need to understand what objectives we want to realize—which dish we want to prepare. Then, we consider the ingredients we have available and how they can contribute to the dish. Finally, we make sure to use the ingredients in the correct order so that all of them can come together in a great meal. Similarly, when it comes to leadership context, we must consider the effects of the contextual factors and influence the factors, processes, and practices setting us up for performance.

THE STRENGTH OF THE LEADERSHIP CONTEXT

Leaders should consider the fitness and strength of the factors influencing performance and engagement to understand contextual strength. See figure 3 below.
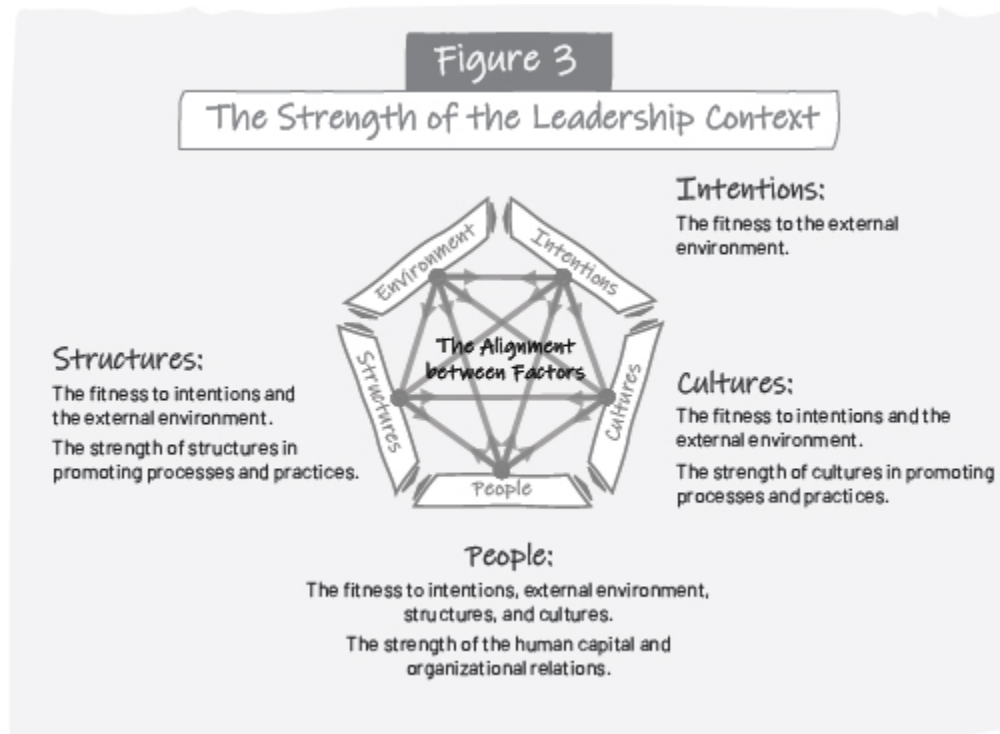
Source: Data from Noerby (2021, 2023).

The leader should consider these dimensions when assessing how strongly the context promotes leadership and performance. The sum of fitness and strength determines how much the context can help promote performance, engagement, and well-being. Below is a brief introduction to the strength dimensions, and throughout the book, we will unpack how to understand and work with the contextual factors to build a strong leadership context.

- **The fitness to the organizational intentions.** Structures and cultures address processes and practices in the organization. If you want innovation, the structures and cultures should support these ambitions. The same applies if you are pursuing efficiency, want to make the company's purpose come true, or want to develop your human capital and relations. This type of fitness is about understanding the intentions

and translating these into how the leadership context best supports the ambitions.

- **The fitness to the external environment.** The external environment forms the operating conditions that must be met with ways of organizing that promote performance. Understanding the external environment allows the leader to shape processes and structures to build requisite agility, complexity, risk readiness, common ground, and absorptive capacity in response to external factors.

- **The strength of structures in organizing how processes run and how mandates are distributed in the organization.** The more the structures support value creation in the organization's key processes, the stronger the context.

- **The strength of cultures.** "Culture eats strategy for breakfast" is a famous quote often attributed to Peter Drucker. It indicates that your organizational habits and beliefs must be aligned with your intentions and key processes to succeed with your strategy. Given that the subcultures in the company fit the organizational intentions and external environment, the stronger the culture, the higher the performance.

- **The strength of the human capital and organizational relations.** The people base is crucial for the structures and cultures to deliver optimal performance. The leader should consider the alignment between all five layers in the leadership context and influence the context to promote performance. That includes influencing the people composition to enable the desired performance.

It follows that the cornerstone in contextual leadership is shaping the context to set the organization up for optimal performance. That is done by working with the three drivers that strengthen and align structures and cultures:

1. Creating clarity of priorities, principles, and processes and the reasons for having them.

2. Increasing the level of shared interpretations of the priorities, principles, and processes through the involvement of people to create ownership and commit to action.

3. Strengthening the alignment in priorities, behavior and practices, and continuous learning and realignment.

These three drivers form the steps in the shaping process that leaders can use to build contextual strength, as identified in the global leadership context study. We will learn this process as the PIA Cycle, which will be unpacked in the following chapter and used throughout the book.

EFFECTIVE CONTEXTUAL LEADERSHIP

By understanding leadership itself and how the influence of leadership impacts levels of performance and engagement, we lay the foundation for effective contextual leadership. Therefore, this chapter begins with some perspectives on leadership as a background for understanding leadership context. It continues to describe what makes leadership contextually effective. The chapter ends by highlighting the two leadership approaches the studies identified as levers in being a contextually effective leader.

Leadership can be understood and defined in many ways. It can be understood as a range of leadership behaviors that a leader can combine to best influence the followers in any given situation. Approaches like full range leadership[14] or exemplary leadership[15] are examples of the behavioral approach. The theories display a range of leadership behaviors that have proven their worth in influencing followers to pursue organizational goals. Many international companies have adopted the behavioral approach. Often, these companies have developed specific versions of leadership behavior ranges used to guide leadership development and assessment of leadership behavior. In this view, leadership is about choosing the most effective behavior to promote the purpose pursued.

LEADER ATTRIBUTES AND LEADERSHIP BEHAVIOR

We can understand leadership by focusing on the leader and the attributes that make followers follow. This viewpoint adds important fundamental rules of thumb for leaders by highlighting the importance of leader authenticity. The focus is on the leader's self-awareness and ability to exercise leadership in a genuine, transparent, and trustworthy manner.[16] Different leaders can exercise the same leadership behaviors, such as providing feedback or setting direction,

in very different ways depending on their style rooted in their beliefs and underlying values. Different styles can be equally effective depending on the context. Nevertheless, the followers compare their experience with their intrinsic and often unconscious beliefs about good leadership.

These values held by the leader and followers are at the core of understanding how differences in national culture influence leadership effectiveness. Our cultural values underpin how we lead and react to leadership. The awareness of differences in cultural expectations regarding leadership is a part of the necessary self-awareness for any leader leading different nationalities. It concerns the leader's attention to what is perceived as effective leadership through the lens of the national cultures represented among those she leads.[17] From this perspective, leadership is about the leader's awareness of how her character, authenticity, cultural background, and style play into the context and match with the people she leads. From authenticity and cross-cultural leadership research, we learn that no matter where in the world you lead and what other differences in context are at play, people react positively to leaders who are trustworthy, just, and honest. Leaders who are positive with a can-do mindset, encouraging people through positive reinforcement, are appreciated. Leaders who focus on motivating the team and invest in building relationship quality between themselves and their people, and between their people themselves, are allowed more influence. Leaders who act from integrity and are clear on their standpoints, who are decisive and make sure priorities are clarified, are considered better leaders. These are fundamentals that form the basis for exercising influence in pursuit of organizational goals and creating followership.[18]

FOLLOWERSHIP

There is no leadership without followership. From this vantage point, leadership can be considered a shared process where decisions and commitments are cocreated between a leader and her followers. Or, as expressed by Dorthe Rønnau, senior vice president of people and culture at Coloplast, a global company with 14,500-plus employees in the intimate healthcare industry:
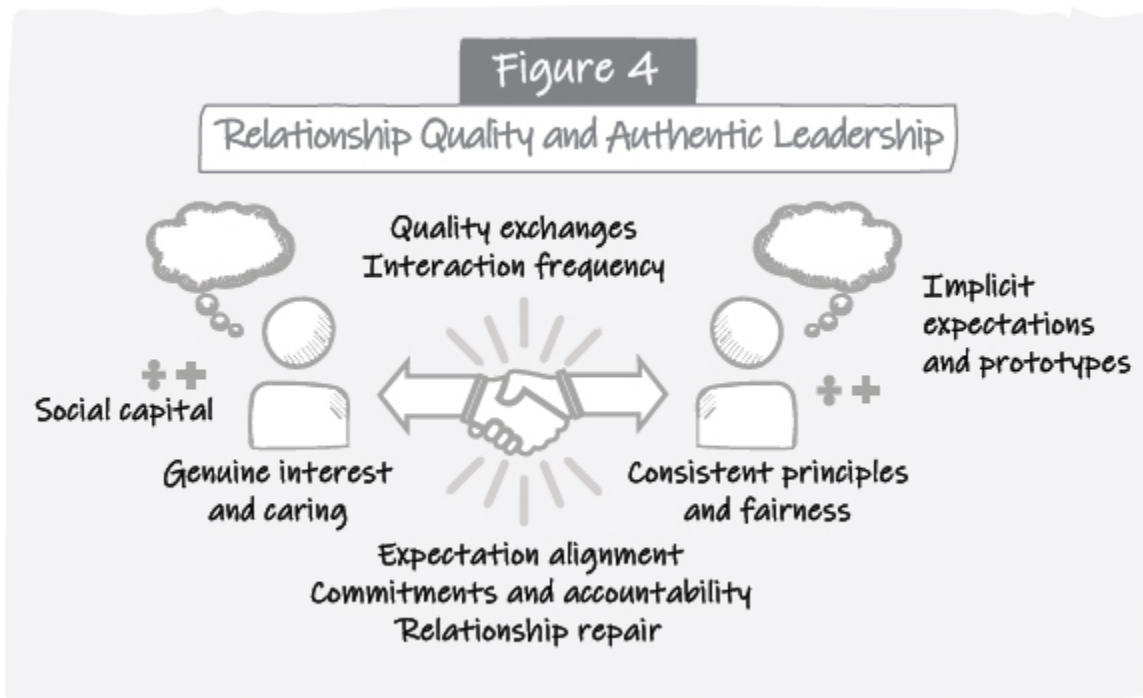
66 Obligating each other mutually in the leader-follower interaction is a great enabler in reaching objectives and creating business performance.

Dorthe Rønnau, Senior Vice President, People & Culture at Coloplast, Denmark

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Understanding leadership as an influencing process cocreated between the leader and followers is a pathway to empowering teams and employees. We can understand sharing leadership with active followers as building the guidance and mandate enabling followers' self-directed initiative.[19] It involves creating the practical frames and resources for employees that allow and obligate them to act out their role requirements and accountabilities. It also involves building the employees' skills so that they can live up to the freedom to operate and encourage self-directed actions. In turn, working in this way with shared leadership influences intrinsic or psychological empowerment. Psychological empowerment is the sense of meaning one derives from the job and the confidence level in one's competencies (self-efficacy) related to the job demands. It also relates to one's experience of freedom to make decisions and willingness to do so (self-determination), along with the experienced impact from one's own job.[20] In this shared leadership perspective, leadership is about engaging people in cocreating structures and cultures that promote empowered performance. It is about creating active followership.[21] Followership involves participating when someone is leading, assuming ownership, and taking charge on the organization's behalf. For example, it might include active participation in qualifying decisions, prioritizing tasks, or interpreting and aligning behavioral expectations. It is about surfacing issues and considerations, voicing opinions, suggesting solutions, and contributing to collective learning.

BASIC LEADERSHIP UNDERSTANDINGS

Across these leadership perspectives that all concern the ways in which leadership creates followership, we can summarize the following basic understandings about leadership that we will come back to many times during the book. See figure 4.

Figure 4

Relationship Quality and Authentic Leadership

Quality exchanges
Interaction frequency

Implicit expectations and prototypes

Social capital

Genuine interest and caring

Consistent principles and fairness

Expectation alignment
Commitments and accountability
Relationship repair

Data from Gardner, Avolio, and Walumbwa (2005), GLOBE (2020); Avolio (2004); Dickson, Den Hartog, and Mitchelson (2003); Pearce and Conger (2002); Spreitzer and Quinn (2001); Riggio, Chaleff, and Lipman-Blumen (2008).

We each have a "bank account" of social capital, the credit other individuals earn with me, determining how much influence I grant them. If my leader has earned much social capital over time, I trust her and will do my utmost to comply with her requests. This also applies to each of my colleagues, with whom the amount of social capital influences how much support and help I will offer.

Social capital builds when I experience genuine interest and care for my well-being from my leader. It builds when my leader leads from consistent principles and acts predictably. When I experience fair treatment of myself and others, I also add positive social capital points to the leader's "bank account." The opposite is true if I experience inconsistency or perceive something unfair—it deducts points, and I will be more reluctant to go the extra mile, take the initiative, and be an active follower. We all hold implicit prototypes, mental models of our expectations for what good looks like. These are our intrinsic criteria for expected and accepted social behavior from other people. This highlights the importance of aligning role expectations to work contribution, collaboration, and degrees of freedom. It is a crucial

leadership discipline to align expectations, clarify commitments, and hold people accountable to these commitments.

Relationship quality and leader authenticity grow out of valuable, enriching positive interactions between people. This requires us to interact frequently, to speak about matters that matter often enough, and to follow up, discuss solutions, brainstorm together, solve problems, celebrate, plan, organize, and give each other feedback. Trust builds through frequent quality exchanges and converts into perceived authenticity. I get to know my leader and know what she stands for. I have experienced that she cares for me and helps me. A final crucial part of these leadership basics is relationship repair, which is our reaction when we disappoint each other, misunderstand one another, get into conflict, or in any other way distort our relationship. Restoring the relationship and agreeing to mutual commitments is imperative to rebuild trust and collaboration. We must acknowledge mistakes and extend apologies when necessary.

A SYSTEMIC LEADERSHIP VIEW

Leadership can also be considered from a broader systemic viewpoint concentrated on influencing the whole organizational system. It involves recognizing that organizational performance is created through complex social interactions in networks constantly adapting to the external environment. The viewpoint comes from understanding organizations as complex adaptive systems and understanding leadership in these settings as complexity leadership.[22] It involves viewing an organization as a living organism and assuming it acts from a collective intelligence built, maintained, and constantly evolving among the people in the organization. In that respect, leadership facilitates that the organization continuously adapts and develops while maintaining operational efficiency. This viewpoint puts leadership in the broader focus, expanding beyond the direct leader-to-follower influence. It highlights that leadership can also influence organizational performance by shaping structures and processes to strengthen distributed capabilities and interplay.

In complexity leadership, a leader's role is to facilitate the development of a complex adaptive system by creating strong cross-organizational collaboration with delegated freedom to act. From a systemic viewpoint, leadership is about setting the organization up for success by influencing goals, structures and processes, and cultures and people to empower actions while maintaining the necessary control.

A DEFINITION OF LEADERSHIP AND SEVEN CATEGORIES OF EFFECTIVE LEADERSHIP PRACTICES

With an offset in these perspectives, we can define leadership.

🔖 **DEFINITION: LEADERSHIP**

> Leadership is any intentional behavior exercised to influence others, directly or indirectly, to realize the organization's intentions, aims, and objectives.

This definition implies that leadership includes interpreting the organizational intentions and choosing leadership interventions to promote performance toward the goals. It means that leadership can be exercised directly from a person toward another person, a team, or an organization. It clarifies that leadership can be temporary, informal, emerging, and directed toward people in or outside the organization. Finally, leadership as defined here also concerns shaping organizational structures and cultures and changing the composition of teams to promote the intended performance.

The leadership definition spans the range of leadership perspectives discussed in the previous section and captures the effective leadership behavior identified in multiple significant leadership theories.[23] The leadership perspectives, along with the findings in the leadership context studies, allow us to identify seven categories of leadership practices imperative for leadership effectiveness:

Category 1: Build Purpose and Direction

Understanding the purpose of the organization and embedding this understanding throughout the organization is a vital part of leadership. Leadership is exercised to realize the purpose and deliver on the organization's intentions. Organizational intentions should be the primary guide for leadership choices. An organization's intentions are often a mix between efficient operational ambitions, innovation, and development priorities. An organization can be pursuing one or more intentions at a given time. A department could be pursuing efficiency, for example, or a specific throughput in production, or they could be striving to maintain a particular degree of service toward their customers. A team could be pursuing improvements in existing performance, such as growing sales or increasing quality. Another desired outcome could be to succeed in changing a way of operating or

establishing new ways of going to market, such as moving office locations, implementing a new IT system, or launching a new product. A desired outcome of leadership could also be to develop the organization's competencies to enable new ways of operating or increase existing performance. The leader needs a deep understanding hereof to be effective. Hence, setting direction and making sure the directions convert into resource allocation, activity prioritization, ownership, and actions in the organization forms a centerpiece in leadership. The leader must facilitate an understanding of how goals connect to effective and adequate actions and embed the goal-path understanding throughout the organization.

Category 2: Translate the Desired Outcomes of Leadership into Behavioral Requirements

The leader should promote the organizational behavior that will yield the highest return on effort given the outcomes in focus.[24] The leader needs to link the desired outcomes to actions, behavior, and effort, then ask the team to invest themselves in those things. At the same time, she needs to identify the efforts that yield fewer results or are counterproductive. The leader's task is to create a clear goal-path line of sight from the desired outcomes to the behaviors that should be celebrated. The goal-path clarity forms the basis for facilitating continuous learning and taking corrective and reinforcing actions to yield even more performance. It is the leader's responsibility to call out the desired behavior, staff and organize, develop competencies, and reward to promote the behavior. This is the basis for developing a solid feedback practice—knowing what behavior should be promoted.

There are four categories of performance behavior, as displayed below. The behavior in focus concerns four types of performance behaviors, and the leader should determine which behavior to promote to deliver on the intentions in the particular team, department, or function. Underpinning the performance behaviors are the intrinsic engagement and empowerment drivers heavily influenced by leadership. See figure 5 below. The performance behaviors and the engagement and empowerment drivers are thoroughly described in appendix A.

Figure 5

The Desired Outcomes of Leadership: Performance, Engagement and Empowerment

Environment — Intentions — Cultures — People — Structures

Org. Citizenship
Task Performance
Adaptive Performance
Team Citizenship

Engagement & Empowerment

Leadership

Organizational Citizenship	• Followership: Coproducing leadership • Ownership: Initiating & taking charge
Task Performance	• Functional performance: Executing & raising ambitions • Planning & organizing: Looking ahead & being reliable
Adaptive Performance	• Adapting: Being flexible & coping with change • Learning: Developing & improving
Team Citizenship	• Supporting: Volunteering help & taking care • Playmaking: Reaching out & coordinating
Engagement & Empowerment	• The factors that build energy & helps convert the energy into work performance: Meaning, mastery, autonomy, influence, psychological safety, work & life strains

Source: Data from Noerby (2021, 2023).

Category 3: Make Sense of the Context

There are external factors a leader needs to understand to lead effectively, such as whether the environment is stable or dynamic, dangerous or safe. The leader needs to engage with external stakeholders, monitor the environment, and interpret this context into operational demands and decisions. The recurring interpretation of moves and shifts in the external environment, the external dependencies, and the societal dynamics reaching into the leadership context should inform the leader's choices. It is the leader's responsibility to

secure an appropriate match between the organization and the surroundings. Importantly, while doing so, the leader must always start from the organization's purpose and direction since it is not given that a leader should always match the context to be most effective. There will be instances where the leader must shape the context to promote the organization's purpose and direction. Making sense of the context and converting that into leadership choices is at the heart of contextual leadership.

Category 4: Calibrate Structures and Processes

Setting the organization up to deliver on the purpose and priorities fosters an effective operating model aligned to the organizational intentions. The leader must adjust the formalization of processes and centralization of decisions and functions to promote optimal organizational functioning. Leadership involves choosing the way of organizing, taking into account the organization's intentions and strategy and the demands flowing from the context, and ensuring the fitness and strength of the context. It requires setting up effective processes central to value creation and being deliberate about resource allocation to yield the highest possible performance given the purpose, direction, and context.

Category 5: Cultivate Cultures to Promote Performance

Leadership is setting the tone about how the organization does things, collaborates, engages with customers, and secures safety in the workplace or any other part of the organizational functioning. These habits and beliefs build a culture sustained by the repetition of behavioral patterns. There are multiple cultures within any organization that guide its behavior. The leader can influence these cultures to promote the desired performance. Examples include the safety culture or the learning culture.

An integrated part of leadership encompasses shaping the cultures most central to the organization's value creation. A leader does this by understanding how the different cultures help or hinder the desired performance behavior and then engaging with the context and her people to shape the culture.

Category 6: Form, Engage, Empower, and Direct Your Teams

Influencing people is at the heart of leadership. The leader must secure the expertise and diversity necessary to deliver on the organizational purpose and business ambitions. Hence, leadership requires adjusting the team composition and organizational setup when necessary. By leading the way and interacting with her people, the leader must facilitate the emergence of engagement and empowerment. She should inspire, enable, and develop people to act to their fullest potential. Finally, at the practical level, the leader should reinforce desired behavior and correct inefficient practices.

Category 7: Measure and Manage Performance

Managing tasks, measuring results and related execution efforts, driving planning and prioritization, sequencing projects, and monitoring deviations from performance standards are all fundamental parts of leadership. Some call this management, but separating it from leadership makes no sense in the practical world. It is about ensuring that the necessary KPIs are in place, that the tasks are managed, planned, prioritized, and followed through on. It is about anticipating and handling operational problems, following up, and installing corrective and reinforcing actions.

These seven categories capture the practices identified in numerous studies about how effective leadership influences organizational performance.[25] The categories are helpful in two ways. Firstly, they help us understand leadership in relation to leadership context. Secondly, they can be used to sense-check our organizations' leadership frameworks. The categories help bring attention to any parts of the effective leadership range that your current framework does not cover. Also, as further discussed in the following section, paying attention to these categories can spur consideration about which leadership behavior ranges should be further developed and enacted.

WHAT MAKES LEADERSHIP CONTEXTUALLY EFFECTIVE?

Two leadership disciplines make leadership contextually effective: matching the context with appropriate leadership approaches and shaping context to promote performance and engagement in the organization. Both disciplines rest upon making sense of the context, an underrepresented category of leadership behavior in most leadership frameworks. One of the main reasons for this is that much leadership research builds on early frameworks defining

leadership as only concerning the person-to-person influence.[26] The effects of being good at making sense of the context reach into the other six categories of effective leadership behavior discussed above. This involves interpreting the organizational intentions and using them as the main criteria guiding your leadership choices—both when leading people directly and when shaping context to promote performance. This widens the understanding of the leadership range covered by many frameworks to include shaping structures, processes, cultures, and team composition as part of leadership.

A crucial part of making sense of the context is understanding the organizational intentions. Leading from intention is an inherent part of leadership. Many leadership theories emphasize the importance of leading from purpose and setting direction. While many of these theories provide helpful input on how to lead, few give guidance on how to understand the components of the organization's purpose, strategy, and objectives. To be contextually effective, a leader must understand how much organizational intentions concern optimization, innovation, developing people, and promoting purpose. From this understanding, a leader needs to identify which individual, team, and organizational behavior links to the mix of objectives. She must understand how organizational intentions translate into the performance she should promote. This understanding enables her to decide if a contextual demand should be matched with appropriate leadership approaches or if the context should be changed to optimize performance and engagement.[27] It provides the criteria for deciding if the prevailing culture or an established procedure should be leveraged as-is or changed to promote performance. Many leadership theories assume it is best to match the context to be effective, and this is mainly true. However, effective contextual leadership involves deliberate choices about which contextual demands to match and which contexts to challenge and change through leadership. This shaping of context to promote performance and engagement is the theme of the following chapter.

First, we will end this chapter by considering how to effectively match context with leadership. Matching the leadership context with appropriate leadership interventions is not a new thing. The contingency view of leadership that different approaches are most appropriate for different contexts has existed for decades. Two leadership approaches kept surfacing in the global leadership context study, and the findings align with many leadership studies, as we shall see below. The first concerns the opening versus closing leadership approach, while the second relates to the directive versus

sharing leadership approach. Together, they provide a solid foundation for converting an understanding of the leadership context into effective leadership, as we will learn throughout the book.

Opening versus Closing Leadership

The opening versus closing leadership approach is about understanding how to lead for development, innovation, and change versus leading to drive efficiency in running operations. See figure 6 below for indicators.

These two disciplines have been discussed as parts of leadership versus management, or transformational versus transactional leadership. In recent years, these discussions have matured into the research on ambidextrous leadership.[28] Ambidexterity refers to holding two different leadership skill sets, one in each hand. The metaphor concerns using the approach in the hand most appropriate for the intention the leader is trying to achieve, being equally skillful with each hand, and understanding when to use the left versus the right hand and when to change hands. In one hand, the leader holds the range of opening behaviors facilitating idea generation, redesigning ways of working, changing, developing, and innovating. In the other hand, the leader holds the toolbox with approaches like stabilizing processes, diligently running according to instructions and plans, planning, plan-do-checkact procedures, monitoring KPIs, and implementing corrective actions to reduce deviations.

Figure 6

Opening vs. Closing Leadership Approaches

Opening

Closing

Opening	Closing
1. Promote autonomy	1. Promote alignment
2. Focus on learning and developing	2. Focus on maximum efficiency
3. Encourage different approaches	3. Encourage disciplined execution
4. Rethink the assumptions	4. Promote application of known methods
5. Disrupt the status quo to create new value	5. Continuously improve to optimize return on assets
6. Fuel idea generation	6. Establish and stabilize routines
7. Secure novel solutions and step-changes	7. Secure repeatability and consistent quality
8. A creative mindset with focus on solving the challenge at hand and maturing it later	8. A process mindset with focus on consistency, transferability, and scalability
9. Promote experimentation	9. Monitor and measure efforts and performance
10. Motivate risk taking to progress	10. Take corrective actions
11. Facilitate diverse thinking	11. Reinforce best practices
12. Empower independent acting and give room for self-organizing	12. Promote compliance to rules and adherence to standards
13. Allow trial and error to learn	13. Sanction errors to avoid them
14. Allocate resources to learn and test	14. Allocate resources to realize business cases
15. Sprint, evaluate, adjust, sprint	15. Plan diligently and stick to plans

Or, as captured here by Greg Daniel, speaking from decades of experience in running large-scale people-intensive services operations:

❝ You can have both control and innovation, but the framework needs to be communicated effectively, allowing employees to understand the difference. The leader must clarify the space where the employees have the freedom to innovate and the space where standards and processes must be followed.

Greg Daniel, MBA, EMEA Alliance Director at CBRE Global Workplace Solutions (GWS), Ireland

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Ambidextrous leadership involves recognizing which discipline is most appropriate to create the results in focus and shifting between the two disciplines. In contrast to situational leadership, ambidextrous leadership takes its offset in the organizational intentions and lets that determine the leadership approach. Situational leadership concerns the specific task at hand in relation to the competence level of the person who is working on the task. Before that becomes relevant, the leader has decided if she is going to engage in opening leadership behavior to drive more innovation, development, and change, or if she is investing her leadership efforts more in closing leadership behaviors, focusing on applying known methods to get the job done most effectively and with the fewest possible resources. Ambidextrous leadership is about understanding if the leader should create an open discussion to reengineer task priorities, resource allocations, and processes. The opening discipline involves unfreezing the existing ways of working and figuring out how to reconfigure and innovate a novel way forward. It involves understanding if the leader should minimize changes and discussions about operations to incremental continuous improvements and focus on getting things done with existing processes, creating clarity and transparency by following standards with a diligent and disciplined focus on operating consistently along decided processes. It allows for high control and efficiency and for reactions to deviations to restore stable operations. This is captured here by Magnus Röstlund, working for NKT, a global provider that designs, manufactures, and installs power cable solutions that enable sustainable energy transmission:

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66 Quick turnarounds in a dynamic environment require leadership that gets employees to change direction for tomorrow in specified areas and, at the same time, maintain parts of the existing operation and performance. If this clarity and balance are built into the leadership style and working processes, it's possible to change without losing performance.

Magnus Röstlund, MBA, Vice President, Head of Engineering and Material Technology at NKT, Sweden

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This deliberate choice of opening versus closing leadership behavior is key in effective contextual leadership. As you saw in figure 6 above, any context will call for a combination of opening and closing behavior. Effective contextual leadership comes from awareness of the optimal mix between opening and closing behavior to match the context combined with the skills in the two disciplines and the ability to shift between them.

Directing and Sharing Leadership

The other key choice in leadership approach that kept emerging in the studies is the balance between directing and sharing leadership. See figure 7 for indicators.

Figure 7

Directing and Sharing Leadership Approaches

Directing ... **Sharing**

Directing	Sharing
1. Communicate and clarify	1. Interact and interpret
2. Concentrate decision-making and retain power	2. Distribute decision-making and power
3. Tie mandate to the hierarchy, job roles, and leader position	3. Empower people with mandates to lead from their expertise and related to processes
4. Allocate resources per request to maintain close control over resource distribution	4. Enable the organization to act by allocating resource pools along with discretionary power
5. Intervene directly in the ongoing operations and projects	5. Intervene indirectly by leading through intent and briefing back
6. Coordinate through direct involvement of the leader	6. Establish direct coordination between functions with clear escalation standards
7. Gather, consolidate, and distribute information to inform action	7. Systematize transparent information exchange across the organization to inform action
8. Approve and align on input, actions, and plans	8. Approve and align on output, priorities, and frames
9. The leader leads people, teams, and the organization reporting to her	9. Peers leading peers related to a certain accountability, competence, process, or issue
10. Led by the leader through involving the team and organization	10. Led by team members assuming leadership over each other based on the issue at hand
11. Set and communicate direction, establish clear intent, and frame the solution space	11. Co-create direction and frame the solution space through productive team discussion
12. Leader is the main source of feedback based on supervision	12. Team members are the main source of feedback based on peer supervision

Source: Data from Noerby (2021).

Assuming a leader-led directing or sharing leadership approach relates to empowerment. Empowerment is driven by enablement and mandates, so this choice of best-fit approach includes considering the distribution of leadership in the organization. Shared leadership has gotten a lot of attention during the last two decades, driven by understanding leadership as a practice rather than equaling leadership to a leader.[29] People in an organization can assume leadership on a given task because they hold the highest expertise or are

situated closest to the task. People can participate more or less in cocreating leadership by soliciting input on decisions, suggesting priorities, anticipating trouble, and proposing mitigating actions. The choice between concentrating leadership with the leader or sharing leadership depends on the expertise in the organization, the employees' cultural expectations, the dispersion of the workforce within the organization, and other contextual factors. Striking the appropriate level of sharing leadership is about understanding how much taking-charge behavior and freedom to act among the employees will best serve the intended way of operating. It involves considering which decisions we want to distribute and which decisions we want to keep in the hands of the leader. It is related to the centralization built into the structures of the organization but also to the expectations from the people in the organization. How much do they expect the leaders to lead and make certain decisions? Like with ambidexterity, this comes before the situational interaction on a given task. It requires shaping the organization to an empowerment level through a combination of structures, people composition, and cultures and backing that up with the appropriate level of shared leadership. Throughout this book, we will come back to matching the two leadership approaches to the factors in the leadership context.

In the following chapter, we turn to the other discipline in contextual leadership: shaping the leadership context to promote performance and engagement.

CHAPTER 4

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SHAPING LEADERSHIP CONTEXT
FOR PERFORMANCE

This chapter unfolds the three-step discipline of shaping leadership context to promote performance and engagement. Leadership theories usually leave out engaging with the context and shaping the context to promote performance. The omission is disturbing since these practices hold significant power to promote individual, team, and organizational performance.[30]

Throughout this chapter, we will follow Jack and his team to demonstrate the dynamics of shaping context. Jack was the chief commercial officer of a company selling quality assurance systems and the company was strong in their markets when it came to standard solutions. However, due to their customers' globalization, external complexity was moving the client preferences toward tailor-made solutions. The company shifted its strategy and wanted to supplement its standard product business by delivering tailor-made solutions. They changed their purpose statement from "… deliver the leading quality assurance solution" to "…assisting the client in releasing their potential of quality assurance."

The executive leadership team asked the functional heads to involve their teams to identify which organizational transformations the shift required. For Jack, the starting point in the commercial organization was a weak learning culture and very little cross-organizational collaboration. They had been entirely focused on selling standard solutions and were successful in doing so. That needed to be supplemented by mastering tailor-made solution sales. Jack's leadership team identified two priorities for the sales force based on this goal: they needed to increase their involvement with the software engineering department to include technical expertise early in the sales processes, and they needed to develop a better method for specifying the customer requirements in the sales processes.

When facing a task like Jack's, the leader needs to identify which part of the leadership context is malleable, meaning it will allow the leader to shape it. How much a leader can shape context depends on the nature of the

contextual factor, the other factors, and the leader's mandate and energy to shape the context. The starting point is understanding which performance the leader is supposed to create through leadership influence—goals guide behavior! The leader needs to understand the organizational intentions and convert these into goals and operating principles for her part of the organization. This interpretation should be verified up the hierarchy.

Suppose an organization intends to drive costs out and efficiency up. In that case, it sets expectations for a department's daily practices and behaviors. On the other hand, if the organization wants the leader to innovate and create new solutions, it sets other expectations for organizational behavior. After interpreting and verifying these expectations with the stakeholders up the leadership hierarchy, a leader can often influence the goal setting, the sequencing, and who gets which goals. The organizational intentions converted into goals and priorities set the tone for shaping the leadership context.

Jack verified the two priorities identified with his peers in the executive team. He aligned the priorities of closer collaboration and a new specification process with the chief operating officer, who headed up the engineering department.

Having clarified priorities as Jack did, a leader can influence which decisions, mandates, processes, or tasks are centralized and which are delegated to a department or a team. Also, a leader can formalize specific processes to ensure that instructions for how they should run are clear and can thus create the foundation for aligning behavior to the formalized descriptions. Likewise, a leader can guide behavior through resource allocation. The leader can promote performance and development by assigning staff, time, attention, or money to selected tasks or parts of the organization. It is about aligning the organizational setup and the leadership intentions with the strategy, goal setting, budget, and operating model. Within these frames, the leader can shape parts of the leadership context to promote the organizational goals and intentions. In continuation, organizational culture is a vital part of making an organization perform and is a central part of the leadership context.

Organizational culture is the shared perception of how to act and behave in an organization. To shape culture, we must focus on the relevant subcultures and direct our initiatives to those. A culture emerges when a group of people together learn how to collaborate, decide together, and respond to the conditions and challenges they face.[31] When new members enter the

organization, they are influenced by more experienced colleagues who teach them how things are done within the organization. Culture is reproduced through people's behavior and interaction patterns along with how people talk about what is going on—that is, they keep confirming the shared mental pictures of their world. Therefore, a leader can influence selected parts of the culture by influencing how people act toward and talk about customers, safety, discipline, collaboration, or practices essential to performance and well-being.

## THE THREE STEPS IN SHAPING THE CONTEXT FOR PERFORMANCE AND ENGAGEMENT

The global leadership context study and the follow-up research identified a set of best practices for shaping the context to promote performance and engagement. These interrelated processes correspond with existing research on effective learning and transformation.[32] The process addresses three main elements:

1. **P**riorities & Principles,

2. **I**nvolving & Interpreting, and

3. **A**cting & Aligning.

    Together these three steps form the acronym PIA, and the PIA Cycle has, since its early conception, been used by hundreds of leaders driving transformations. Besides refining the process, the real-life use has also proven the transformative power of the PIA Cycle, which we will see in many cases throughout the book. The processes of the PIA Cycle are illustrated in figure 8 below and are described in the following sections. We will revisit Jack and his team in each step.

Figure 8

The PIA Cycle

The PIA Cycle

Priorities & Principles

Lift

Verify

Frame

Observe

Acting & Aligning

Involving & Interpreting

Learn

Commit
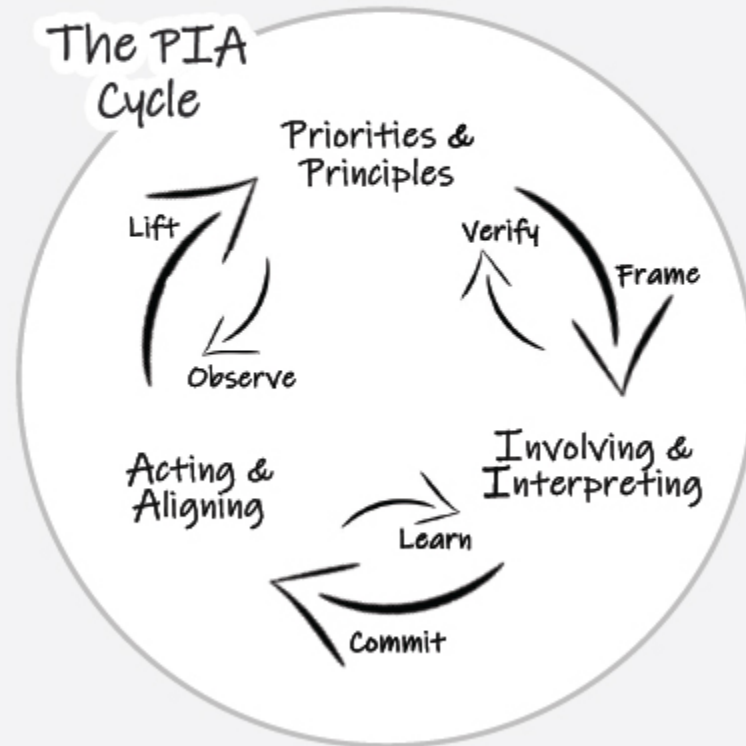
Source: Data from Noerby (2021).

Priorities & Principles

Verify and clarify priorities and principles up the hierarchy. The leader should identify the most critical organizational intentions—the balance between driving efficiency and promoting innovation. The leader should translate the organizational purpose into priorities in his area and ensure he understands the priorities in developing the human capital. He should engage with his immediate manager and other stakeholders to ensure that he understands the strategic priorities and verifies the ambition levels. If priorities are not cascaded top down, the leader is obligated to identify and verify the priorities and principles he finds most relevant, given his knowledge of the business. Suggesting and verifying these on one's own initiative is an inherent part of effective contextual leadership. Any leader is responsible for having his

organization operate from clear priorities and principles—even when these are not given from above.

It is imperative to understand the organizational intentions to secure focus on shaping the most influential contextual factors and avoid trying to take everything into account. Unclear organizational intentions can lead to analysis paralysis as one attempts to consider all possible contingencies triggered by the contextual dynamics.

Use priorities and principles to frame the focus into the organization. Framing is crucial in building strong contexts that promote performance. Framing is the mutual clarification of what matters the most for performance, collaboration, innovation, or any other theme in focus. Framing is a key driver in creating a common focus for directing attention and interpreting how to change behavior, processes, and procedures. The contextual leader's task is to clarify his organization's intentions, objectives, directions, priorities, and principles. In addition, he must also identify and announce the most important contextual demands to include in discussions, follow, measure, and address while operating. Together, the intentions and the contextual demands provide the priorities and principles that focus the leader's work in shaping the context. This way, he provides direction and frames the solution space with the key contextual elements that should be on the radar. Framing allows the leader to express precise business priorities and clear ambitions, strategic objectives, and performance outcomes balanced toward the contextual demands. The leader should explain the why behind the organizational intentions and operating principles. The same goes for the contextual demands and reasons behind them. The priorities from the organizational intentions must always be there, as they serve as the main criteria for decision-making.

Jack engaged his leadership team with the new strategic priorities and the updated purpose of "assisting clients in releasing their potential of quality assurance." He explained the changes in the external environment to clarify the why behind the choices. The company aspired to evolve to stay competitive and match the future external environment. Jack also highlighted the risk of not acting and the danger of becoming obsolete due to the limitations in matching customer requirements with the current portfolio of standard solutions. He explained how engineering had already been working on modularizing the current solutions into smaller components. This would allow tailoring without losing system robustness while remaining cost competitive.

The first version of a new specification process for tailor-made solutions was ready. Jack's leadership team discussed and interpreted what new expertise would be required in the

sales force and how the collaboration with the engineering department should develop. They also discussed who from the sales, engineering, finance, legal, and customer service teams to involve in which parts of the process.

Clarifying priorities and principles, as Jack and his team did, lays the foundation for the second stage in the PIA Cycle, involving and interpreting. However, a leader does not have to uncover all priorities and principles before engaging in interpretation and alignment. On the contrary, the PIA Cycle is a focused approach where the leader shapes the context bit by bit through his people's involvement. Being contextually effective and shaping context is an ongoing learning process.

Involving & Interpreting

Involving the right people. The people who will eventually have to make things happen should be involved in an interpretation process. A leader cannot involve everyone in everything. Still, when it comes to shaping context, the significant players in the team and organization must be involved in the interpretation. Involving people in *how* to make things come alive is not the same as opening up the decisions about *what* needs to happen. The leader should control the what-how balance, but involving people in the interpretation is the key to successful organizational learning and performance.

Interpreting together. Sensemaking and sensegiving are two sides of the interpretation process. Sensemaking is the receiving process and occurs inside our minds when we are involved in interpreting what the demands, policies, rules, or principles mean to us. The leader ensures that the right people get together and facilitates the interpretation, surfacing, and alignment of different assumptions into shared perceptions of how the demands should be met in practice. Sensegiving is communication, ensuring expectations are clear, explaining how priorities, principles, and demands translate into behavior, and giving reinforcing and corrective feedback to align behaviors. Sensegiving is also explaining the dynamics in the context, ascribing meaning to what happens, and making sure people are influenced in their sensemaking of events, incidents, and messages. The leader is important in sensegiving, but more importantly, he should facilitate the surfacing of interpretations by asking many questions to activate the collective critical thinking in the team. Everyone holds their own mental maps with interpretations of the world, meaning that even though we listen to the same words, we will not necessarily ascribe the same meaning to those words. Thus, it is essential to activate

people in the interpretation process and have them brief back on how they believe priorities and principles should be turned into behavior. What is OK and what is not OK? What needs to change and why? What are the next best steps that are within our action zone?

When it comes to shaping leadership context, it is imperative to make the sensemaking collective. You do that by asking people to share their interpretations and commit to actions. Collective sensemaking is crucial in strengthening leadership context by making interpretations a shared foundation for action. This influences the culture and guides actions positively related to performance.

Jack's leadership team agreed that each of them should engage their parts of the sales organization in sessions on interpreting how to make the updated specification process work. What needed to change in the sales dialogue? How should the commercial teams acquire the skills to specify in the new modularized solution setup? They also agreed to include the designated engineering supporter in the first sessions to start building the collaboration around the new specification process.

The line of sight from intentions to actions should guide the leader in collective and individual sensegiving. This requires that the leader facilitates breaking down objectives and other intentions into actions with the team. This is because making sense of how one's efforts contribute to the overall objectives is a strong performance and engagement driver. Besides breaking down objectives into committed actions for which people are held accountable, the line of sight also helps explain what is happening and makes it easier to discuss priorities. It also allows the leader and team to reflect on how actions result in positive or negative outcomes—what works and should be repeated and what should be done differently. Through this learning process, the leader activates the intrinsic motivational effect of contributing. The stronger the link between efforts and contributions, the more meaningful one's job will be perceived to be.

Sensemaking is key in strengthening context because people choose what they do and how they go about it by following the meaning they ascribe to their world. We all act from our cognitive, emotional, and embodied maps of the world, yet under the influence of the social structures in which we exist. Sensemaking always takes place and guides actions, even when the leader does not engage in the PIA Cycle. Here lies a risk that can weaken the leadership context if people make a "wrong" sense of what is going on and reinforce each other in their perceptions. This can turn into (mis)beliefs about why

resources are not allocated, why specific projects are not prioritized, why leaders made hard decisions the way they did, or why changes were made.

Thus, when the leader influences sensemaking, he gives sense to what is going on. He builds acceptance, preventing misconceptions from turning into counterproductive behavior, such as resistance to change or deviations from norms. Secondly, he lays a part of the foundation for self-directed initiative, allowing the followers to make choices conducive to the organizational intentions. Sensemaking takes effect when the leader frequently and consistently facilitates learning and explains decisions, trade-offs, and resource allocation linked to the organization's intentions. It happens when he engages the team in how actions and effects align with the desired direction and purpose, followed by concrete agreements about how to get more of the desired actions. Sensegiving is also using the purpose to debate or explain hard choices and navigate dilemmas. The consistent application and messaging form the basis for internalizing the understanding as an employee, resulting in more organizational citizenship.

Jack and his team started by themselves, interpreting the new company purpose to ensure they aligned around sensemaking and could exemplify the why behind the strategic shift. They interpreted how that should change the mindset and culture in the commercial organization. Also, they would need a stronger purpose drive and more empowered action to integrate engineering into the sales process. In order to make this happen, the salespeople would need to discuss and perceive the engineering department differently. These beliefs and behaviors relate to particular parts of the culture, and the team formulated new principles that were included in the PIA sessions in the commercial teams: (1) Customer-centricity in solution design and (2) Engineering is our closest ally. They engaged the sales teams in interpreting which behavioral and mindset changes these two principles required. They wrote these commitments down and brought them back into the leadership team. They used the commitments to follow through on the behavioral changes in the biweekly meetings.

It is vital to facilitate that people read back how they will act out the priorities and principles. Making people explain how they will convert expectations to their behavior influences the beliefs and assumptions underpinning that behavior. It shapes beliefs when a group makes concrete agreements about what to do more and less to meet the priorities the leader frames. A shared process in a group of employees creates a social bond about expected behavior. It allows members in the group to surface their disagreements and worries about any demanded behavioral changes. It allows the leader to clarify the demands for assuming new behavior, working in new

ways, following new processes, or changing attitudes. The leader can insist on how to act going forward and explain why it is crucial. The group can be involved in what it takes to make it happen, whether training is needed, how to collect feedback, and how to help each other promote the new behavior. The involvement creates positive mutual support and peer pressure to follow the new agreed-upon standards and attitudes. The leader should demand that we act our way into a new understanding, since there is no basis for learning without experience. That encompasses a demand to act in a new way for a period before evaluating how that new way has been working. It takes time to get used to new ways of working, and it takes repeated interpretations of what makes the new ways work before experiences settle in as beliefs. Hence, the third step in shaping context requires reinforcing commitments to the desired behavior and repeating the why.

Jack and his team had multiple sessions before carrying the transformation into the organization. Something happened during these sessions: the leadership team together realized what needed to happen and why. Their interactions between the meetings with legal, engineering, and customer service leaders matured their understanding. The interactions built new beliefs about what the company was to their customers with each of Jack's leaders and, as Jack told me, also with himself. During the month the leaders spent preparing before involving the wider commercial organization, they built a shared understanding and ownership. It turned out that the same transformation of beliefs, attitudes, and understandings was a crucial driver when Jack's leaders started the PIA sessions in each part of the organization.

Acting & Aligning

Committed action, please! The interpretation step of the PIA Cycle must end with clear, committed calls to action. These may be clear agreements about who does what or commitments to new ways of acting, behavior changes, stopping certain initiatives, or reallocating resources. Without specific commitments, the interpretation will rarely convert into action. Action is the precondition for learning, the key to the Acting & Aligning stage. This stage is about acting our way into a new understanding of how things are done within the organization. It is about making people use the new processes as they were intended or making the new form of collaboration and coordination work between two functions in the organization. It involves changing the way we talk to each other and interact. Such development demands committed,

observable action that we can follow up on to learn and align with how we intend things to run.

Aligning is learning together and keeping each other accountable. In the Acting & Aligning stage of the PIA Cycle, the leader facilitates learning and shared decision-making to adjust behaviors, processes, structures, or resource allocation to optimize performance. Reinforcing and correcting the behavior to align with agreed-upon commitments, along with having repeated discussions about why we are shifting attitudes or ways of working, is key to building culture. This is done through feedback between team members and from the leader. It is done by having recurring team dialogues about getting more of the desired behavior and why doing so is relevant. It is about having team sessions sharing experiences, interpreting what worked well and what should be improved going forward, ending in agreements on what to do more and less, and finally, agreeing on when to follow up again. The practice reinforces the interpretation of what good looks like and provides a platform for building shared beliefs about its value. In these follow-up PIA sessions, the leader and team should focus on two types of alignment: (1) aligning behavior to the agreed-upon practices and (2) aligning the context to promote the organizational intentions and desired performance.

Aligning behavior to the agreed-upon practices involves aligning organizational behavior and daily practices to the intended ways of working, documented processes, methodologies and decided-upon rules, regulations, values, codes of conduct, policies, and principles. It involves the corrective actions we decide in our recurring follow-up meetings to make new ways of working succeed, such as ensuring that the sales force enters the agreed-upon data from every sales meeting into the CRM system so that we can analyze the data and act on the patterns. Making that happen can require repeated follow-up dialogues to motivate the behavior and help the sales force commit to it. This is the interaction between acting and repeated involvement, where we learn together and make new commitments in the PIA Cycle.

This is also when we recognize that our behaviors must change because of changing contextual requirements. For example, a leader might choose to meet negative effects from increased external threats by engaging with their team more often to ensure quick decisions, or a team might increase the number of team meetings to meet increasing interdependencies.

Aligning context involves checking if adjusting any structures and processes might create a better fitness for current and future intentions and help desired performance emerge. It is ensuring alignment on *what* we aim to achieve; that is, the intentions, goals, objectives, performance demands, and

prioritization between them. Identify competing priorities, and clarify which goals are most important. This involves aligning processes, roles, rules, regulations, principles, methodologies, measurements, systems, and other structures to remove competing priorities. In continuation, we learn when we act to make new practices and processes come to life. Making sure that we align the documented processes, work instructions, methodologies, rules, and regulations to real-life best practices is part of driving learning through the PIA Cycle. This part of alignment includes adjusting roles, responsibilities, standard operating procedures (SOPs), measurements, instructions, policies, system flows, and other structures that maintain behavior to reflect what we have learned to yield the best performance. It can also encompass adjusting the organizational intentions to fit reality in cases where objectives and performance criteria need to be adjusted. Perhaps experience has proven that performance ambitions can be raised or that the initial business priorities need to be adjusted since the market opportunities require reprioritization.

Jack's leadership team set a time frame of two quarters for integrating the new specification process. First, they trained everyone in the new specification tool. Then, they embedded the PIA sessions as part of the biweekly sales meetings and worked on sharing experiences, learning together, and committing to using the new specification method in the ongoing sales processes. They identified necessary changes in the ERP system and quotation and contract templates to optimize the approach. These necessary alignments were escalated to the leadership team to ensure alignment across the commercial organization and with legal and finance. Each leader ran the PIA follow-up sessions by asking the sales reps to account for their application of the new process. This created positive peer pressure. Also, during this period, the leadership team decided to align the incentives for sales reps to recognize and reward selling tailor-made solutions.

As Jack's leaders learned, follow-up sessions with the reflect-adjust-commit dynamic are an integrated part of succeeding in the Acting & Aligning stage. The aim is to streamline behavior and context to help performance and leadership rather than hinder it. The repeated involvement and interpretation influence the shared and individual prototypes of good customer service, planning behavior, or collaboration, which builds culture! Over time, this process of influencing culture by involving people in the three steps settles in with most individuals and becomes their personal beliefs. However, despite a persistent influence from a leader to make a new culture emerge, some people might not take over the new beliefs about how things are done within the organization. They keep acting and advocating in the old way. Then the leader

faces a choice—either to accept non-desired and counterproductive work behavior, which hinders performance, or to dismiss the employees who could not be coached, motivated, and helped to change their behavior and attitudes.

This highlights an important consideration in shaping the leadership context—changing *people* in the leadership context. We all hold particular expertise, values, beliefs, and personalities. So, naturally, if the composition of people changes, that influences leadership context. The leader can reallocate people to different projects, functions, or departments to shape the context to promote success. Also, if mandated, the leader can add people holding the necessary expertise, values, or personality types to promote performance. Changing the people composition has a significant influence on performance potential. Hence, recruiting or removing people from a department is vital in shaping the leadership context.

During the transformation, Jack's leadership team realized that not all sales reps were good at tailoring solutions in the sales process. They tried but failed to meet the requirements of the new incentive structure and lost engagement. Some of them were top performers before the shift in strategic focus. This experience led to an update of the incentive scheme to support organizing the teams, with some sales reps mainly focused on selling standard solutions and others engaging primarily in tailored solution sales. Also, during the following year, more people with engineering skills were hired into the sales organization when the staff turnover opened the opportunity to do so. The leadership team learned that keeping the focus in the biweekly sales meetings had been a key transformation driver. They also learned that the last part of the PIA Cycle, lifting good practice from team to team, yielded many good results.

Observing and lifting good practice to organizational standards. There is an important organizational learning level to the PIA Cycle. It is about observing good practices in the organization and benefiting from the experience in one team by transferring the practices to other teams. This involves tapping into the work practices in a part of the organization to discover which work practices can be turned into methods and principles that could be made "company standard." Such observation can be done through internal audits of the practices in the company's factories and lifting the best methods to a set of production principles that are then implemented across the other production plants through PIA Cycles.

This observe and lift process is key for successfully deploying any strategy. The deployment should cascade down through the leadership teams in the organization based on clear priorities and principles that have been interpreted in the leadership team above. When the interpretation process has run in the

leadership team lowest in the organizational hierarchy, the plan of committed actions should loop back up the reporting lines. By following PIA Cycles in the deployment process, you ensure that the changes needed to realize strategy are understood and qualified through discussions among those who are going to make things happen. You also get feedback on feasibility, resource constraints, and misalignments across units and get a sense of the commitment to make things happen. You cannot effectively deploy strategy, organizational change, culture change, or any other significant reshaping with communication that does not include involvement and interpretation. These dynamics are fundamental when shaping culture and are discussed more in chapter 8.

Jack and his team succeeded in lifting several good practices across the teams in the commercial organization. The value arguments in negotiating the pricing of the tailor-made solutions turned out to be a vital profit driver. One of the teams found a very effective way to prepare for negotiations by building a catalog of value arguments and objection-handling phrases. This catalog was lifted across the teams and enriched with experience from the other teams. The updated version was deployed across the teams in the biweekly PIA sessions. One team developed a pre-sales diagnostics sheet for vetting whether a customer would benefit most from a standard or tailor-made solution. The sheet was lifted to become a marketing tool deployed to all teams as a standard way of operating.

During this period, Jack and his leaders were reminded of the importance of walking the talk and how good examples from one team inspired the other teams to transform. They learned the value of role modeling, and thus, we end this chapter with insights into the dynamics of role modeling.

ROLE MODELING

A large part of the leadership context comprises people and how their shared interpretations guide organizational behavior. Hence, role modeling is crucial for effective contextual leadership.[33] You must walk the talk and show the way, and others will follow! Any leader is on stage, and their behaviors are interpreted. Followers observe which actions are taken, and, equally important, they observe when they experience that no actions are taken at times when they feel action from the leader is necessary. As noted here by Mike Frausing, speaking from more than three decades of global leadership experience in multinational companies as well as start-ups:

❝ The organization will look up to the leader to see if he or she is "living the culture" …if not, they are not likely to follow the rules. It's critical that the leader is a good example and "walks the talk."

Mike Frausing, CEO & Owner at Andvari Holdings, Singapore

We all notice if a leader acts consistently, guided by the same principles across different situations. It also makes a difference whether a leader engages often enough to build an understanding among followers that allows them to act in the leader's spirit. The driver behind the mechanism is observational learning, and it applies even if it isn't intentionally orchestrated. It provides the leader with a huge opportunity to influence followers by exemplifying desired behavior. It is accelerated when combined with sensemaking, explaining why the course of action is desirable and which outcomes it influences. The sensemaking should be followed by a dialogue about how it can be taken over by the observers and, finally, by entering into clear agreements about trying it out. Acting in new ways allows the leader to follow up and investigate experience. Uncover what worked and what did not together with the followers who have tried the new behavior. This dialogue allows the leader to express demands for new behavior, ask for commitments to act in new ways, and hold people accountable for the agreed-upon actions. This learning cycle reinforces the alignment in the team, and the contextually aware leader should always be focused on building the desired behavioral standards into the team by repeating the PIA Cycle.

It is worth noting that if the process is not orchestrated, it emerges anyway —people observe the informal role models, interpret how to act, and align their actions to the accepted group norms.[34] Unguided and informal role modeling creates a behavioral path dependency, which can create performance challenges. Conversely, engaging in the PIA Cycle can shape the context and break counterproductive path dependency, as emphasized by Joep Bovens, who has more than 15 years of multi-cultural leadership experience as an operations director in facility management, a highly people-intensive industry:

66 Being a role model as a leader drives behavior. It's embedded in human DNA. Everyone (sub)consciously will deploy behavior to meet their manager's and significant peers' expectations. If these expectations are set by authentic behavior that supports collaboration and performance, role modeling will have a substantial positive effect.

Joep Bovens, Head of Transformation at ISS, Germany

Luckily, there are role models among the employees in most organizations who deeply understand the purpose and act it out. They are active in suggesting initiatives promoting the purpose and acting toward peers and customers. We know who they are. They are energized, and their positive energy is infectious. They go above and beyond. They show the way. These role models are an excellent source for reinforcing the desired behavior, both when aligning to "protocols" and promoting the alignment in behavior between significant players. Any leader should actively identify the good examples, share them with others, and explain why these actions guided by purpose are so desirable. Then the leader should make explicit agreements about how others can try to act out in similar ways and follow up on the experience. Role modeling should be used actively by the leader to reinforce desired behaviors. It is both leading by example and, equally important, identifying examples from the organization and using them to commit to and motivate similar behavior. It is about the power of storytelling combined with precise demands to act similarly. It is also about direct leader feedback correcting and reinforcing desired behaviors.

The following chapters unpack the factors in the leadership context, their nature, their effects, and how to lead in context. Read the chapters to understand how the leadership context force field comes together. From there, use the book as a tool, consulting the parts of most interest. Not all factors matter equally in different leadership contexts, so prioritizing your time on the factors most relevant to you makes sense once a coherent understanding is established.

LEAD FROM THE ORGANIZATIONAL INTENTIONS

Leadership should be exercised in alignment with the organizational intentions. Thor, a leader I have worked with for many years, took over a furniture company as the CEO. The company was in dire circumstances. The company produces ready-to-assemble furniture delivered in flat-packs to low-cost and middle-segment furniture stores. Over the years up until Thor took over as the CEO, the sales force had pursued differentiation in the highly competitive market by offering the customers customized variations of the furniture portfolio. This had incurred high shifting costs, led to many mistakes, and created a logistical nightmare for production. In addition, the product portfolio had evolved to cover multiple rooms, including kids' rooms and bathrooms. Both room types have product quality requirements that differ significantly from the company's original focus, living rooms. Profits plummeted, and the former CEO addressed this with the sales force multiple times, only to find that they had introduced more variations to increase the share of wallets with their customers.

To lead effectively, a leader must understand the organizational intentions —the operational and strategic priorities. Suppose the leader has not been part of the strategy process. In that case, it is imperative for the leader to engage with someone who can fill him in on the reasons and assumptions behind the strategic priorities so that he can understand the design choices behind the operating model, the prioritized value drivers, and the guiding principles for how the company intends to operate. Leadership is influence exercised by anyone in the organization over others in order to realize the organization's intentions, aims, and objectives. In order to exercise effective leadership, it is critical to profoundly understand the organizational intentions and the related value and loss drivers. Is the intention to drive efficiency by utilizing existing knowledge, innovate to create new value with new knowledge, or both in a balance? It is imperative to understand how organizational capabilities, especially human capital, enable or limit efficiency and innovation activities. This sets the tone for developing people and relations, which is vital to

effective leadership. Also, it is a foundation for effective leadership to understand how the organization's purpose translates into leadership priorities.

OUTSIDE-IN AND INSIDE-OUT

An organization will have a balance between an outside-in and inside-out approach to its strategy and operating model. The balance comes down to how the organization yields value from its internal resources by matching the opportunities and demands in the external society. The outside-in approach is where an organization focuses on understanding and catering to the needs of its external customers and lets that guide the development of its internal capabilities. The company's activities and internal priorities are guided by the market demands, product trends, and other outside opportunities to offer services or products that match these requests. In the outside-in approach, leadership must be guided by a mindset of customer-centricity, market orientation, and external sensing to pick up and exploit the opportunities in the external market. One company that exemplifies this kind of strategy is management consultancy McKinsey (www.mckinsey.com), which tailors its solutions to develop their clients' organizational performance. Their solutions depend on their clients' industries, legacies, product portfolios, brand power, and target markets. They are customized, and the ability to understand the customer and their operating conditions is a vital part of the value proposition.

The inside-out approach is when we focus on leveraging the resources that are special to us. Such valuable resources that drive inside-out thinking could be special equipment, knowledge, skills and abilities, access to rare resources, patents, or unique combinations of capabilities. In the inside-out approach, leadership should be guided by promoting thinking about what value one's organization can drive into the market given its special capabilities. An example of a company that demonstrates an inside-out approach is Novonesis (www.novonesis.com), a world-leading biotech company with remarkable enzyme expertise. They apply this unique capability to change food production, agriculture, waste handling, and more toward more biological and sustainable solutions. Novonesis's approach begins and ends with enzymes, their special capability. In most organizations, taking an inside-out approach requires understanding which external opportunities align best with one's internal resources to allow the highest possible value creation. To effectively lead, one must translate the inside-out/outside-in balance into an understanding of how results, execution, and enablers in the organization

relate to each other. Along with the organizational purpose, the outside-in/inside-out focus sets the tone for the balance between efficient operation and innovation that leadership should promote.

When Thor took over the furniture company, his first focus was this balance. With good intentions, the sales force had shifted the balance to an extreme outside-in approach. Thor changed that to an inside-out approach, bringing together production and sales to identify profitable products that could run in big batches with low production costs. Determining their focus in the market by analyzing the most profitable products given the available production equipment resulted in returning to a focus on only selling furniture for living rooms. By pulling out of kids' rooms, they were able to reduce the amount of documentation they had to develop for different markets around product safety. Dropping the bathroom product range enabled them to eliminate the production's most manual, work-intensive part. These two initiatives streamlined production and lowered production costs, allowing for more aggressive pricing while increasing profits.
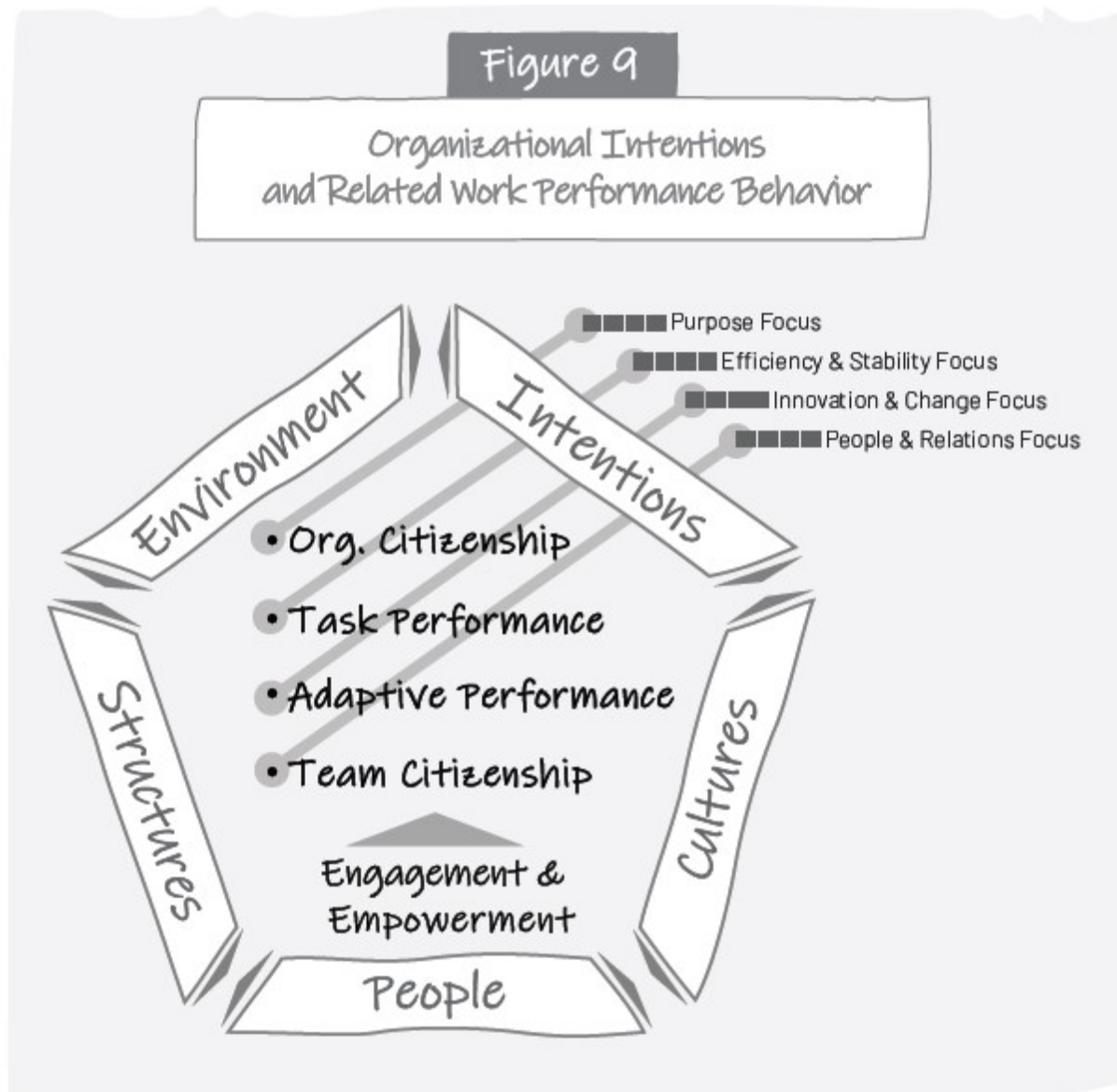
This transition was challenging and required renegotiating customer contracts, saying goodbye to some customers, and finding new customers who fit the inside-out strategy. It took 18 months of intensive leadership effort to realign the culture and processes in the commercial organization to the efficiency focus. New contract templates were introduced with less mandate to customize, and decisions about deviations were centralized. New volume rebate mechanisms were introduced to drive economies of scale and price competitiveness. The sales organization was trained and involved in interpreting what the shift required from them. Thor insisted on concrete commitments to the new agenda. He was very clear in his move toward a closing leadership approach. The shift in organizational intention from innovation in every customer encounter to efficiency resulted in the turnaround that brought the numbers back into the black.

Leaders like Thor should shape the internal structures, cultures, and people composition out of a deep understanding of the organizational intentions. Most companies continuously work on optimizing the internal settings for optimal fitness to external factors. This requires attention to how the structures in the organization should be shaped to promote the desired performance and to how the people composition and the cultures should be shaped to enable and drive the chosen purpose, efficiency, and innovation focus. An organization performs significantly better when there is a good fit between the intentions and external environment and the structures, people composition, and cultures. This is at the heart of contextual leadership. It is a balancing act, as emphasized here by Professor Jay Brand, drawing on his more than three decades of leadership research:

❝ The leader must balance some difficult priorities related to the short-term and long-term focus in his direction setting. The short-term focus may emphasize efficiency, financial performance, and controlling costs. At the same time, the long term may concern the company's purpose of ''saving the planet'' for future generations. Both are important and should be emphasized in a balance through leadership.

Jay Brand, PhD, Professor of Leadership & Organizational Studies, and Director of the Leadership PhD program, at School of Leadership, Andrews University, USA

The above understanding is a precondition for direction setting, which is a vital part of effective leadership, both long term and in the day-to-day prioritization of efforts. The organizational intentions coming from the strategy, and the operational priorities can be understood as the mix of four categories of related performance behavior that the leader should promote. See figure 9 below.

Figure 9

Organizational Intentions and Related Work Performance Behavior

- Purpose Focus
- Efficiency & Stability Focus
- Innovation & Change Focus
- People & Relations Focus

Environment

Intentions

Structures

Cultures

- Org. Citizenship
- Task Performance
- Adaptive Performance
- Team Citizenship

Engagement & Empowerment

People

Source: Data from Noerby (2021, 2023).

Understanding the intended mix of these outcomes forms a strong base for leading effectively. A leader should choose behavior informed by the organizational intentions and the work performance he should promote through leadership.

In the furniture company, Thor refocused the organization toward task performance. This involved more focus on efficiently planning and executing sales of the standard product range. It meant a shift toward optimal production planning and high utilization of the production facilities rather than spending time on handheld labor-intensive customization. In

both departments, the leaders involved their people in interpreting and committing to what behaviors they should do more and less of. They produced posters with the commitments and followed through every week to reinforce the move and keep translating the organizational focus on efficiency into behavioral commitments.

In this manner, leaders should facilitate the translation of the organizational intentions into behavioral requirements for their people. This enables targeted involvement of the teams in working toward more of the desired behavior. It taps into a significant performance driver for effective leadership, which is building and reinforcing a line of sight between the goals (intentions) and the path to get there (performance behavior). A clear goal-path understanding empowers people to make informed choices, promoting the efforts impacting the organizational intentions most strongly. In the following sections, we unpack the four organizational intentions guiding the organizational focus—Purpose Fulfillment, Efficiency & Stability, Innovation & Change, and Human Capital & Relations—and their links to performance.

ORGANIZATIONAL INTENTIONS #1: PURPOSE FOCUS

Purpose is a prosocial higher-order goal that captures an organization's contribution to society. The purpose runs in parallel with the business goals for efficiency and innovation. An organization's purpose goes beyond making a profit; it is an intended positive impact on parts of society to the benefit of specific target groups. As witnessed in a study involving 429 firms and almost 500,000 survey responses, when middle managers and key staff have a clear purpose, financial and organizational performance are significantly influenced.[35] Purpose makes this difference by adding meaning to the work life of the organization's employees, which translates into more organizational citizenship, promoting performance. This comes with nuances, as highlighted here by Joe Manget, speaking from more than a decade in global management consulting followed by a decade in executive leadership in healthcare:

❝ The power of purpose is very company dependent. It depends on how central and important the company's purpose or add-on purpose, like sustainability, is to the company's future. The power of the purpose comes down to the employee's perspective on the importance of the company's purpose.

Joe Manget, Chair and Chief Executive Officer at Edgewood Health Network, Canada

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A first step in letting purpose guide leadership is to look for how the purpose explains why the company exists. Does it do a good job of sensemaking beyond making a profit? How important is it in everyday life—is it something that matters? Is it the most important thing for the company's executive leaders, and do they role model it so the organization's members recognize links between activities, priorities, and purpose? Are the strategic initiatives linked to the purpose? Are more significant decisions made considering the purpose? Does the purpose weigh in as a criterion in the decision processes? These questions are relevant for the leader since the purpose can provide a strong leadership foundation with positive engagement and performance effects.

🔖 DEFINITION: THE INTENTION TO FULFILL PURPOSE

The focus on contributing positively to the greater good of society and our world.

There are two types of purpose that hold the power to fuel engagement and psychological empowerment by creating meaning in people's work lives: (1) Core purpose and (2) Add-on purpose.

A core purpose relates to the central value creation for the company and is taken into account in every business decision. It is used as a primary criterion in strategic decisions. It provides a compass to navigate hard choices and dilemmas. It is what the organization exists to contribute, and it holds great power in creating meaning in people's work lives. It is the answer to "Why does the organization exist?"

A good acid test of your organization's purpose-strength is to recall instances where the purpose was used to argue for decisions. If none springs to mind, chances are that the purpose is not having much effect. A strong purpose clarifies the organization's identity to external stakeholders, providing

a guiding effect for making the right choices in the interaction with customers and external partners. In some organizations, the purpose-strength is low, and they miss out on the positive engagement and empowerment effects of a strong purpose. Other organizations use their core purpose as a central part of building a strong leadership context, as in the following example from ISS Global A/S (www.issworld.com).

ISS is a global workplace experience and facility management company with more than 350,000 employees around the globe. They work on their customers' sites, taking care of everything it takes to create a good workplace, including catering, cleaning, facility maintenance, and providing a wide range of support services. Their core purpose is, "Connecting people and places to make the world work better."

This purpose captures the core value creation, which is higher productivity for the users in the workplaces they take care of. Every part of their organization can use the core purpose to guide their actions and choices, and the purpose is translated into what ISS calls their "Placemaker" program. The Placemaker program is an education program for all the ISS Placemakers— that is, the frontline employees working on site side by side with the users in the customer buildings. The interpretation of the purpose into desired service behavior is a strong example of making intentions a centerpiece in the leadership context at the frontline level. The purpose also permeates the commercial deals between ISS and their customers and results in integrated partnerships supported by pricing mechanisms, collaboration principles, and mutual obligations. In this manner, the purpose is made a crucial part of the leadership context at all levels in ISS across the very different customers served, who work in industries like healthcare, banking, aviation, and manufacturing.

An add-on purpose involves giving back beyond the impact of the core operation of the company or reducing negative impact resulting from the core operation. Considerations such as taking care of our planet, giving back to society, and contributing to sustainable development are increasingly important to many of us, and doing these things holds the power to create intrinsic rewards, feels good, and creates meaning in our work lives. Commitments like these form the basis for add-on purposes, which companies choose to engage in. They are immensely important because they relate to doing good for society. However, add-on purposes are less central to the company's core value creation, even though add-on purposes often hold great indirect performance-improving potential. An example of an add-on purpose is when an organization adopts and acts on the United Nations 2030 Agenda

for Sustainable Development—the 17 goals.[36] Committing to this agenda allows the company to clarify how it contributes to some of the 17 goals, like fighting hunger and poverty, promoting gender equality and access to education for all, or reducing negative environmental impact. Such choices hold power to ascribe great meaning to people's work lives. Many companies aim to reduce their emission, pollution, waste, or energy consumption. There is a move toward recycling and a circular economy, and such initiatives hold purpose-power, strengthening the sense of meaning in organizations that enact them. However, to hold purpose-power, the company needs to go above and beyond meeting the necessary minimum legislative demands or industry standards. It is when employees experience an authentic ambition to contribute to doing good for society that an add-on purpose holds the potential to influence performance positively.[37] On the other hand, if the purpose is not perceived as authentic, it can have counterproductive effects, as explained here by Dr. Annie Haver, an expert in emotion regulation and its significance for leadership:

❝ An organization must be genuine about its purpose. Take sustainability as an example. If the reason for doing it is only for PR and to attract clients, and a comprehensive focus does not drive it at all levels in the organization, it can backfire. If you choose to pursue a purpose, it must become a mindset for the purpose to have positive effects in the organization and outside.

Dr. Annie Haver, Associate Professor of Leadership at University of Stavanger, Norway, and Honorary Visiting Fellow at the University of Wollongong in NSW, Australia

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What Are the Effects of Striving to Fulfill Purpose in the Leadership Context?

A strong purpose has a direct influence on the organizational citizenship behavior in an organization. People are more active as followers cocreating leadership when acting from a strong purpose. There is more ownership

behavior and organizational loyalty, resulting in fewer important issues remaining unresolved. Also, there is a higher level of taking charge and actively approaching peers to progress matters and make sure everyone complies with agreed-upon ways of working. A strong purpose creates meaning, which fuels engagement and empowerment, resulting in higher performance across all performance categories. This makes purpose highly interesting for any leader, as the performance impact is significant, also beyond the organizational citizenship effects.

When a company contributes to a better society by supporting local development of infrastructure, education, social activities, or local financial prosperity by supporting local sub-suppliers, it adds meaning. The more it becomes clear how the work efforts in an organization contribute to positive experience and a better life for someone, the more energy a purpose releases. A higher purpose needs to be authentic. In practical terms, that means it should be possible to identify people who benefit from pursuing the core purpose and add-ons. Together, the core and add-on purposes allow the leadership in the organization to picture the legacy the company strives to leave for future generations. A strong example is Patagonia (www.patagonia.com), an outdoor clothing company with deeply embedded values that translate clearly into their business. Their value of environmentalism translates into using recycled materials, and their Worn Wear program encourages and facilitates the repair of Patagonia gear to bring down consumption. They also created the 1% for the Planet program, which dedicates 1% of sales to the preservation and restoration of the natural environment—a program they have turned into a nonprofit corporation to encourage other businesses to do the same.

Such visioning adds a significance dimension to the understanding of success. It connects the long-term and short-term goals of the organization. It strengthens the feeling of belonging to the organization and promotes the collective interests in creating internal collaboration in addition to meeting individual performance goals. The effects of a strong purpose activated in an organization through frequent, consistent communication and modeled by the leaders are highly interesting. It results in employees working harder, supporting colleagues, taking initiative, voicing new ideas and demonstrating dedication, persistence, openness to negative feedback, and willingness to try new things.[38]

Essentially, it is doing good for people that evokes the sensemaking in the mind of the organization's members. To reinforce purpose-strength, the centerpiece is storytelling about how the organization's efforts help people live

better lives, feel better, be happier, fulfill dreams, get healthier, be more effective, or benefit in some other way. Purpose is about doing good for others, and business is the largest collective institution on Earth, responsible for the most value creation and the most damage. Hence, every organization should hold their purpose central in everything they do and exemplify how it acts responsibly and how particular people benefit from the organization's efforts. This builds pride in the workforce and powers the engagement and empowerment drivers underpinning performance. It makes people more engaged and likely to stay with the organization, as succinctly captured here by Joep Bovens in the global leadership context study:

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66 Although the impact of a clear purpose you believe in might not be so visible directly, being able to match company values with your own personal values is a significant factor in long-term employee loyalty.

Joep Bovens, Head of Transformation at ISS, Germany

Contextual Leadership and the Intention to Fulfill Purpose

A core purpose holds a strong guiding effect on leadership, and it is imperative that the leader understands the *priorities and principles* coming from the purpose. A core purpose should serve as a main criterion for decisions, prioritizations, and resource allocations. In this manner, the purpose, along with the other organizational intentions, should guide how a leader invests her energy. The leader must direct her efforts toward the activities yielding the highest contribution to promoting the core purpose. Having one or more add-on purposes also holds guiding effects that influence leadership. Add-on purposes can serve as qualifying criteria that help the leader choose between alternative courses of action. A strong organizational desire to protect the environment is an example of such a guiding effect. When a leader chooses between transportation alternatives or production methods, the environmental protection should weigh in to qualify decisions.

The strength of the purpose plays an important role in the leadership context force field. If the purpose plays a centerpiece in the way an
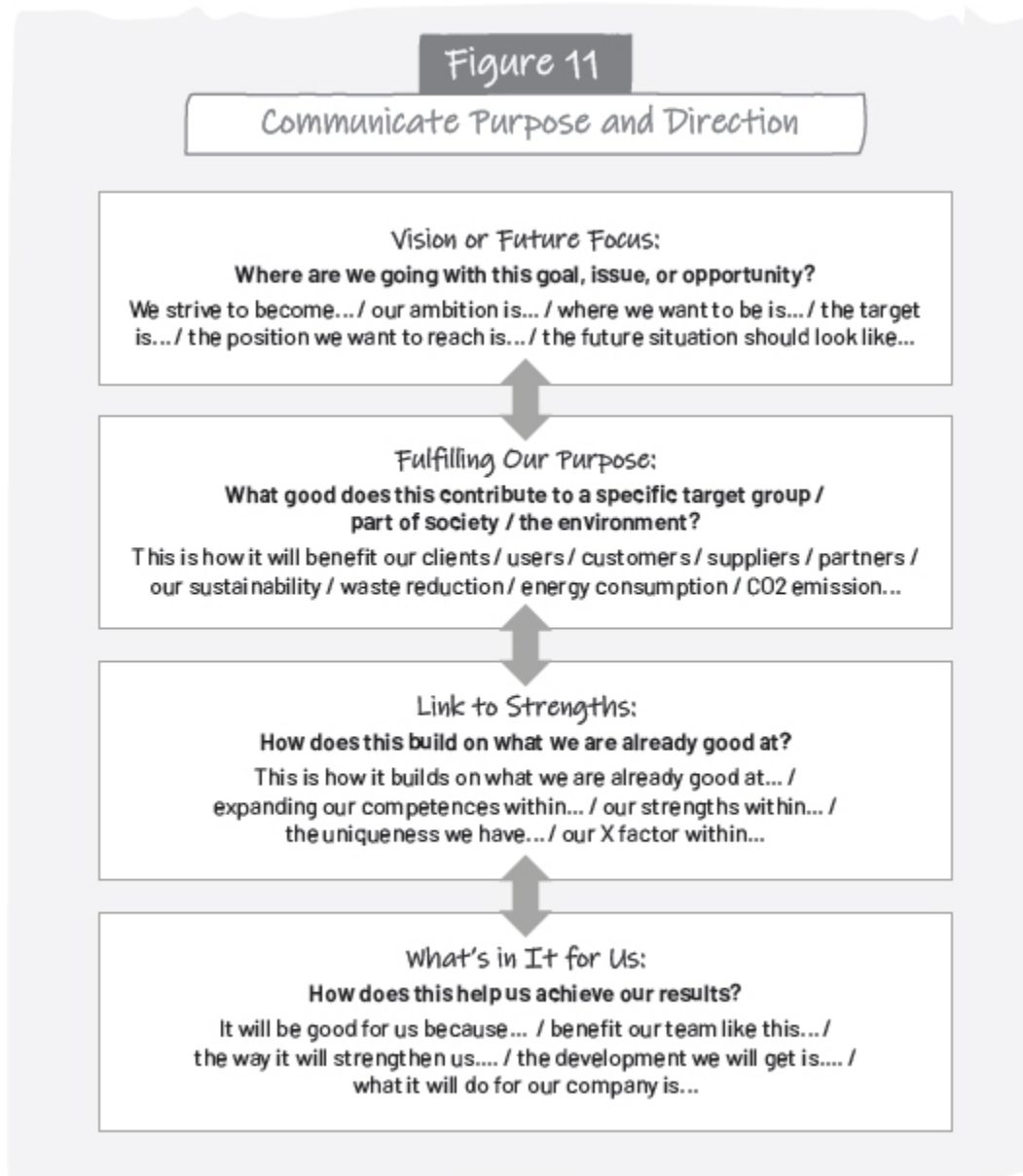
organization is led and lives, it can help leadership by offsetting a range of hindering effects from other contextual factors. To reap the benefits of purpose, the leader should empower the organization to act from purpose, meaning a move toward shared leadership. See figure 10 below.
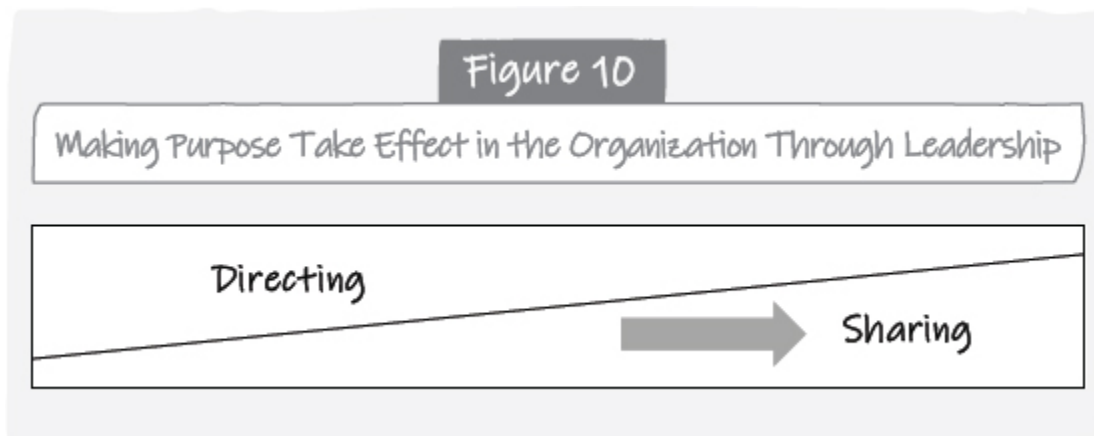
Source: Data from Noerby (2021).

To release the helping effects of a strong purpose, it needs to be *interpreted* through active involvement of the organization's members. If people are involved and have participated in training, workshops, or discussion where the purpose is interpreted into behavioral demands, prioritizations, or principles for operating, it will help the leader promote performance behavior. It helps with handling internal complexity by aligning the overriding priorities when complexity results in competing priorities. It guides collaboration when there is high internal interdependency, as in a matrix organization. In the same vein, a strong purpose lays the foundation for navigating resource constraints by giving guidance on what is most important when choosing how to allocate scarce resources. A strong purpose allows a lower level of standardized, formalized way of operating and more decentralization. It does so because the purpose offers a different coordination mechanism than formalized processes and centralized decision-making by ensuring that decentralized actions can be taken with a clear understanding of how they support the purpose. Finally, the strength of the core purpose lays the foundation for building a purpose culture, as in the previous example from the global workplace experience and facility services company ISS. To build such a culture demands repeated *alignment*, that is, that the leader keeps using the purpose to explain choices and the reasons the organization operates the way it does. It demands reinforcing and corrective actions to align behavior to support purpose,

celebrating role models living the purpose, and training newcomers in how to interpret the purpose into action. Building purpose and direction is imperative in strengthening the leadership context. The continued reinforcement through leadership involves consistently embedding purpose in the direction setting as a leader. There are four components in direction setting that strengthen the helping effects of purpose, and these components should optimally be included in any leader's communication as often as possible. See figure 11.

Figure 11

Communicate Purpose and Direction

Vision or Future Focus:

Where are we going with this goal, issue, or opportunity?

We strive to become... / our ambition is... / where we want to be is... / the target is.... / the position we want to reach is.... / the future situation should look like...

Fulfilling Our Purpose:

What good does this contribute to a specific target group / part of society / the environment?

This is how it will benefit our clients / users / customers / suppliers / partners / our sustainability / waste reduction / energy consumption / CO2 emission...

Link to Strengths:

How does this build on what we are already good at?

This is how it builds on what we are already good at... / expanding our competences within... / our strengths within... / the uniqueness we have... / our X factor within...

What's in It for Us:

How does this help us achieve our results?

It will be good for us because... / benefit our team like this... / the way it will strengthen us.... / the development we will get is.... / what it will do for our company is...

Source: Data from Noerby (2021).

These components should be included in the corporate communication, in any leader's daily language, in the communication of new initiatives, when reviewing performance, when delegating tasks, and in any other case possible. They should be used for asking questions in the interpretation phase with people in the organization. This integrates purpose into the understanding of how the organization operates and clarifies the business goals it strives to deliver on— whether those goals are efficiency or innovation goals. Embedding purpose with vision, strengths, and desired outcomes adds centrality to the purpose, which strengthens the helping effects of purpose on performance. Embedding purpose as a shared belief demands a lot of leadership effort, which in turn yields high performance returns because of the sensemaking effects influencing the engagement and empowerment drivers.

An example is Advansor (www.advansor.com), a leading-edge global company producing sustainable CO2 climate solutions—cooling and heating systems for customers like supermarkets, hotels, and the processing industry. By committing fully to using CO2 in refrigeration, they help fight global warming and are especially driven by United Nations goal number 13, climate action. Their purpose, helping customers make a difference to the climate, is central to everything they do. As CEO Kristian Breitenbauch highlights, there are significant engagement and talent attraction effects of holding the purpose central:

❝ Sustainability is a key purpose for us in making the *why* understandable for the organization and employees. It has a big influence on the attraction of talent and on employee motivation.

Kristian Breitenbauch, Chief Executive Officer at Advansor, Denmark

When considering how to shape the context to make a strong purpose focus take maximum effect, there are factors in the leadership context that play a larger role than others. The significant factor settings that hold a helping effect on realizing a purpose intention are illustrated in the leadership context force field below—see figure 12.

Figure 12

The Purpose Focus and Helpful Factor Settings

Environment
- External Dynamism
- External Complexity
- Risk Intensity
- Workforce Dispersion
- System Openness

Intentions
- Purpose Focus
- Efficiency & Stability Focus
- Innovation & Change Focus
- People & Relations Focus

Cultures
- Purpose
- Fairness
- Ethical
- Focus & Ambition
- Discipline
- Safety
- Continuous Learning
- Innovation
- Change
- Collaboration
- Empowerment
- Voice

Structures
- Centralization
- Formalization
- Internal Complexity
- Interdependence
- Resource Constraints

Performance

Leadership

People
- Personalities
- Values
- Expertise

Source: Data from Noerby (2021, 2023).

The purpose focus should align with a strong purpose culture and be backed up by strong collaboration and empowerment cultures to release the guiding effects. The fairness and ethical cultures must be strong enough to back up the purpose. In order for the purpose to take its full empowerment effects, the people hired must share the passion for the purpose. At the same time, a high purpose focus enables decentralization and less formalization, given that the people in the organization hold the expertise to act from purpose. Whether the purpose focus is high or low, a company always holds a balance in their focus between efficiency and stability and innovation and change.

The next intention we investigate is the efficiency and stability focus.

ORGANIZATIONAL INTENTIONS #2: EFFICIENCY & STABILITY FOCUS

As we learned from Thor and the turnaround of the furniture company, efficiency and stability were, for them, a key focus for achieving and maintaining profitability. They created high repeatability and big batches, allowing them to optimize production quality and efficiency. This drove costs down, reduced product complaints, and increased delivery predictability. It also required shaping part of the context to support the efficiency focus.
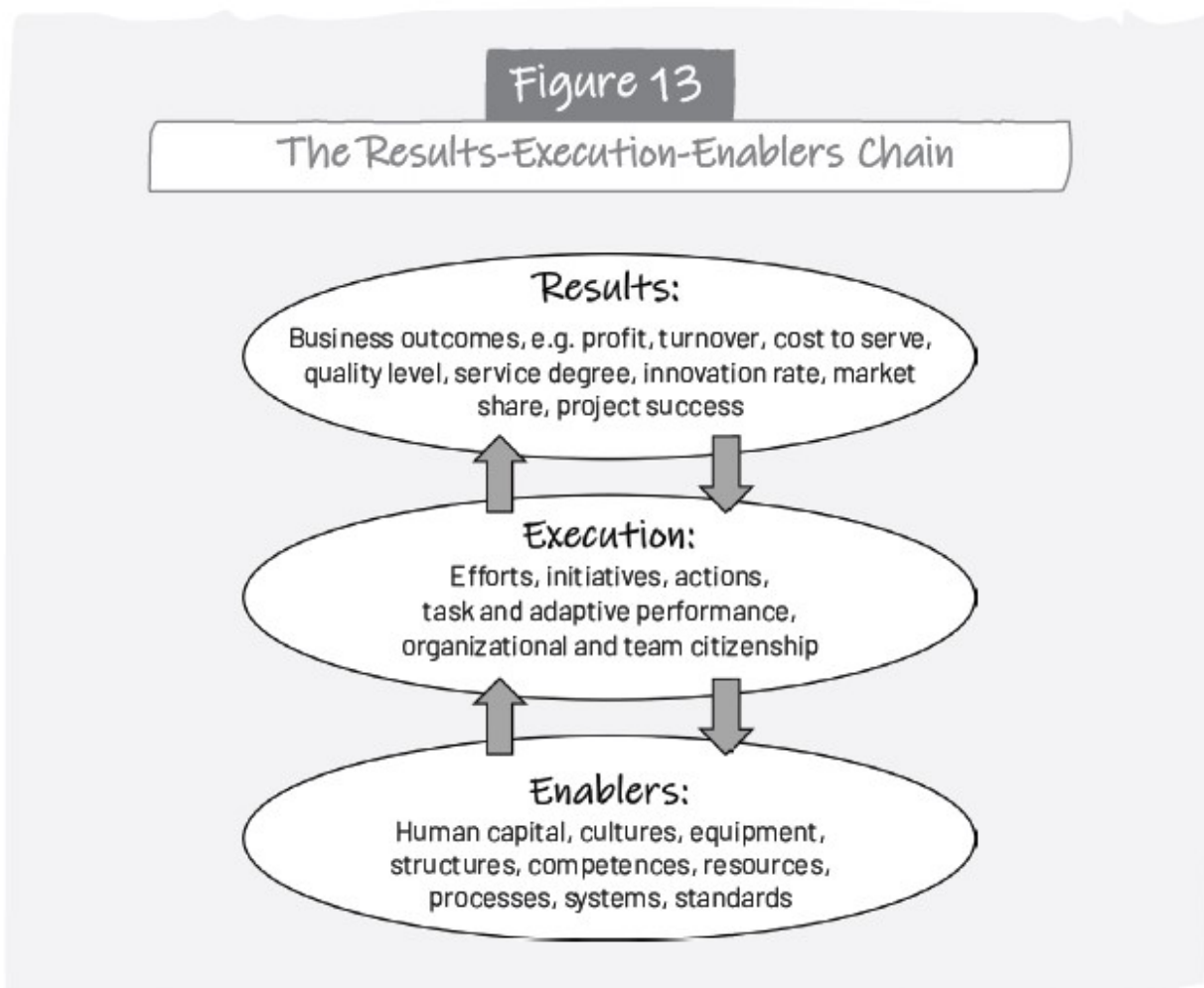
Efficiency and stability relate to the repeatability of value-creating activities in any organization—the operational performance goals the organization pursues continuously. It is the productivity in the running operation, usually translated into a range of KPIs used to manage the business. The intention is to create stability at a high performance level. This involves driving optimization and alignment, minimizing deviations and variations, and continuously improving to reach a high level of efficiency. It requires a focus on short-term performance, continuous corrective actions, and promoting discipline to reduce variation. Any leader in any business should know her KPIs for the running operation. The leader should understand which standards apply. As a foundation for leading effectively, the leader must build insights around how the targets for maintaining high performance relate to the core value-creating processes and methods. Transparency in understanding the cost and value drivers is imperative, along with nudging minor incremental improvements to increase organizational efficiency. Employee productivity and standardizing processes are central parts of the leadership focus on continuous improvement. Managing the deviations and exceptions is a key priority, and target setting to optimize the yield from known well-tried methods is at the heart of everyday leadership.

🔖 **DEFINITION: THE INTENTION TO PURSUE EFFICIENCY AND STABILITY**

The focus on maximizing return on the invested resources, minimizing cost, and improving performance.

High performance in running operation is about yielding the highest possible outcome with the minimum resource consumption. For the leader to understand the efficiency intentions, she needs to understand the value, performance, and cost drivers in her part of the value chain. This encompasses understanding the goal-path links in the operating model. The

leader should uncover the desired outcomes and build an understanding of how these link to the efforts, initiatives, and behavior that will influence the outputs the most. The goal-path understanding can be built from two starting points, and the leader often needs to combine the two understandings. Firstly, desired *results* can be broken down into the most critical *execution efforts* followed by considerations about which *enablers* the execution demands. Secondly, the considerations can take their offset in the available *enablers*; for example, the competencies, scarce resources, or equipment available. These constraints frame the consideration about how to organize optimal *execution* and thereby define the *results* possible. In this thinking, we focus on getting the most out of the constrained resources. In any instance, a leader should establish a clear understanding of the goal-path links. See figure 13 below.

Figure 13

The Results-Execution-Enablers Chain

Results:
Business outcomes, e.g. profit, turnover, cost to serve, quality level, service degree, innovation rate, market share, project success

Execution:
Efforts, initiatives, actions, task and adaptive performance, organizational and team citizenship

Enablers:
Human capital, cultures, equipment, structures, competences, resources, processes, systems, standards

Source: Data from Noerby (2021).

Establishing this understanding top to bottom in the leadership hierarchy is a vital part of ensuring that the intentions to pursue efficiency and stability translate into optimal organizational functioning. This requires ensuring that the PIA Cycle is linked from leadership level to leadership level. To do this, the executive-level leadership in the organization must clarify the priorities to second-level leadership, and the interpretations must be fed back up the chain to secure alignment. These interlocks should happen up and down the leadership hierarchy to build a strong focus and ambition culture. No matter what, any leader should push her interpretations of the organizational intentions within her area up the leadership hierarchy to verify interpretations and align on priorities. Also, if the priorities are not cascaded from upper leadership, this up-down interlock through PIA dialogues provides the leader a platform for shaping the context to support performance by choosing which KPIs to focus on. The KPIs in the goal-path chain address the enablers, execution, and results displayed in figure 13 above.

- *Result key performance indicators* measure the desired business outcomes. Depending on the placement in the value chain, these can differ but represent the goals that define success for any given organizational unit.

- *Execution key performance indicators* measure the efforts driving the results, such as milestone completion in a project, sales calls per week, utilization degree of vital equipment, number of product launches, or other vital efforts directly driving the desired results. The four types of performance behavior capture these execution efforts, and a leader should actively break down the desired results (goal-) into behaviors, such as planning practices or specific cross-organizational playmaking (-path).

- *Enabling key performance indicators* measure the quality and utilization of enabling factors such as the competence levels of the operators using equipment, the human capital quality, the availability of scarce resources, the process maturity, the equipment maintenance levels, or the number of people trained. Here we also find the measurements of the engagement and empowerment drivers, the organization's leadership quality, and any other antecedents to executing effectively. These metrics capture the second part of the path in the goal-path chain, completing the linkage: results-execution-enablers or enablers-execution-results.

What Are the Effects of Pursuing Efficiency and Stability?

The link between business results yielded from running operation and task performance behavior in the organization is well supported.[39] The relation pinpoints task performance as a crucial desired outcome of leadership. Task performance relates to the job-specific proficiency or in-role performance centered on the quantity and quality of the expected job outcomes. It is employee behaviors related to efficiency such as planning one's own work to meet deadlines, prioritizing important tasks, working efficiently to spend time and effort optimally, and continually raising one's ambitions to do a little better. Pursuing efficiency and stability requires reducing slack and variation in the way the organization functions. It requires standardizing, automating, working with continuous improvement, and finding means to reduce the cost to operate. That comes with an important consideration, as stressed by Jeff Miller in this quote from the global leadership context study:

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66 Pursuing efficiency should not lead to a singular focus on individual task performance, as this can have negative implications if it neglects the focus on teamwork, collaboration, and relationships.

Jeff Miller, PhD, Faculty at Creighton University and Catalyst, Connector & Convener of Leadership Networks, USA

Following Jeff Miller's remark, it is worth considering the potential hindering effects of focusing on efficiency. Doing so can result in increased work intensity, pressure, lower control over one's own work, and the demotivating effects of less task variety. These effects influence the engagement and empowerment drivers. Mastery emerges when one is adequately challenged and experiences that one's competences are put to good use. It results in a feeling of being enriched by handling one's tasks. Reducing variation by aligning processes and standardizing incurs a risk of reducing the opportunities for experiencing mastery. Efficient operation can also threaten autonomy, another engagement and empowerment driver. Autonomy is the freedom to plan your work and decide when to do what, and it demands close leadership attention. This is pinpointed below by Dr. Deborah Koland, speaking from 20 years as a strategy consultant in two of the largest

international business consulting firms in the United States and a decade as a strategy director in a Fortune 500 company:

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f Any time an organization operates under a condition of "process to profits," pursuing efficiency, it will drive leadership behaviors to this end, meaning less autonomy for the doers. The leaders should stay aware of the potential adverse effect of less autonomy on motivation.

**Dr. Deborah Koland, Strategist, Researcher, Writer, and Catalyst at Deborah Koland LLC, USA**

Moreover, there are results indicating that the reduction of slack when pursuing lean operation results in a shift in the perception of the work strains, one of the underlying engagement and empowerment drivers. The shift pushes the experienced work strains up, resulting in higher experienced stress levels. Together, lower mastery and autonomy influences ownership and taking-charge behavior negatively, and higher experienced work strains reduce the capacity to cope. The leader needs to be attentive to how these effects have the potential to hinder the pursuit of efficiency and stability. There is a risk that the intention to optimize task performance can result in long-term hindering impacts on task performance itself. This means that the leader needs to carefully consider how to go about it.

Contextual Leadership and the Efficiency and Stability Intention

The intention to pursue efficiency, stability, and task performance holds strong guiding effects on leadership. Leadership should move toward a closing leadership approach, which must be combined with sharing leadership to the greatest extent possible given that the expertise is high enough in the organization. See figure 14.

Figure 14

Promoting Efficiency, Stability, and Task Performance Through Leadership

Opening
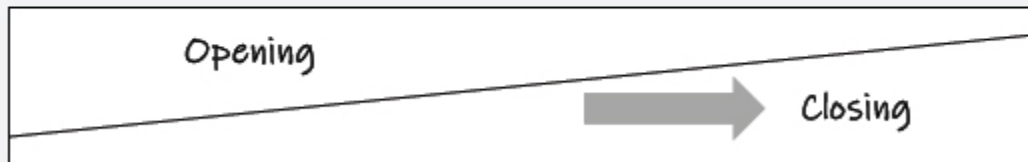
Closing

Source: Data from Noerby (2021).

The aim of moving toward closing is to secure efficient stable repeatability on the core value-creating processes while catalyzing continuous improvements, as emphasized by Morten Bechmann, who has been stationed in various European countries leading large regions over the past decades:

❝ Success in pursuing efficiency is deeply rooted in the company culture and setting up an environment that promotes continuous improvement. In this setting, the leader is vital as the daily catalyst for constant questioning and challenging the present.

Morten Bechmann, MBA, Global Sales Director at Peter Justesen Company, Denmark

It raises the *priority* to promote alignment in the organization, as continuous improvement practices hinge on aligned processes operated in a standardized manner. So, an essential choice in the pursuit of efficiency and task performance is recognizing which processes or functional areas should be standardized to drive optimization and which are better delegated with the freedom to decide how to operate. Attention and energy should be invested in involving people in how to optimize task performance because involvement

can help counteract the experience of loss of autonomy from the "push" for efficiency. Driving the involvement with frequent and consistent recurring PIA Cycles will positively impact the experienced influence, another of the engagement and empowerment drivers. It will help mitigate negative effects on mastery and autonomy. Based on this understanding of the priorities, the leader should choose and steer the attention using KPIs and rewards aimed at results, efforts, and enablers as a leadership platform. She should link the long-term benefits for employees and the company, such as staying competitive and retaining jobs, to the continuous improvement efforts asked for from the organization. This way, she builds meaning by tapping into the principles for communicating purpose and direction discussed previously. See figure 11 on communicating purpose and direction introduced in the previous section on purpose. The demand for efficiency translates into increased importance of two vital parts of leadership, measuring and managing performance, along with calibrating structures and processes.

Besides the personal leadership behavior, the leader and team must *interpret* efficiency into the crucial value and cost drivers. This understanding of the drivers should be used for choosing how to formalize processes, centralize decisions, and allocate the available resources. These three contextual factors—formalization, centralization, and resource constraints—are very influential factors that the leader can shape in pursuit of efficiency and stability. Formalization can help gain efficiency, as the documentation lays the foundation for continuous alignment of processes and behaviors toward stable best practices.

Relatedly, the leader can promote efficiency by centralizing resources, cost-intensive expertise, or complex decisions, such as with central staff functions like HR or legal, shared service centers, and formalized governance around certain decisions. Also, a leader should consider strengthening the continuous learning culture, the focus and ambition culture, and the discipline culture as an integrated part of pursuing efficiency. These cultures help performance by promoting the continuous improvement behavior. As part of the interpretation, the team must consider how to offset the hindering effects of less opportunity for mastery and autonomy.

The leader needs to secure a robust involvement process to mitigate the danger of increasing the experienced work strains when optimizing processes and removing slack. The continuous involvement needs to be supported by a strong empowerment culture to trigger the helping engagement effects of influence. Maximizing involvement in combination with pursuing efficiency can mitigate the hindering effects on autonomy and mastery, resulting in more

followership, ownership, and playmaking. Another part of the interpretation is understanding the external environment, as an organization can pursue efficiency and stability in both dynamic and stable environments. However, a more dynamic external environment makes it more difficult to yield above-normal returns. This highlights that an effective contextual leader needs to consider how to offset the hindering effects from high external dynamism to preserve the performance capacity. These interpretations allow the leader to **align** the context to the best fit for intentions. See figure 15 for an overview of the significant factor settings that have a helping effect on realizing the efficiency and stability intention.
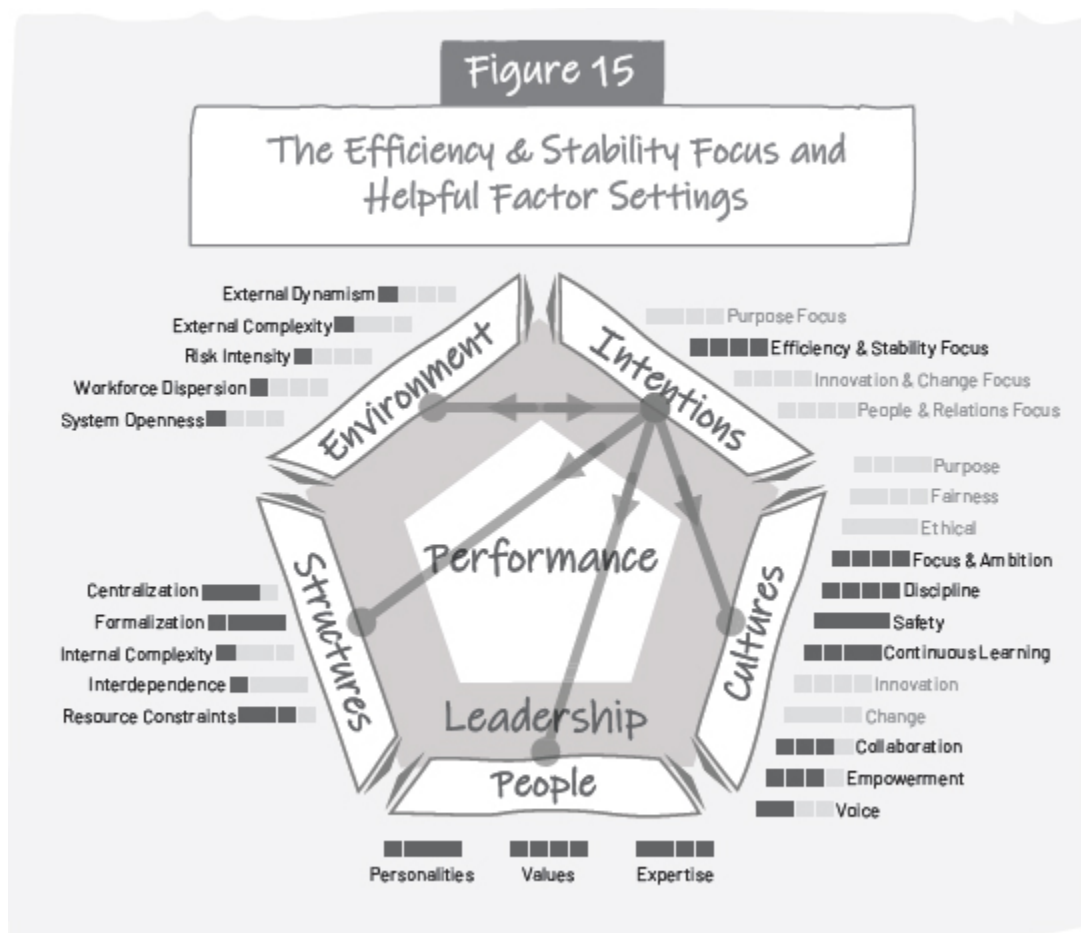
Source: Data from Noerby (2021, 2023).

The leader can consider influencing the system openness toward a more closed system to lower the disturbances. Operating in an external environment with low dynamism, complexity, and risk intensity makes it easier to achieve high efficiency. The same applies to workforce dispersion, where higher

dispersion hinders efficiency. As we will learn when we dive into the factors, high efficiency does not require low settings on these external factors. Still, it does make realizing the intention easier. The leader can consider decentralizing to reduce response inertia if pursuing efficiency in an open system and when facing high external dynamism. However, centralization and formalization promote alignment drive stability and efficiency. Lower internal complexity and interdependence help efficiency, as illustrated by the many simplification projects in companies pursuing efficiency. Instituting a certain level of resource constraints to drive cost out and push optimal return on assets helps efficiency performance. The cultures directly related to the value creation in efficient operation are focus and ambition, discipline, and continuous learning. At the same time, the safety culture is crucial to protect people, equipment, and efficiency loss due to incident-related halts in operations. The continuous learning and safety cultures should be backed up by a sufficiently strong voice culture to ensure people speak up about their worries and ideas. On the people side, the conscientiousness personality disposition and high rule and time orientation helps efficiency. The same goes for the presence of high functional and organizational expertise.

Be aware that the type of function and the operational conditions impact how one might most effectively shape the context to promote efficiency. For example, in manufacturing, variation-reduction is a value driver. It results in a need for formalization as a foundation for creating strong safety and discipline cultures. Conversely, flexibility with empowered mandates can represent a crucial efficiency driver in a customer service center. Here, expertise and decentralized mandates could be the most important contextual factors helping performance. This highlights that the helpful factor settings in the force field must always be considered in the specific context. The organizational intention acting in concert with the efficiency focus is the innovation and change focus, which is the theme for the following section.

ORGANIZATIONAL INTENTIONS #3: INNOVATION & CHANGE FOCUS

Solar is a technical wholesale company spanning six European countries that provides products and services in electrical, heating and plumbing, ventilation, climate, and energy. At least, they were, before a strategy shift introduced a significantly increased innovation and change focus. The ambition was to evolve into a sourcing and service partner, shifting from a

product provider to a partner in optimizing their customers' businesses through value-adding services. Like most companies, Solar faced the challenge of innovating and changing without losing the legacy of their core business—securing the availability of the right product range at competitive prices. The first innovations challenged long-lasting assumptions in the industries served. Solar introduced Fastbox, an on-site delivery service for plumbers and electricians that brought them the products they needed at their customer sites within the hour. Fastbox saves craftsmen the time of picking up missing repair parts and the grievance of being stuck in traffic. Solar also changed its delivery system to real-time ordering from any handheld device—something that is now an industry standard.

Further, they offered overnight replenishment of products in the electricians' and plumbers' vehicles, regardless of their parking locations, so they were ready for the next working day. They turned procurement into an outsourcing service, allowing customers to benefit from their consolidated purchases. Solar introduced private label product ranges on the base assortments for electrical, plumbing, and ventilation installation, increasing its profits while offering customers more competitive prices. They innovated their place in the value chain by moving into vendor-managed inventory and taking responsibility for replenishing the product components on their customers' production lines. The repositioning in the value chain has evolved into the total cost of ownership solution, assuming responsibility for the total cost of the purchasing and optimal material flow with less inventory. Over a decade, Solar has transformed from a product wholesaler into a sourcing and service partner with logistics solutions, rental services, inventory management, and supply chain and procurement optimization, and it hasn't lost its core while doing so. It is a hallmark example of how innovation and change must occur in balance with the focus on efficiency in running operations. Solar has illustrated how to move ahead from past assumptions and innovate to create new value-adding services and successfully implement them.

This is an example of what the innovation and change intention is about. As highlighted here by Professor Melodena Stephens in the global leadership context study, change has become a constant in business life:

" Innovation and change are the new norms, and this allows companies and their leaders to plot new terrains and directions without being anchored to the past.

Melodena Stephens, PhD, Professor of Innovation Management at Mohammed Bin Rashid School of Government, UAE

Professor Stephens speaks from 30 years of corporate and academic experience, having lived in India, the United States, Taiwan, UAE, and Germany and published more than 170 publications. The quote highlights that almost all leaders will be tasked with developing the business—either through innovation or step-changes—to become and remain future-fit. Leading to innovate aims at getting, testing, and developing new ideas into viable new business initiatives. It encompasses leader behaviors aimed at exploring, experimenting, challenging the status quo, rethinking assumptions and boundaries, and learning from taking new actions. It is a business priority to regularly test new methods. Desired leadership outcomes when pursuing innovation and change encompass generating and qualifying ideas, changing habits, piloting new initiatives, and increasing employee learning and development. We set targets for introducing new services or products. This involves driving up the ability to absorb new knowledge and moving coping with change from emotional reactions to constructive problem-solving. A significant angle to understanding innovation, change, and adaptive performance is recognizing the path dependence in an organization. Path dependence is the patterns of behavior and ways of operating that have been cemented over time, supported by strong assumptions about how things should be done.

We build path dependence when we repeat ways of operating, meaning that path dependence is strengthened when pursuing efficiency and stability. Pursuing innovation and change requires a different learning mode to break free of assumptions, find novel solutions, and do new things to get different results. To do so, we promote and encourage employee creativity and experiment to create new value. For a leader, the difference between the efficiency and innovation intentions stresses the importance of understanding if the intention in the leadership context is in line with the path dependence created by the existing structures, people, and cultures or if a change is needed. Efficiency and stability and innovation and change can be considered opposite ends of a continuum. Any choice to move to a different position on the continuum would be undermined by the path dependence built into organizational structures and cultures. Simultaneously, the successive movement from innovation toward stable operation as initiatives mature and the need to infuse innovation into ongoing operations are parts of a natural stability-change cycle in an organization. The value creation from innovation and the stability-change dynamic is well supported by research.[40] Any leader

needs to recognize how to lead to best run the business and move the business —in other words, when to apply the closing and opening leadership approaches. The leader needs to understand to which extent it is the intent to prioritize resources for developing new approaches, services, and products. He needs to consider how much he should focus on finding and using new technology to develop the business compared to running an efficient operation with already known approaches.

⚑ DEFINITION: THE INTENTION TO PURSUE INNOVATION AND CHANGE

The focus on innovating or changing the foundation for future business beyond what we currently do.

To navigate the shifts in the stability-change balance over time, leaders need to understand the long-term outlook for the organizational intentions. Leaders must lead toward a future vision, not just administer the current state. Understanding the future vision and identifying the path dependencies reinforcing the current activities and changing them is fundamental for business development. Understanding this need to instill change over time that is not prompted by jolts in the external environment is a vital part of contextual leadership.

Solar identified long-term trends of digitalization and e-commerce increase, increased price competition on simple products, and increased complexity for their customers driven by more energy-efficient and sustainable solutions. These long-term trends did not acutely pressure the existing wholesale business in the short term. However, Solar developed a strategy with a much stronger innovation and change intention to drive their transformation from wholesaler to strategic sourcing and services partner. They chose to innovate and drive change to reposition in the market, which is an excellent example of leading toward a future vision. They did so while maintaining focus on efficiency and stability in running wholesale operations, as this was and continues to be a vital part of their core.

Leading through change is well-recognized as a distinct theme. A key to effective change leadership is that the leader understands the "as-is" context and the "to-be." It requires she formulates a vision of the desired future state and leads towards this "to-be" state - also when the "to-be" can only be defined as a direction rather than a crisp, clear picture of where we need to go. The path dependence typically comes from a period with a stable context where "business as usual" has grown strong. A deliberate choice to pursue more innovation or respond to changes in the external environment can

destabilize the "business as usual" equilibrium. In either case, it can result in more minor change demands to selected aspects of how the organization operates. It can also trigger more transformational change demands, which will lead to significant widespread changes to the core business model. No matter the magnitude of the change, it demands leadership attention and understanding of which factors in the leadership context need shaping to support the desired future performance. Hence, understanding the innovation and change intentions involves uncovering the innovation and change drivers. It requires understanding the gap between the current state and the desired or anticipated future state across the five layers of the leadership context.

The understanding starts with the two main innovation and change drivers —the external environment and the organizational intentions. **External environment** encompasses the changes and opportunities from trends and events in the external environment. The leader should recognize the innovation and change demands coming from the external environment, potentially impacting the company positively or negatively. The demands can come from long-term trends like shifts in consumer preferences, globalization, technological progress, or the focus on sustainability. They can be events like Brexit (where the United Kingdom left the European Union), which changed the trade conditions for thousands of companies; the COVID pandemic, which challenged the many integrated supply chains spanning the globe; or the introduction of AI solutions, which required innovation and change in the way knowledge-intensive companies approach their value creation. The trends and jolts in the external environment should be identified through the lens of what the company strategy seeks to mitigate or leverage. A gap analysis seeks to understand the state of the company's current response compared to their desired future response. The analysis of the innovation and change demands is an integrated part of the external analysis in the strategic planning process and is strongly related to the second of the main innovation and change drivers— organizational intentions.

Organizational intentions encompass the company's strategy and the innovation and change priorities it triggers. The leader must understand the priorities of necessary or chosen transformational changes, such as decisions about outsourcing part of the value chain, mergers and acquisitions, significant changes to the operating model, and organizational or infrastructure changes. The leader must also understand the research and development intentions to innovate and create new generations of products and services or ambitions to find novel ways of utilizing new technology, substances, composites, ingredients, methods, or processes. The leader needs to visualize the desired

future state in order to backcast the first gaps that should be closed. Innovation intentions often rely on a clear course rather than a crisp picture of the future state due to the explorative character of innovation. However, the leader needs to understand the course to engage in PIA Cycles that can produce the best next steps, stage by stage, in the explorative journey.

Following the understanding of the innovation and change **priorities** from the external environment and the organizational intentions—that is, the strategy—comes the **interpretation**, as highlighted here by Dr. Deborah Koland:

❝ An organization that wants to innovate or continuously improve needs the culture in place to do so, as well as a structure to coordinate, monitor, and focus the efforts. It is about aligning culture, structure, and leadership efforts with the organization's intentions.

Dr. Deborah Koland, Strategist, Researcher, Writer, and Catalyst at Deborah Koland LLC, USA

In addition to the cultures and structures, as mentioned by Dr. Deborah Koland, contextual leadership also involves understanding how the people composition **aligns** with those cultures and structures to deliver the capabilities for future performance. Another significant part of understanding the innovation and change intention is understanding how the organization learns when it comes to innovation. There is a fine line between engaging in continuous improvement practices and adding things that are totally new to the organization with assumption-breaking innovation. From the outset, there is an important distinction when beginning a PIA Cycle—do we deploy principles, methods, and approaches that are already mature, such as the lean toolbox? Or do we start by prioritizing innovation and create new methods, services, products, and solutions? In both cases, the priorities need to be clear, and the key to success is involving the right people in the organization.

The leader must understand which of these two types of learning is on the agenda since the involvement and interpretation differ. When innovating, the involvement includes idea generation, brainstorming, experimenting, and

testing to learn how things can be done in new ways. When deploying known methods, the involvement and interpretation focus on how to make the methods, principles, and approaches work in the particular context. The learning types are related, and the key drivers involve mobilizing the thinking capacity of the people involved. Still, it is imperative for the leader to understand the organizational intentions behind the learning—are we learning to improve efficiency or to innovate?

What Are the Effects of Pursuing Innovation and Change?

Promoting innovation and change influences how learning takes place. The learning in an organization has two levels. The first level is acquiring new skills to master new processes and ways of working. The second level is learning by experimenting to innovate.

The first level of learning, which is preparing for new ways of working, new systems, or keeping up with the development in the functional area, has substantial positive effects on meaning and mastery. Mastery is about the self-perception that one is able to meet the performance requirements, so naturally, learning activities linked to new job requirements strengthen the feeling of mastery one experiences. There is a sense of fulfillment when succeeding in learning something new and making it work in your daily job. Together, meaning and mastery fuel more initiative, ownership, and taking-charge behavior, which strengthen the conversion to action so that the newly acquired skills convert into job performance. There are natural barriers in the learning journey that hold back the conversion to action because there is a natural stage of insecurity in applying new learning.[41] Leadership is crucial in supporting the transition from learning to application— it is the key to performance and the meaning and mastery effects. Ensuring everyone is continuously met with relevant competence development requirements drives organizational learning agility and absorptive capacity. The absorptive capacity is the ability to take in and convert new knowledge into performance. It is a centerpiece in a strong continuous learning culture and is vital to coping with change. When an organization is not continuously requiring development from its employees by rotating tasks, assigning new accountabilities, or involving people in projects, that results in lower worker flexibility. Long term, it influences the organizational change readiness, so engaging in learning and developing results in higher worker flexibility, which eventually provides a stronger foundation for coping with change.

The second level of learning is participating in innovation, divergent thinking, experimentation, learning, and development to create new products, services, or ways of working. Here a key feature is challenging existing assumptions and promoting experimentation to find new solutions. These activities hold a range of positive effects on the engagement and empowerment drivers. Most importantly, they build psychological safety since innovation fosters an open, nonguarded exchange of perspectives. Psychological safety is about resting assured that when one makes mistakes, asks questions, challenges assumptions, and expresses doubt, it will be met with constructive responses from the leader and from colleagues. Running innovative practices like idea generation, experimenting, piloting, and applying radically new methods builds psychological safety that will spill over into the wider collaboration. Being involved in developing radically new initiatives increases the experienced influence, another engagement and empowerment driver. Influence is having a say and an impact beyond one's job boundaries. Together, the positive effects on influence and psychological safety translate into more supporting behavior, followership, ownership, and playmaking beyond the innovation activities. The positive effect of participating in proactive learning and innovation implies that there are good reasons for the broad involvement of the organization. A range of positive work performance effects reaches far beyond the specific activities. It highlights that the leader should consider how to involve the organization broadly in development activities since it builds learning agility that positively impacts job performance.

Solar recognized that widespread learning would be a vital driver of their transformation and formed several functional communities of practices across their countries. They had a sourcing, commercial, and warehouse community, as well as several customer segment–focused communities. In the first stage, these communities exchanged best practices and optimized processes by learning from each other. After two years, the community work had formed the basis for experimenting with new solutions and ways of working in one country and then lifting the practice into other markets. This way, Solar established the lift-learning mechanisms in the PIA Cycle and sped up innovation by locally piloting different new solutions and lifting the successful ones to other of their markets. Making the communities work required active facilitation from senior leadership and a shift in day-to-day frontline leadership to include more opening leadership approaches. Solar identified leadership as a crucial transformation driver from the outset and established the Solar Leadership Academy. Here, all leaders across countries were trained in facilitating innovation and leading through change. The academy deliberately composed cohorts that would help build functional relations across countries, which ultimately served as an integral

part of the transformation. This is an excellent example of the power of mobilizing leadership when the organization intends to innovate and change.

Besides the learning requirements, there is an additional set of dynamics influencing people in change. **Adapting to and coping with change** is a challenge with various negative effects that influence performance. It can be hard for those influenced by a change to understand why that change was decided upon and must occur. Change may cause people to lose expert status, predictability, earned privileges, career opportunities, or good colleagues, or it may cause them to experience other losses. So, meaning is threatened during change, and unless the change rationale is understood and accepted, the energy from experiencing meaning will drop. Change participants may be worried about whether their skills are up to the new ways of working after change, and they may be in doubt about whether they can contribute as expected during the change. So, mastery, the experienced self-efficacy, goes down for many people during change—including for leaders, as emphasized here by Greg Daniel, who has led a range of large-scale business transformations:

66 When an organization chooses to pursue more innovation, it signals to leaders that being adaptive will be necessary. Changing things comes with a risk of failure, also for the leaders. So, for rigid leaders, pressure to innovate can be met with uncertainty avoidance and risk aversion. Thus, the organization must prepare leaders to meet this adaptive challenge to succeed.

Greg Daniel, MBA, EMEA Alliance Director at CBRE Global Workplace Solutions (GWS), Ireland

When changes influence the status quo of the running operation, many people experience that the freedom to organize their activities is restricted while the move is taking place. This reduces the felt autonomy, further increasing the drawback effects of change on engagement and empowerment. During change, the experience of influence and psychological safety can be

positively fueled if it is possible to involve people in *how* to best conduct the change. However, suppose the experienced losses of meaning, mastery, and autonomy are too high. In that case, it can be challenging to offset these effects with increased influence and experienced psychological safety. Further adding to the negative change effects is that often during change, the work strains go up since the change activities need to take place while the daily operation is maintained. The increased work strains further tie up energy and pull down engagement. Together, all types of performance behavior are threatened due to the significant impact on the engagement and empowerment drivers during change.

These well-known change effects were one of the reasons that Solar chose to establish communities and train their leaders. Over the first years, the involvement built the change culture necessary for the transformation. The continuous learning culture was strengthened through the community exchanges, and everyone got used to changing. This laid the foundation for shaping the innovation culture necessary to drive the transformation in the following stages. It also exemplifies the significant people investment needed to reshape a company from having a total efficiency and stability focus to also having an innovation and change focus and capability. Now, almost a decade from the outset, Solar has a well-established balance between efficient operations and continued innovation, driven by clear priorities in both areas.

Contextual Leadership and Innovation and Change Intention

Pursuing innovation and change requires an awareness from the leader to where the organization is in the process. In the early stages, the leader needs to engage in opening leadership approaches. When ideas mature through experimentation into solutions elements that should be converted into new ways of working, the leader should move more toward closing leadership behavior. See figure 16.

Figure 16

Promoting Innovation, Change and Adaptive Performance

Opening ← Innovate

Implement → Closing
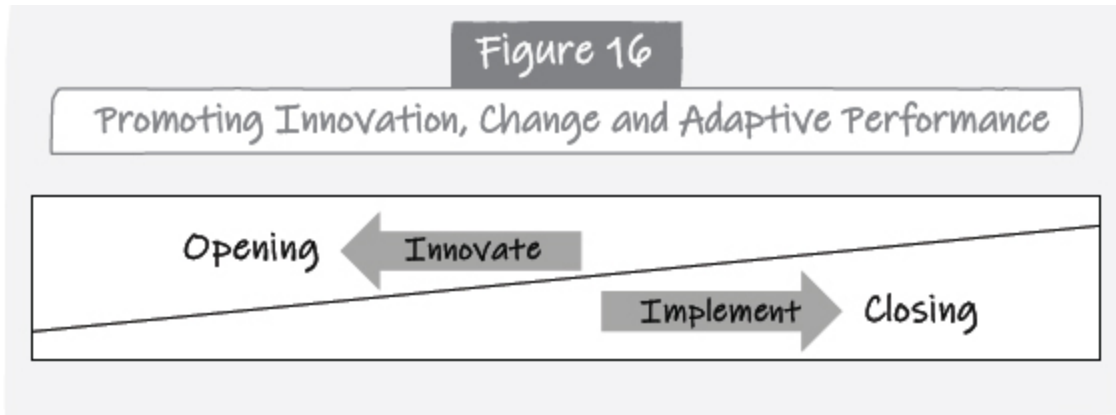
Source: Data from Noerby (2021).

The intention to innovate and change emphasizes two key leadership **priorities**. Firstly, a leader needs to consider how to develop the organization's absorptive capacity and learning agility by integrating learning and development as a continuous practice. There needs to be a proactive focus on building change readiness and worker flexibility through recurring initiatives where competence development is used to further develop collaboration and performance. This focus is cardinal in building the learning agility embedded in a strong innovation or change culture. A focus on learning drives meaning, mastery, and influence—three of the engagement and empowerment drivers. Also, good learning practices reduce the organization's vulnerability by distributing competencies.

The expertise composition in a team is strongly related to innovation. To innovate, rearrange, redesign, and challenge past assumptions while identifying feasible novel approaches demands deep insight into the field you are trying to develop. It can be relevant to bring in people from the outside who think totally differently about a problem, process, or approach. Likewise, when a team is innovating, it can be relevant to investigate the user perspectives to understand their problems and needs deeply. However, such involvement only yields innovative progress if combined with people with deep insight into the functional field. This means that innovation is threatened if the competence levels are not high enough among those driving the innovation. The leader needs to ensure that the organization is competent enough to disrupt and further develop the practices if the intention is to innovate.

At the same time, some people who have become experts at their jobs tend to lose the motivation to go outside their comfort zones and learn outside their expertise fields. They prefer to work with other experts or alone. This is a pitfall that requires attention from leaders because, long term, this is a

performance threat. Leaders must ensure that everyone has learning commitments—either developing themselves or their colleagues. This is the path to ensuring absorptive capacity and securing a level of change readiness in the organization. Without insisting on a learning agenda for each employee in the organization, the leader sets herself up for difficult times when change occurs. Moreover, building habits of everyone learning and teaching each other and continuous development of practices is a very effective way of building the common ground necessary to benefit from diversity.

Innovation and change demand resource allocation, be that time, money, or equipment. So a part of ensuring change readiness and innovation capacity is managing the resource constraints. Resources must be dedicated through deliberate prioritization. This is a leadership task, as it often demands freeing up resources already invested in running the operation to succeed with innovation or change initiatives— the absorbed slack. Innovation can happen because resources were proactively dedicated to the efforts because of an organizational intention to drive future business from innovation. It can also come from threats to the company's survival, like new legislation, significant shifts in consumer preferences, market decline, new technology in the market, or other external jolts. In these situations where new answers must be developed under severe resource constraints and time pressure, it is crucial that leaders carve out resources to secure attention to innovate and change.

Paradoxically, there is a hindering effect to innovation and willingness to change if the organization has abundant resources and has been allowed to translate this into a low sense of urgency around striving to get better. These are cases where an organization has had resources that could have been invested in innovation, but there has been no ambitious target setting around production, product, solution, service, organizational, or process innovation. The hunger to optimize resource consumption and do more with less disappears. A sense of urgency must be created in such a setting through target setting and leadership demands. The leader should assume a bold mindset of questioning the status quo rather than holding a "don't fix what isn't broken" or "don't rock the boat" mindset These attitudes often creep in when an organization has not been challenged with learning commitments for years, the profits have been good, and the competitive pressure is low. This highlights the importance of developing a strong focus and ambition culture supporting the desired innovation and change.

Solar let the communities formulate their innovation and change objectives. The first stage focused on efficiency gains from lifting best practices across countries in the different

functions. The subsequent stages included setting vitality targets for how much turnover and profit should come from solutions introduced within the last eight quarters. The attention from senior management in the business reviews and internal communication built a sense of urgency. This resulted in a strong focus and ambition culture for the innovation agenda throughout the organization.

Innovation and change must be organized and orchestrated. This does not happen by itself. The leader must encourage and closely orchestrate experimentation and learning iterations to find the most viable path through ambiguous conditions. This involves facilitating the identification of assumptions blocking new development and renegotiating or abandoning those assumptions. This can be a challenge because some of these assumptions might be the building blocks of the current business model. The leader needs a steady hand on the steering wheel of the current business to ensure that innovation and change efforts do not unintentionally disrupt the parts of the current successful business. This means that the efficiency focus needs to be maintained for those parts, while innovation and change are led differently. We do not want the experimentation to interrupt the current operations. Hence, the leader should buffer the current operation from innovation and change disruptions. Make sure experiments are kept separate, in a dedicated part of the business, and that new methods, products, and solutions are developed and matured before releasing them into the running operation. The importance of being deliberate about this opening–closing leadership approach is highlighted here by Professor Jay Brand:

❝ When the organization wants to innovate in a running operation, the middle managers need to balance the attention to "operational efficiencies" and the areas open to learning, experimentation, creativity, and innovation.

Jay Brand, PhD, Professor of Leadership & Organizational Studies, and Director of the Leadership PhD program, at School of Leadership, Andrews University, USA

The paradox at the heart of ambidextrous leadership is the balance between securing efficiency in the currently running operation and creating the

space for innovation and orchestrating these processes. The opening and closing leadership approaches must be framed clearly for each purpose. See figure 17.
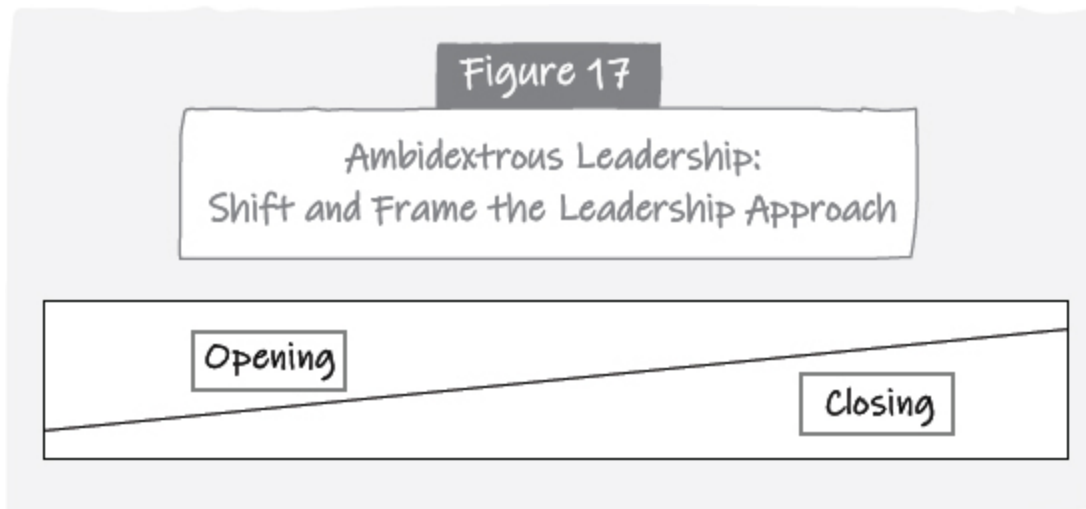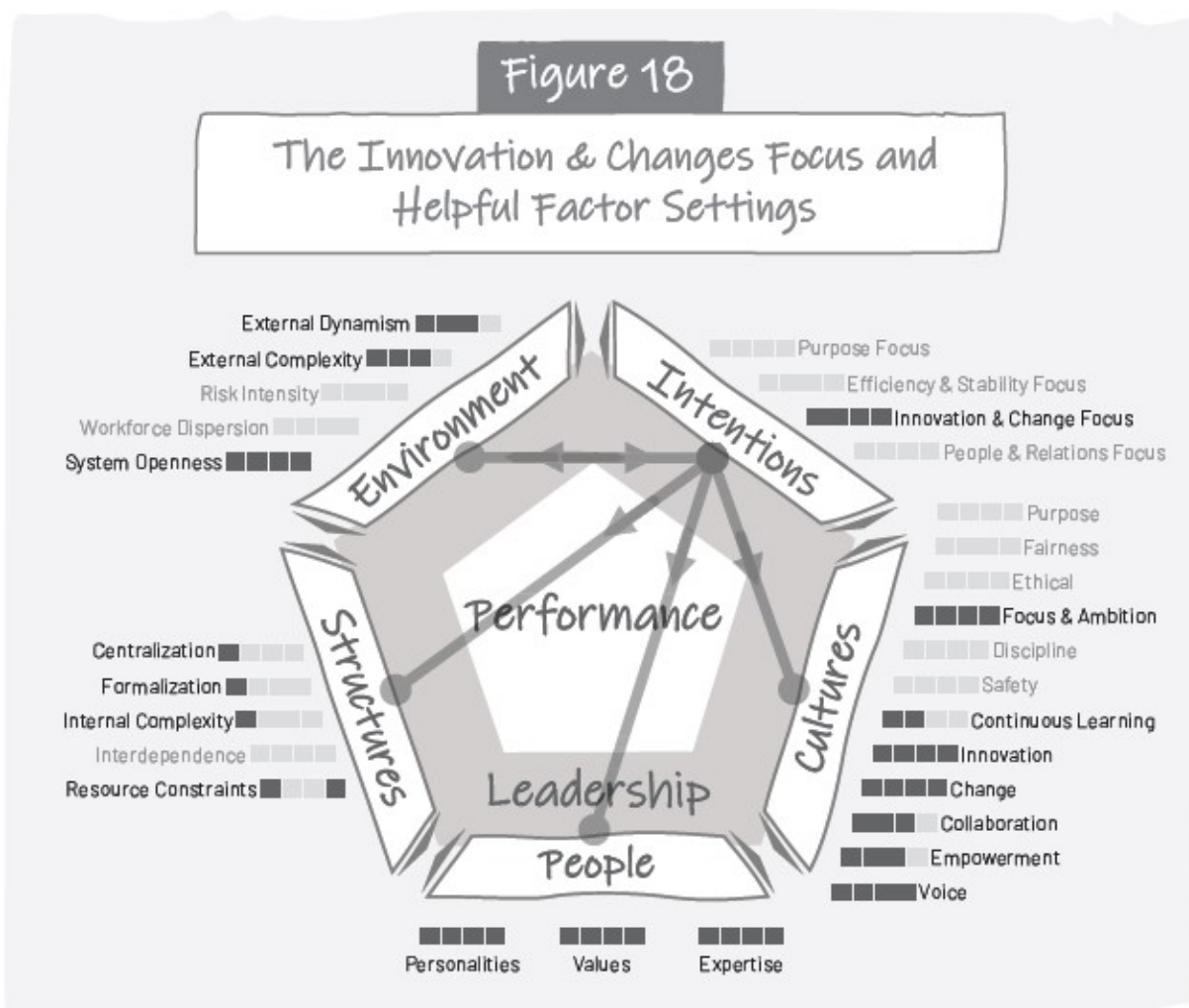

Source: Data from Noerby (2021).

An ambidextrous leader has developed practices to effectively manage, lead, and frame efficiency-focused activities like formalizing processes, auditing, optimizing, and aligning ways of working. She can also orchestrate, frame, and lead business-developing activities like idea generation, experimentation, and piloting novel solutions. Finally, she understands how to keep the opening and closing disciplines separate, shift between them, and clearly frame the activities for the participants so the thinking and approaches in each discipline do not distort the value creation. This highlights how important it is that leaders are aware of which intention is pursued in each case because leader behavior promoting innovation can exercise hindering effects upon efficiency performance, and vice versa.

The leaders at Solar were trained to orchestrate idea generation and experimentation in clearly framed areas of the running operations. They were trained in changing practices and involving people to overcome resistance when processes were standardized across countries. When new solutions were piloted in different countries, they were organized as projects to ensure they did not disturb the running operation too much. This allowed Solar to maintain efficient operations while innovating in pockets. Once the new solutions were matured, they were lifted to similar functions in other countries and implemented through local involvement. Balancing and clearly framing efficiency and innovation activities became a central leadership task.

As the leaders at Solar learned, it is essential to know where in the innovation stages any new solution is to exercise leadership optimally. The importance of applying the appropriate methods in the different stages when progressing through these opening–closing disciplines is well-warranted in research and excellently described by Vijay Govindarajan in his book *The Three-Box Solution: A Strategy for Leading Innovation*.[42] At the same time, in the areas where we promote innovation and change, we should consider which part of the context should be reshaped to support innovation and change. See figure 18 for an overview of the significant factor settings that have a helping effect on realizing the innovation and change intention.

Source: Data from Noerby (2021, 2023).

A strong voice culture is vital because innovation requires open dialogue, critical thinking, and the absence of power games. Diversity promotes

innovation, given that it is supported by openness and common ground—two parts of the collaboration culture. These subcultures contribute to more innovation and, along with a strong change culture, significantly ramp the organizational capacity to change successfully. The intention to innovate depends more on leadership and cultural elements than it does on pursuing efficiency because novelty cannot be derived from formalization and standardization, which are some value drivers when pursuing efficiency. Decentralizing mandates to experiment combined with a strong empowerment culture and sufficient functional expertise is a very helpful cocktail in promoting innovation. Besides functional expertise, personalities and value orientations also play a role—it matters who is asked to assume ownership of innovation and change initiatives. Also, relaxing formalization helps innovation emerge by opening the wriggle room to reinvent and test new approaches. These enablers should be driven by a strong focus and ambition culture centered on innovation and balanced to the necessary focus on maintaining efficiency in the running operation. Finally, as discussed earlier, resource allocation matters in promoting innovation and change, given that it is related to a strong focus and ambition culture, as illustrated in the Solar example.

The three intentions we have now covered are all related to the last of the organizational intentions that should guide any leader's investment of her time and energy—*the people and relations focus*, which we turn to in the following section.

ORGANIZATIONAL INTENTIONS #4: HUMAN CAPITAL & RELATIONS FOCUS

An integral part of leadership is developing people and the organization to realize the purpose and deliver the desired efficiency and innovation performance, as this quote from Mauricio Menasche highlights. He speaks from 20-plus years of global experience leading complex industrial operations within renewable, automotive, casting, and construction.

❝ Organizations will always depend on their people. If you want to be the best, you need to develop the best people for

your organization. You do it, or you do not become the best. It is as simple as that.

Mauricio Menasche, Founder at M2 Consulting, Portugal

———————————

Human capital refers to the expertise, values, and personalities of the people in the organization. The human capital is the sum of people assets that can be mobilized for performance in the organization. The people composition and cultures translate into the way people behave and the relations that tie the organization together, which in combination is the most vital performance driver for most organizations. The intention can be approached from two angles.

1. Matching recognized demands from the organizational intentions or the external environment. This leadership task involves acquiring, developing, retaining, and optimizing the people composition and the cultures that enable the efficiency, innovation, and purpose intentions. This resembles the results-execution-enablers approach discussed at the beginning of this chapter.

2. Lifting, developing, or strengthening the organization to enable future aspirations. The leadership task involves building organizational capabilities to drive new value, strengthen parts of the organizational functioning, or drive new initiatives into the market. This resembles the enablers-execution-results thinking discussed earlier.

Both approaches involve understanding how performance demands translate into staffing requirements, how the subcultures in the leadership context help or hinder performance, and how to strengthen the cultures that drive engagement and performance. They require that the leader and her people build a shared understanding of how tangible results relate to the performance behavior in each job and functional area. Understanding these links will direct recruitment, competence development, promotions, succession planning, and culture development toward job performance accumulating to the company results. Examples of such results-execution-enablers links are:

- In a professional service organization: Customer satisfaction—driven by the ownership behavior among the front desk staff, ensuring that they

take charge of customer requests. They are enabled by expertise in using the systems and delegated mandates to make decisions. The team is staffed with people strong in the influence personality disposition, creating a high-spirit, enthusiastic involvement-oriented approach toward the visiting customers. The team is supported by a strong purpose culture driving a "customer first" way of doing things.

- In a manufacturing unit: Errors per produced units— driven by the machine operators' functional performance, ensuring high machine uptime. The performance is enabled by recurring reinforcement of their lean expertise, driving continuous improvement. The team is staffed with people strong on conscientiousness, creating diligent and careful compliance to the decided-upon standards. The team is supported by a strong discipline culture, reinforcing the precision in operating as set out in the procedures.

- In a freight-forwarding company: The utilization of the ship fleet— driven by the proactive planning and organizing of the cargo planners. The performance is enabled by expertise in understanding the vessel capacity, port conditions, customs clearance, and cargo routes. The team is staffed with people with dominance personality dispositions, ensuring solid results orientation, a sense of urgency, and a determined approach to getting the bookings done to fill the ships. The team is supported by a strong focus and ambition culture, instilling a continuous striving to get things done so that others can move on.

Securing the fitness between desired performance outcomes and the people composition and culture is at the heart of understanding the human capital intention, as emphasized here by Muziwethu Zwane, who leads a nonprofit organization developing better life conditions in the townships of Johannesburg, South Africa:

—————————

❝ The organizations that go all in to attract and retain top talent have identified an essential key to creating a strong culture, which becomes a competitive advantage.

Muziwethu Zwane, MBA, CEO at Rays of Hope, South Africa

There are links between the organizational intentions, performance behavior, and subcultures, as displayed in figure 19, but be aware that optimal fitness is not mathematics. For example, the continuous learning culture is also crucial to the efficiency and stability intention. More about these dynamics in chapter 8 on cultures.

Figure 19

The Relation Between Intentions, Performance, and Cultures
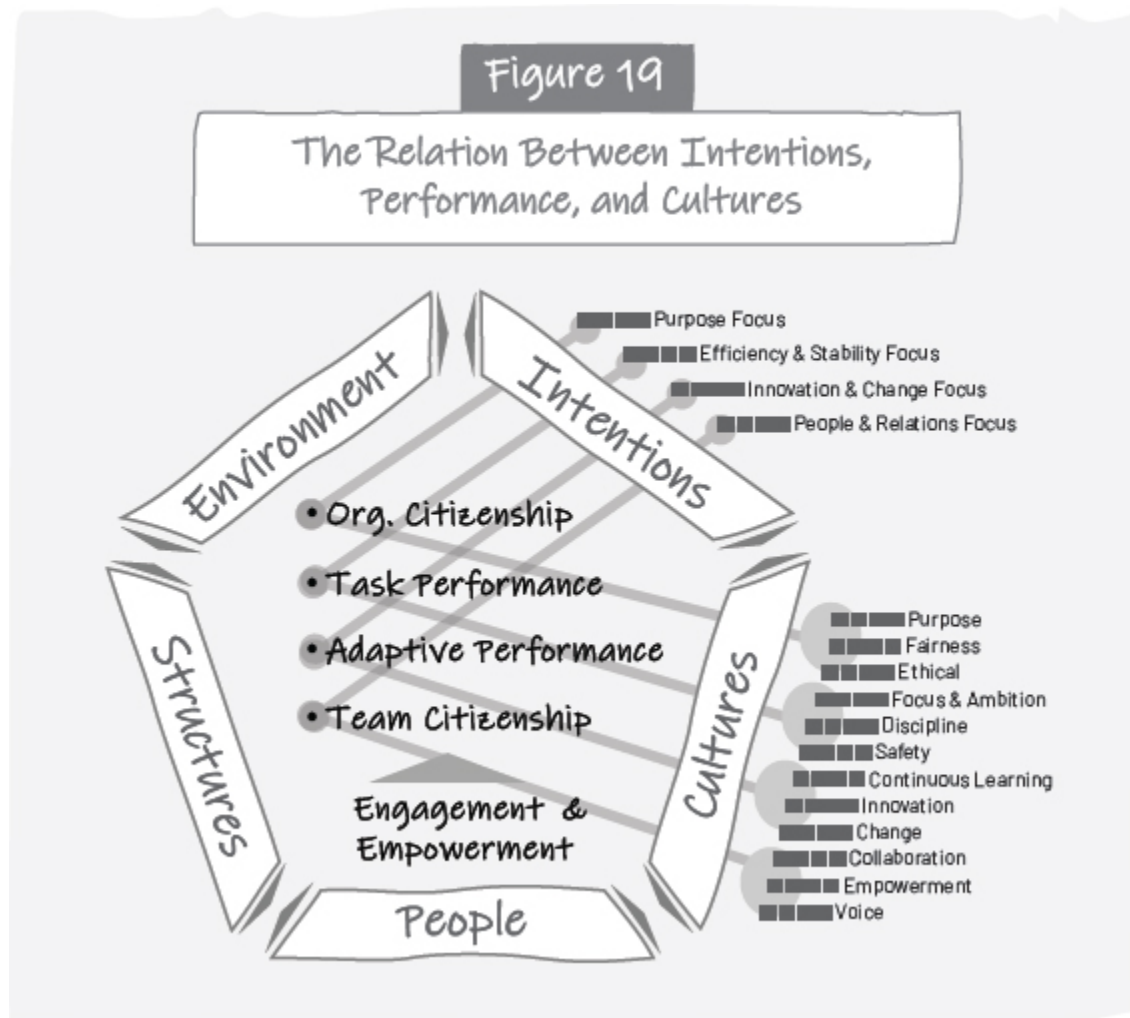
Source: Data from Noerby (2021, 2023).

It is a leadership task to understand and enforce the links between results, behavior, and cultures to consider the most appropriate staff composition. These links should be central in the way the leader exercises her leadership, sets targets, motivates efforts, follows up, and celebrates progress. In continuation, the leader must translate the human capital and culture

intentions into the appropriate individual development plans, remuneration schemes, training, and talent acquisition.

🔖 **DEFINITION: THE INTENTION TO BUILD AND MAINTAIN HUMAN CAPITAL AND RELATIONS**

> The focus on getting, growing, and keeping talent, expertise, engagement, and relationships to enable the desired performance.

There is considerable overlap with the practice areas of Human Resources related to the efforts to build up and sustain the quality of human capital. In this field, we find a range of processes covering the employee life cycle: attracting, recruiting, onboarding, developing, retaining, and offboarding the people who fit the organizational intentions the best. Securing an optimal people composition to enable performance must be a continues focus for leaders, as noted here by Professor Jim Weese, the author of *The 5C Leader: Exceptional Leadership Practices for Extraordinary Times*:

❝ To leverage the development of human capital as a performance driver, the leader must continually review metrics and the performance of his or her direct reports and reflect on progress. Ironically, many in leadership roles get too busy and lose their focus, clarity, and sharpness in honing the quality of their people base.

W. James (Jim) Weese, PhD, Author of *The 5C Leader* **and Professor of Leadership at Western University, Canada**

Leaders must play an active role in these HR-supported processes, as they significantly contribute to securing the necessary people and relations quality. Such HR-led activities are put in place to support the leaders' work and typically involve three related ongoing activities: Firstly, securing the optimal people composition. Secondly, developing strong organizational relationships. Thirdly, strengthening the most helpful cultures.

What Are the Effects of Building and Maintaining Human Capital and Relations?

There is a direct unequivocal relation between the qualities of human capital, relationships, cultures, and business performance. High performance depends on the fitness discussed above and relies on the leader's ability to identify which people composition yields the best result. It is, however, essential to recognize that it goes far beyond the sum of individual talents. Collaboration, empowerment, and voice cultures are key performance drivers as important as getting the best individual performers onboard. The effects of these three "base" cultures are discussed in chapter 8. The effects of personality composition, value orientations, and expertise composition in the organization are discussed in chapter 9. To make a well-composed workforce develop strong cultures and release the potential of its individuals, the leader should focus on building high-quality relations in the organization. It starts with identifying the ties that matter in and out of the leader's area of responsibility. The leader should consider which ties matter for whom and facilitate relationship-building in and out of their area. See figure 20.

Figure 20

Facilitate the Development of Relationship Quality

Full line up-down, can be several levels up
Can encompass split references, permanent or temporary

Higher in the hierarchy, but not in line

Identify ties related to:
- Value creation
- Risk mitigation
- Decision-making
- Information Processing
- Resource allocation
- Coordination

Peers at same level

Lower in the hierarchy, but not in line

Full line down, Can be several levels down, Can encompass split references, permanent or temporary

Source: Data from Noerby (2021).

The quality of the relationships in an organization carries a range of helping effects. We all strive to give something back to the people we feel positively related to. That is a basic social mechanism. So, the better the relationships leaders can create among their people and between themselves and their followers, the stronger the basis for effective collaboration. Better relations make it easier to strengthen cultures, increases engagement and performance, yields more team and organizational citizenship, and improves talent attraction and retention. Also, high-quality relationships are necessary for crafting the common ground that allows us to benefit from diversity. High-quality relationships inspire feelings of belonging, integration, and team

cohesiveness. Relationships and trust are closely related and significantly contribute to the development of psychological safety, a crucial engagement and empowerment driver. The level of mutual trust directly affects the willingness to suspend safeguarding behavior and display insecurity.

The relations with my close colleagues and my leader are the most critical relationships for organizational performance. High-quality relations develop when I feel that I am listened to, valued, involved, and included in dialogues, discussions, and activities in the workplace. It is my perception of belonging to a close group of people with whom I feel I belong. This is when we experience being part of an "in-group." In contrast, I perceive the more distant colleagues I collaborate with occasionally as "out-groups," where the relations are not that strong. In my in-group, I have colleagues I enjoy being with, and there is a good atmosphere. I identify with this group. I help others and put in a great deal of effort to make communication, collaboration, and performance pan out in the best possible way. Our team member exchanges are effective, and we understand each other well. I have the same dynamic when it comes to my leader. When I perceive that my leader cares for me, values me, and is genuinely interested in me and my work, it builds a high-quality relationship. When she involves me, listens to me, and takes my input into account, I also trust her to tell her about difficulties, mistakes, feelings, and aspirations. On the other hand, suppose the quality of our relationship were low. In that case, I would safeguard myself and only share what I felt was not risky to address. Psychological safety would disappear, distort collaboration, and hold back any extra effort from my side.[43]

High-quality relationships trigger more extra-role effort and team citizenship and build team cohesion.[44] I volunteer more and share more suggestions for improvements when I feel like an integrated part of an in-group. The focus shifts from "doing my thing" to supporting my colleagues in "doing our thing." Along with the stronger belonging where we feel we know each other comes tolerance to differences. Gender, ethnicity, personality, and ability differences become an accepted part of the group's shared identity. Such strong social support from investing in building good relations makes it easier to develop collaboration, empowerment, and voice cultures. Good relations created through frequent, meaningful, inclusive shared planning, collaboration, decision-making, and problem-solving translate into strong cultures that drive engagement and performance. The high-quality relations also translate into increased social support. The social support level relates to how usual and easy it is to gather advice and assistance from coworkers and

the leader. High-quality relationships and social support have a significant influence on well-being and engagement at work. They increase job satisfaction and organizational commitment, create a sense of belonging, make it easier to handle job stress, and reduce staff turnover. They make it easier to handle conflicts and endure hardship.

If the relationships in a team are not strong, people tend to head toward different goals with insufficient team cohesion and trust. Also, they are typically poor at providing effective feedback because they safeguard themselves. Low team cohesion also results in difficulty anticipating each other's needs or actions, communicating effectively, extending backup behavior, and performing together. Conversely, building high-quality relationships and a higher level of team cohesion carries significant positive effects for the leader because people grant the leader more influence. When team cohesion goes up, people are more responsive to leadership and willing to renegotiate their assumptions and beliefs. People feel more obligated to act in new ways when they have been part of the process in a team to which they feel a strong attachment. Together, high-quality relations make developing strong cultures that support performance a lot easier, underpinning the importance of developing good relationships to make talent perform together. Team cohesion can be developed in all types of teams, no matter their personality composition. However, it does come a bit easier if the team is strong on the stability disposition, as these personalities are group-oriented, helpful, and accommodating to others, and they naturally display supporting behavior.

Another important feature in high-quality relationships is the openness to divergent thinking and tolerance of diversity in combination with the necessary common ground. Common ground is the shared language and established principles we adhere to—the cultures we constantly reinforce. When we establish values that we interpret together and use actively to discuss and commit to behavior, we build common ground. It creates a shared frame of reference and makes us part of the team, and that develops stronger ties between us. Common ground also refers to the awareness in a team about how we collaborate effectively and the status and progress of tasks, projects, and activities. High collaborative awareness is when the team holds a strong shared understanding of how to collaborate, including the work practices, methods, standards, and operating principles. Operational awareness involves knowing how resources are allocated, where colleagues are and what they are focusing on, and what the current status is of in-progress tasks and projects.

Common ground means that people do not just go about their own tasks —they join in and take co-responsibility for the team's performance. The awareness grows when team members are involved in prioritization, planning, and coordinating the ongoing operation. It grows further when people collaborate on tasks where they are empowered to make decisions and kept accountable for these choices. The most effective team building is collaborating when there is skin in the game, when it matters that we help each other, and it is necessary to discuss and find solutions that foster thinking together. The helping effects of high-quality relationships can extend into the wider organization when collaborative awareness and common ground lay the foundation for cross-organizational collaboration. Cross-organizational common ground builds from meaningful collaboration across boundaries and results in better coordination and performance, upstream and downstream and across units in the organization. The more high-quality relations an organization has across the organizational boundaries, the more effective playmaking we will see in the organization.

Contextual Leadership and the Human Capital and Relations Intention

As discussed at the beginning of this chapter, the human capital and relations intention differs from the purpose, efficiency, and innovation intentions. The focus on people and relations is primarily derived from the other three intentions. So, the force field in figure 21 is different from the previous overviews. It illustrates where the requirements for the people and relations focus come from since the other three intentions determine the fitness-for-intention of the structures, cultures, and people composition. However, there is a base quality of relations that the human capital and relations intention should always address. The importance of a strong people and relations focus increases when any of the external factors increase. This is because there are higher requirements on the quality of internal communication. Higher internal complexity, interdependence, and resource constraints also raise the need for good internal communication, coordination, and conflict resolution.

Figure 21

**Requirements to the People & Relations Focus**
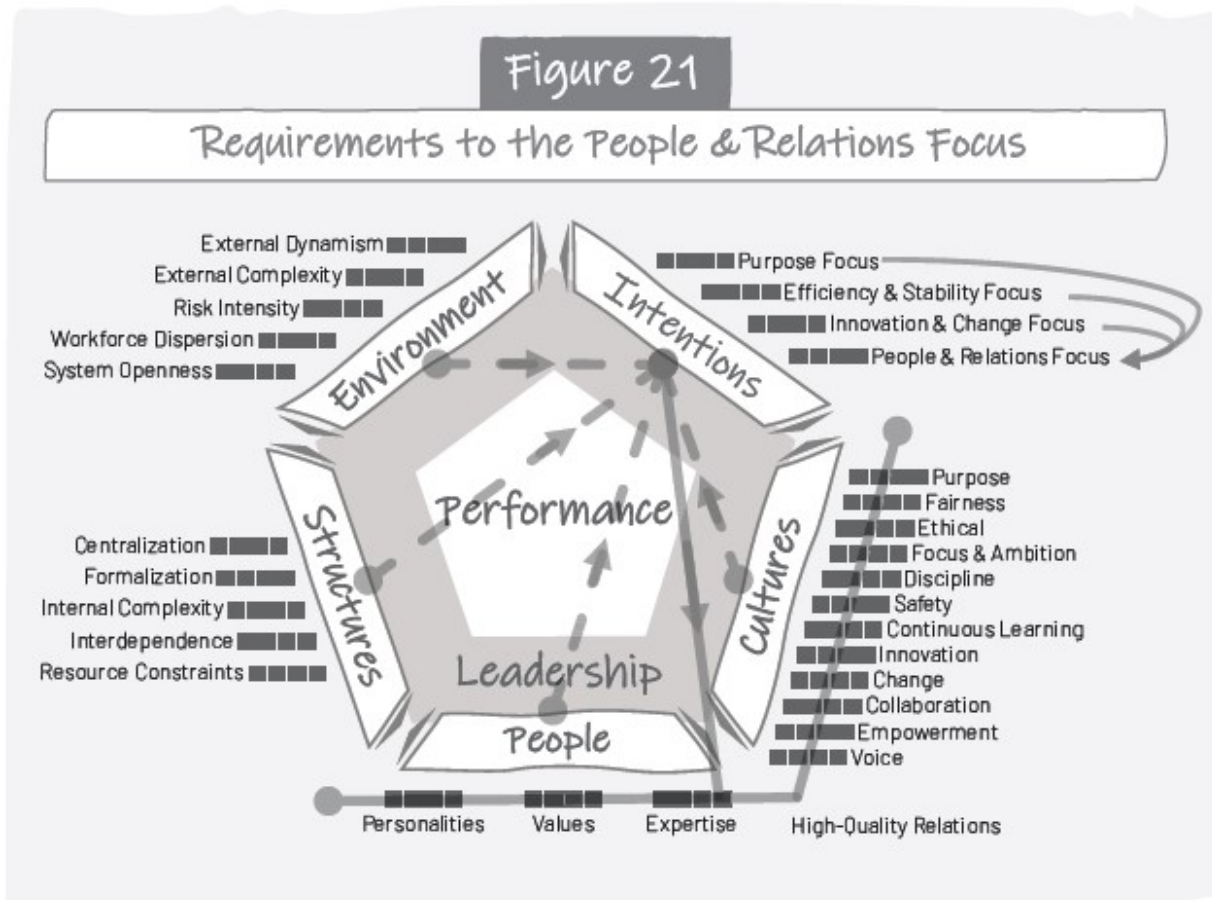
Source: Data from Noerby (2021, 2023).

The interpretation of the human capital and relations intention taps into understanding the optimal fitness for the other three intentions, composing the people base and shaping the cultures to deliver on these intentions. We dive into the people composition in chapter 9 to consider how the composition is part of the leadership context. We discuss the other side of the people equation, the cultures, in chapter 8. As discussed above, relationship quality is fundamental across all cultures and is a building block in engaging people. Therefore, the rest of this chapter is dedicated to how the contextual effective leader develops high-quality relations in the organization. Since relationship quality is a bedrock for effective leadership and organizational performance, the leader should share leadership to the greatest extent possible given the context. Naturally, the expertise, personalities, and value orientations of the people in the organization should be considered. Still, as a fundamental principle, the leader should move right to get the maximum return on talent and relations. See figure 22.

Figure 22

Strengthening Human Capital and Relations Quality Through Leadership

Directing → Sharing
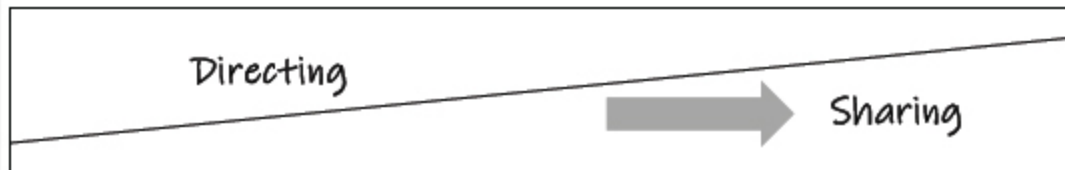
Source: Data from Noerby (2021).

The leader's authenticity, consistency, and tolerance are some of the most significant factors in building team trust. Communicating clear expectations about how we interact and go about our work lays an important foundation for building strong psychological contracts with our followers. The psychological contract is the mutual agreement— typically unwritten— between the leader and follower that defines their mutual expectations. The contract is continually influenced by their exchanges and the follower's perceptions of good leadership. It highlights the importance for the leader of keeping promises and role modeling the behavior she expects from others. Practicing transparent decision-making and self-disclosing by openly sharing values, beliefs, thoughts, and feelings builds authenticity in your leadership. Involving people in debriefing and reflecting together is a vital leadership behavior that creates trust and psychological safety.[45]

Having mutual expectations is part of developing high-quality relations. Another part is the leader's care and attention to his people, that he makes himself accessible and comes back when someone tries to get a hold of him. Knowing that you can get a hold of your leader and that you will get an answer are important features of a high-quality relationship. Trust in your leader is related to the individual consideration you experience from him. Does my leader display interest in me as an individual and take initiative to ensure that I develop in my job? Is he optimistic, constructive, and solution-oriented when we face adversity? Does he communicate a vision about where we are going that is inspiring? Answering yes to these questions aids the development of trust in your leader and develops high-quality relations. To build high-quality relationships with his people, a leader must also request active
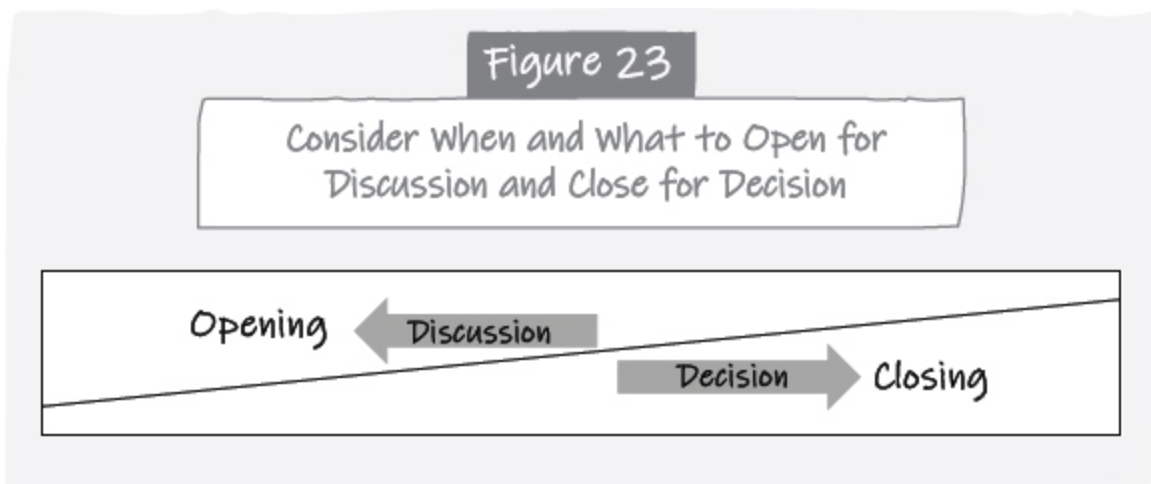
followership by sharing leadership with the team. Building shared leadership is done by involving people in meaningful discussions that matter and gradually empowering them to take charge. It promotes shared leadership when people are granted real influence on the matters being discussed. The skills to participate are essential. The mutual accountability and taking-charge behavior grows when the employees involved have the competencies to contribute to the discussions. The leader can make the team assume more leadership when involvement is focused on matters important to value creation, risk mitigation, decision-making, resource allocation, or coordination and when the team is part of realizing the decisions.

Shared leadership involves building a strong empowerment culture backed up by mandates that we hold each other accountable to in the team. This is why the PIA process is a centerpiece in effective contextual leadership—it encompasses all these features. PIA empowers people and builds social support. Being engaged by the leader in recurring processes like PIA increases followership and ownership, reduces stress, develops resilience, builds team cohesion, increases accountability, and prompts the team to raise ambitions.

The key mechanism in building team cohesion, trust, and social support is to focus on the exchanges between people. It is the leader's facilitation of meetings and interactions in the organization—setting standards for how we communicate. How do we speak to each other when solving problems, improving our way of working together, coordinating tight deadlines, or navigating resource constraints? Does the leader set the tone, facilitate that everyone voices their input, recognize and value the input, deliberately choose the language, and insist on constructive future-focused suggestions for the next steps? Does she ensure that the team is frequently engaged in discussions where they have skin in the game—not only to solve problems but to drive toward the desired future? High-quality relations are built through participation in deciding about the ongoing work and evaluating and developing the way the team treats each other, works, acts, and talks. The latter part is about identifying and strengthening the relevant subcultures, which is a centerpiece in building an effective organization.

Relationships are built through meaningful participation in matters that matter! That can be collaboration on an actual task or the team board meeting where the team prioritizes the current week's work together. It can be when the organization uses the PIA Cycle to discuss and decide how they will strengthen their behaviors related to safety, collaboration, or continuous learning—or any of the other 12 subcultures. Across all these situations, high-quality relationships are built when the leader and team members also focus on

developing how they interact. This involves developing shared standards for making everyone contribute, valuing diverse input, listening, arguing, introducing disagreement, compromising, committing, and keeping each other accountable to our promises from the last meeting. It must be a shared leadership focus, orchestrated by the leader, to build the team practices that create an effective in-group. When orchestrating these dynamics, it is helpful for the leader to move along a continuum of opening and closing discussions to build a shared awareness of effective group communication. See figure 23 below.

Figure 23

Consider When and What to Open for Discussion and Close for Decision

Opening ← Discussion

Decision → Closing

Source: Data from Noerby (2021).

Opening behavior when facilitating meetings and interactions is about shifting perspectives, getting other viewpoints or uncommon ideas, and leveraging the diversity coming from different functional backgrounds, personalities, and nationalities. In many organizations, there will be minority views when matters are discussed. To benefit from minority opinions, the leader should actively solicit and support the presentation of such minority views as part of the opening dynamic. Insisting on different perspectives lies at the heart of an effective interpretation process. The leader should encourage sharing different perspectives when opportunities and challenges are discussed. This can be done by assigning people different viewpoints they must advocate for. Someone could represent the customer's perspective, and another could advocate for driving out cost. The opening phase of a discussion is about ensuring everyone is heard with their differing perspectives. This develops inclusion that promotes shared interpretation, expands tolerance, and builds better ideas and decisions.

The leader should understand the opening–closing process and be clear to the team about where in the process the discussion is. In many business discussions, some parts are closed and not up for discussion. These discussions might include some budget allocations, fixed compliance requirements, or strategic choices excluding certain customer segments. In this respect it is important to frame involvement precisely. The leader should make it clear if the situation is one in which people are being consulted to provide input, but the leader will decide, or if the matter is open to joint decision-making. The team must build shared awareness of what is in their action zone, what they can influence, and what must be considered operating conditions. Building shared awareness about what the team can decide and facilitating that the team decides together is a key to shared accountability—a key driver in building in-groups.

After the opening part of the discussion, the leader should facilitate movement toward closing the shared interpretation and agreeing on actions. Sharing interpretations does not require that everyone in the team personally agrees. Nonetheless, after the opening comes the closing—the leader or the team arrives at a conclusion to which everyone must commit. The aim of the opening–closing process is not consensus but arriving at interpretations and commitments to actions that everyone understands. The more in agreement a team is, the stronger a foundation for converting interpretations into action. However, an integral part of building high-quality relations is that membership comes with commitments, even when an individual disagrees. Even if there is disagreement in the opening phase, we must decide and commit in the closing phase. That is a leadership responsibility that the team should gradually take over, so members keep each other accountable. Such clear commitments to act in new ways combined with learning-oriented team follow-ups integrate the team if they are facilitated by the leader. They put the team first and make the team keep each other accountable to team agreements.

This concludes our discussion of the organizational intentions. In the following chapter, we turn our focus to the effects of the external environment on performance and leadership.

CHAPTER 6

. . . .

RESPOND TO THE EXTERNAL ENVIRONMENT

The external environment is all the factors outside the boundaries of the leader's area of responsibility. It includes the factors that could exercise helping or hindering effects on performance in the leader's unit, such as

- the choices and actions of suppliers

- customers, patients, and relatives

- the political system

- competitors

- enemies, and

- citizens or collaboration partners in the market, depending on the type of organization.

For department managers, the external environment will include other parts of the company, outside one's influence, but with influence into one's department. For the most part, the external environment is a given setting largely outside the leader's control. The leader should seek to monitor, understand, and match with structures, people, and cultures for optimal performance. Ensuring such a fit is a fundamental part of contextual leadership. In some instances, contextual leadership also encompasses choices that change the positioning in the external environment and thereby change the conditions for performance. An example is withdrawing from a market with high risk intensity to reallocate the resources to other markets with lower risk intensity. Another example is exiting certain highly complex product ranges in the market to reduce external complexity and drive internal simplification and higher efficiency gains.

In most cases, however, the external environment is an operating setting that cannot be changed but must be matched to the highest possible extent to

ensure optimal fit. There are a multitude of factors in the external environment, but four factors in particular exercise hindering effects if the leader does not seek to organize for optimal fit. The first factor is the level of external environmental stability versus dynamism, addressing the rates of change and the unpredictability demanding differing leadership responses. The second is the level of external complexity, which, together with dynamism, increases the need for empowerment and changes the demands to leadership. The third is the risk intensity, which is the presence of risk, threat, danger, or the error criticality putting higher demands on the consequences of decision-making. Finally, the fourth factor is workforce dispersion, the degree of physical separation resulting in increased demands to leadership to reach the necessary levels of coordination, collaboration, and communication. These play into the organization depending on system openness, which is a boundary factor connecting the external environment and the inside of the organization. The more system openness, the more exchanges between the external and internal environments.

Together, these factors hold the potential to hinder or help performance, engagement, and leadership. Contextual leadership is about recognizing and establishing the "best fit" by securing the right requisite responses to the external factors. Besides building the fit into the structures, people composition, and cultures, contextual leadership also involves the continued scanning and interpretation of the relevant factors. It is about developing an ongoing dialogue in the leadership team, where input from the external environment is interpreted into shared understandings guiding decision-making. There is no objective truth, but a leadership team must develop a set of relevant indicators that are used for recurringly assessing future scenarios. Herein lies a risk if the leadership team does not ensure sufficient frontline input and effective scanning of the leading indicators in the surroundings and ensure critical thinking and independent evaluation by involving outsiders in the discussions. The danger of not doing so is reinforcing wrong assumptions and ending up with a leadership team caught in groupthink. Groupthink occurs when a team builds strong loyalty toward shared understandings they keep repeating and reconfirming. It comes with the risk of deciding on wrong or obsolete information and repeating past reaction patterns to new situations that demands other courses of action. A solid interpretation process is crucial, both when forecasting trends as part of planning processes and when adapting to feedback from the market and performance indicators. "Getting real" is an important part of contextual leadership.

In this chapter, we unpack the character of the factors in the external environment and the requisite responses needed in the organization. Five requisite responses should be built into the organization by shaping structures, cultures, and people composition; see figure 24.

Figure 24

Requisite Responses to Match the External Environment

External Factor		Requisite Response
Dynamism	⟨⟩	Agility
External Complexity	⟨⟩	Internal Complexity
Risk Intensity	⟨⟩	Risk Readiness
Workforce Dispersion	⟨⟩	Common Ground
System Openness	⟨⟩	Absorptive Capacity
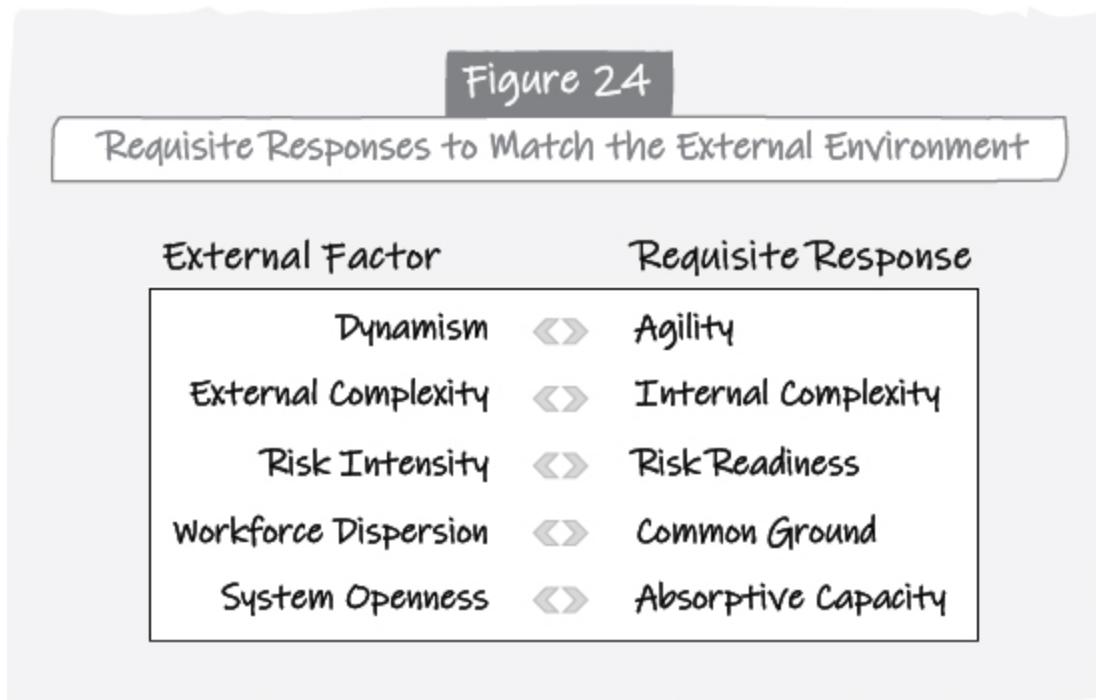
Source: Data from Noerby (2021, 2023).

When any or all of these factors increase, it demands a higher interaction frequency. It puts more demands on leadership because there are more moving parts fueling the need for decision-making, information processing, resource allocation, and coordination. The external environment sets the operating conditions for realizing the organizational intentions. Contextual leadership is about aligning and developing the people composition, cultures, and structures to yield the optimal performance under these conditions. Setting the organization up for performance and constantly optimizing the fit starts with understanding the external factors in the leadership context. It also requires constantly creating clarity about what is in the action zone, influence zone, and operating conditions zone; see figure 25.

Figure 25

The Action Zone Model

Action Zone
– Decisions and actions we can take

Influence Zone
– Decisions and conditions we can influence

Operating Conditions Zone
– Decisions and conditions we must understand, accept, and organize to meet
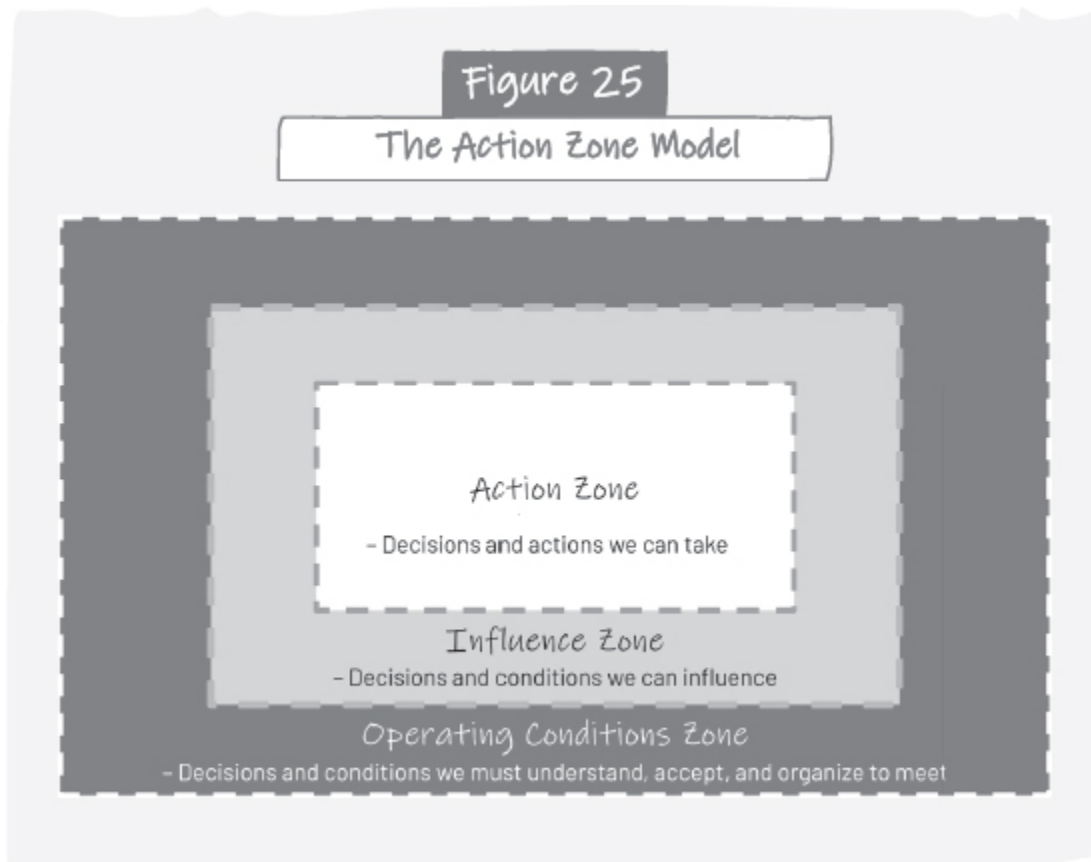
Data from Noerby (2021).

EXTERNAL DYNAMISM

External dynamism refers to how much, how quickly, and how predictably environmental factors—such as market demand, prices, and levels of competition—change over time. Different forces drive the fluctuations outside the leadership context. The industry dynamics, consumers, competitors, enemies, partners, technology development, material supply, legislation, and the weather all drive dynamism. These and all the other factors that trigger dynamism in the external environment must be considered as the operational settings. The leader must understand the dynamism and how it affects her leadership context to build the best mitigating structures, cultures, and people composition. She needs to build the requisite agility to match the dynamism. To do so, it is critical for her to understand how much, how often, how fast, and how predictably the influential elements outside her area of responsibility change. Dynamism can obsolete current solutions, increasing the need for more innovation and creativity to stay competitive.

Understanding dynamism is about understanding the frequency of changes and the magnitude of their impact on our decisions and actions. See figure 26.

Figure 26

Dynamism in the External Environment

Change Pattern: Repeatable > Disruptive (vertical axis)

Low – Dynamism – High

Change Magnitude: Minimal > Profound (horizontal axis)
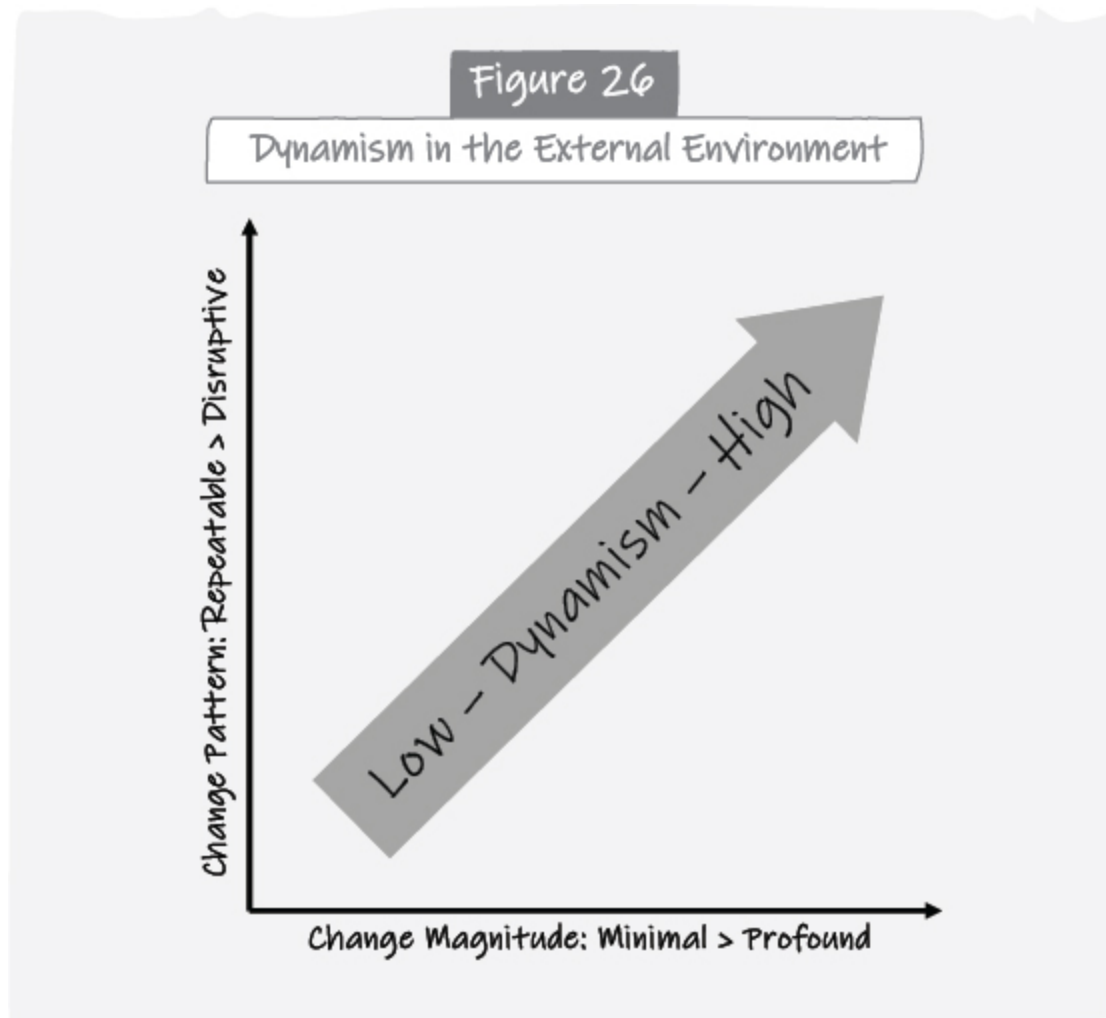
Source: Data from Noerby (2021, 2023).

When the changes in external factors that influence your decisions and performance take place with a high frequency, you should build the capacity to follow and perform under this dynamism. The changes can influence your decisions a little or a lot, as when changes in demand force you to reduce the workforce and people lose their jobs, when investment rates going up leads you to postpone strategic initiatives that demand investments, or when shifts in the political landscape in one of your markets suddenly open new growth opportunities.

Besides the magnitude and frequency of changes, predictability is another component of dynamism. Low predictability is when there are no clear trends in how the fluctuations play out, and forecasting is difficult. It is when competitors disrupt the way industry players have traditionally behaved, for example, the FinTech companies challenging the traditional banking industry. There is a difference between repeatable and disruptive dynamism. Repeatable dynamism is when such fluctuation in the external environment follows recognizable patterns, such as when, in some industries, the market demands go up and down with the seasons, or when we know that specific competitor actions usually trigger somewhat predictable responses from the other competitors. Another example is when a high technological innovation rate drives short product life cycles, but the technology trajectories are somewhat predictable, such as improving known features such as battery lifetime or computer processing capacity.

Disruptive dynamism is when pattern recognition is difficult, and things change fast in unpredictable ways. On a battlefield, officers prepare their plans including contingencies to anticipated scenarios. However, still, there is a saying that "the plan only stands until you meet the enemy." In addition, the intensity of dynamism, that is, significant frequent changes with low predictability, interacts with external complexity. More complexity means more factors that can change in the external environment, making pattern recognition more complex and moving toward disruptive dynamism.

🔖 **DEFINITION: EXTERNAL DYNAMISM**

> The rate, speed, magnitude, and predictability of external changes influencing decision-making.

External Dynamism and Organizational Performance

Low dynamism makes driving efficiency and operational excellence easier because stable conditions make it feasible to optimize repeatable processes. Higher dynamism incurs a risk of diluting focus in the organization, challenging functional performance and efficiency since more energy goes into revisiting priorities and reallocating resources. Dynamism complicates planning since there is a need to include more scenarios and contingent choices. It drives frequent reprioritization. There is a need to build awareness of what part of planning will stand no matter how the scenarios play out and which parts must be kept more flexible. Planning and organizing work in dynamic environments demand that you continuously monitor key factors in the external environment, interpret their effect, and adjust the course of

action. You must develop flexible and adaptable planning processes responding to the fluctuating elements while maintaining longer-term planning and organizing practices in stable areas.

Requisite agility comes from building the adaptive performance practices necessary to match high external dynamism. That includes securing a short-term focus on change backed up by developing a range of standardized contingent responses that teams can initiate locally. In this manner, dynamism gives rise to short-termism. Rightly, it pushes tendencies to prioritize high-pace actions that mitigate or leverage short-term swings in the external environment. There is a pitfall to this necessary short-termism and agility where decisions are made fast. It is that such repeatability mainly entails repeating known responses, and that can create hard-to-change behavioral patterns. Hence, paradoxically, high repeatable dynamism, which demands a lot of flexibility in the organization, can create path dependence, making it harder to change culture and habits.

On the other hand, becoming used to a high level of dynamism builds organizational agility that can promote innovation and change readiness, especially when facing disruptive dynamism. The adaptability and learning muscles are constantly being flexed to keep up with the market, so one has a stronger starting point for absorbing strategic change and new ways of working. So, a certain level of external dynamism can help leaders by exerting positive pressure and building in acceptance that the necessary continuous development of processes and the organization will take place. This results in a higher change readiness.

High dynamism makes it challenging to be confident in your interpretation of the situations and establish a sound basis for decisions. It becomes harder to determine which trade-offs and efforts are the "right choices." The increased levels of uncertainty can negatively influence ownership and playmaking, which can result in depending more on the leader. It becomes harder for employees to take charge and initiate actions when changing circumstances form a shaky foundation for deciding and acting. This reduces the willingness to take the personal risk of being wrong. This can be mitigated by strong psychological safety in the team, making it safe and natural to discuss insecurity, errors, and assumptions. If these uncertainty effects are not offset by strong operating principles, adequate competencies, and psychological safety, many people become risk averse. This results in less playmaking and coordination in the organization, which can build silos between departments because everyone focuses on a narrow control zone to avoid uncertainty. This "minding your own business" effect to avoid grappling

with the full dynamism becomes even stronger when the external complexity is also high. It drives people to focus on their functional performance. It reduces the propensity to engage in ownership beyond your tasks and playmaking beyond the necessary coordination. The dynamic is evident in larger project organizations where high dynamism and external complexity make people focus on the project at hand. They miss out on the opportunities to identify and transfer learning from other projects. They reinvent solutions in each project due to immature lift processes in the PIA Cycles that should run in the project progress evaluation meetings. Identification of learning and lifting it across projects fosters strong playmaking behavior in the project teams and active leadership.

Responding effectively to dynamism taps into the need for activating collective wisdom and collaborative critical thinking, a mechanism also at play when facing high external complexity. The more disruptive the dynamism, the more important it becomes to have effective team decision processes supported by high psychological safety. Conversely, a low level of psychological safety in the team poses a considerable performance problem when facing high dynamism. The likelihood of flawed decisions increases when people do not dare to challenge the situation assessments. Therefore, team cohesion becomes more important in high dynamism. Cohesion is also important because individualism in unpredictable settings makes it harder to cope with the increased demands. Most people experience that the work strains go up when predictability goes down. Dynamism demands more emotional and cognitive resources from the individual employee. A well-collaborating team, strong at joint decision-making, will reduce these emotional and cognitive strains. Conversely, weak team decision processes incur stress since coping with uncertainty becomes an individual task. These effects increase further if the risk intensity and external complexity are also high.

External Dynamism and Contextual Leadership

External dynamism tasks the leader with mitigating adverse effects from factors she cannot change. The leader must avoid fighting the setting and instead invest her energy in building the necessary requisite agility to match and leverage the dynamism. Agility requires building flexibility into the operating model, ensuring that external fluctuations, such as changes in material supply or customer demands, can be handled internally. It can involve securing the necessary stock and designing a modular product portfolio to
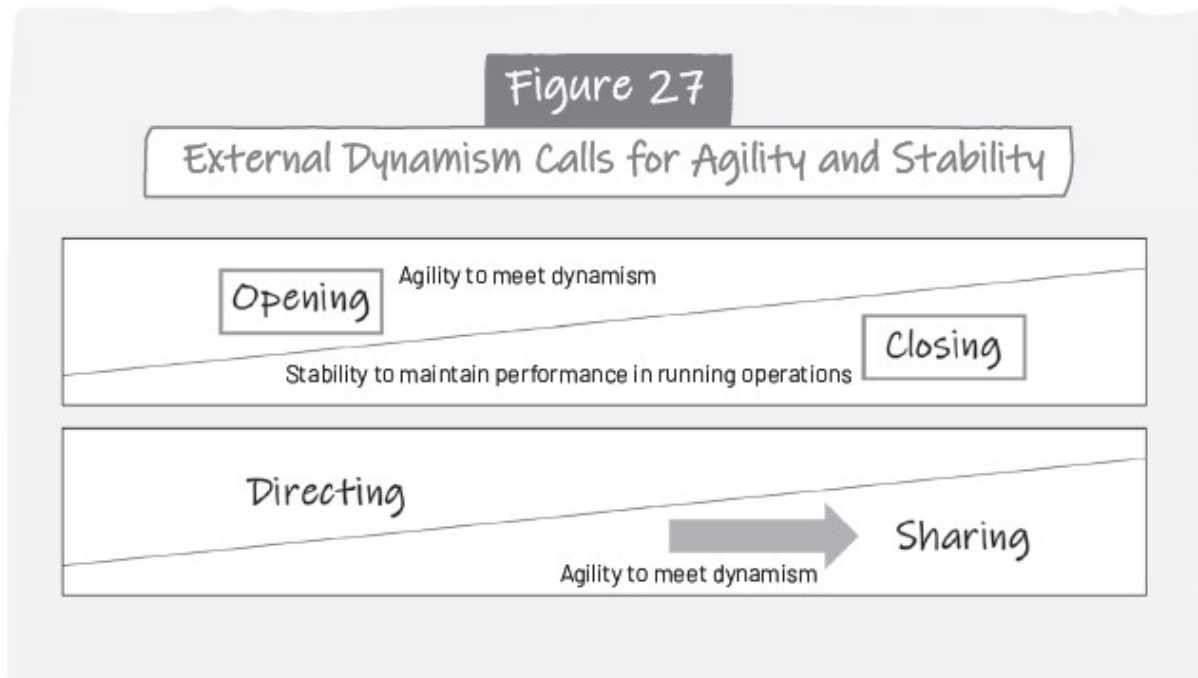
absorb external dynamism. External variation challenges planning and drives more changing priorities, which can jeopardize performance due to the shifting cost of redirecting attention, reconfiguring machinery, and increasing coordination. An important part of leading in high dynamism relates to identifying and monitoring indicators in the external environment, in turn setting up the management processes to secure an ongoing reassessment of forecasting and priorities. Without such requisite agility, dynamism comes with a risk of diluting organizational focus due to the many shifting priorities.

External dynamism drives the need to balance optimizing current operations for efficiency and innovating to keep up with a changing industry. That makes it more important for leaders to understand how to lead the two different disciplines and shift between them. It calls for ambidextrous leadership, where the leader adapts her leadership to drive efficiency in parts of the operation while facilitating innovation in other parts. It is challenging to shift between the two disciplines. On the one hand, there is diligently managing operations closely to minimize deviations and continuously improving cost and quality. On the other hand, there is experimenting to find novel solutions with much less predictable outcomes. The leader must balance how to let go of the past that blocks progress while sustaining the foundation for success and striking the balance between efficiency and innovation. That is, the leader must manage the business performance that feeds the organization in the moment while creating a space where novel solutions for the future are developed and tested. This requires framing and deliberate shifts between opening and closing behaviors to create agility and stability in the right balance. It can be difficult, as noted here by Dorthe Rønnau, who speaks from a decade in operations and two decades in Human Resources:

> 66 Many and frequent changes in the external environment seem to narrow leaders' focus to be short-term focused. If not dealt with correctly, it will likely influence employee work performance negatively because of ever-changing priorities.

Dorthe Rønnau, Senior Vice President, People & Culture at Coloplast, Denmark

The ambidexterity requires that the leader must maintain stability by building predictability into the controllable parts of the operation. The leader should maintain the necessary level of closing leadership approach, which facilitates operational performance by focusing on measuring key indicators and optimizing business based hereon. The team needs to build a collective awareness of the stable parts of the way a business works. This requires clarity and consistency around the operating principles, standardized processes, and other fundamentals that remain the same no matter the dynamism. This awareness helps offset the negative effects of dynamism because it builds a sense of control and certainty. At the same time, the higher levels of uncertainty demand knowing when to engage in opening leadership behavior to adapt and change in response to the external dynamism. It involves focusing on developing and empowering the teams to cocreate, take ownership, and be active playmakers. Agility comes from sharing leadership in building the opening capacity. Opening capacity is built through active involvement in the assessment, judgment, and decision processes. This builds the skills and self-efficacy that support the team in reaching their full potential and contributes to more innovation, ownership, and adaptive performance. See figure 27.

Figure 27

External Dynamism Calls for Agility and Stability

Opening — Agility to meet dynamism

Stability to maintain performance in running operations — Closing

Directing — Agility to meet dynamism — Sharing

Source: Data from Noerby (2021).

The ambiguity and uncertainty impact increases the importance and effect of authentic leadership. The importance of self-awareness and the ability to trust your judgments increases with uncertainty. The leader needs to lead from clear, consistent, and predictable principles and values that followers can rely on. The more evident the leader makes these principles in her leadership, the easier it is for followers to trust the leader. This builds a stable anchor point in the dynamic surroundings when we trust our leader because she displays consistency in her judgment calls and operational decision-making. A genuine and consistent involvement of the people close to the operations in interpreting causes and effects and deciding in dilemmas builds authenticity. It lays the foundation for trusting the leader, especially when there is no time for involvement and the leader must make a judgment call. Managing high dynamism fosters developing organizational agility through shared leadership. This is emphasized here by Henrik Tams Gildberg, an army officer with deployments in Bosnia, Afghanistan and Iraq feeding into the understanding of leading in high dynamism:

66 External dynamism calls for leadership to give overall directions to empower the workers to make decentralized decisions as the environment changes rapidly. It calls for more shared leadership and a focus on empowerment!

Henrik Tams Gildberg, Army Major, Military Assistant to the Commanding General at the Danish Home Guard, Denmark

Professor Jay Brand joins in about enabling and mandating people to act quickly and flexibly from a shared understanding of purpose, priorities, and principles:

66 When dynamism goes up, those "closest to the action" should be empowered to make decisions without seeking overall organizational input or approval.

Jay Brand, PhD, Professor of Leadership & Organizational Studies, and Director of the Leadership PhD program, at School of Leadership, Andrews University, USA

This highlights that a strong purpose culture in dynamic settings has a positive performance and engagement effect because it provides guidance and decision criteria for navigating disruptive dynamism. Likewise, a strong empowerment culture developed through involving people in building shared understandings and reinforcing appropriate contingent responses is vital in mitigating the adverse effects of dynamism. Driving recurring PIA sessions where cases are evaluated and learning is pulled out and lifted to become operating principles is vital in building organizational resilience, empowerment, and agility. It builds ownership and strengthens playmaking. It requires a well-established practice of continuous learning embedded in the culture. Dynamism changes the conditions for high-quality decision-making, as noted here by James Jessup, speaking from more than 25 years of business development and leadership experience across the Asia-Pacific region:

❝ Effective leadership in a dynamic environment may require a more agile approach and faster decision-making. However, at the same time, being aware that sometimes deferring a decision can be more effective than acting too rashly. Leadership success is often defined by considered and deliberate responses to dynamism.

James Jessup, APAC Solutions Architect and Sales & Solution Lead at CBRE Asia-Pacific, Singapore

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The balance James Jessup refers to emphasizes that systematizing decision processes and building competencies to know when to decide fast and when to decide slowly is critical in responding to external dynamism. Failure to do so can result in a stagnant organization and poor performance. A part of building the requisite agility is shaping the structures to support empowered timely action. Such empowerment helps mitigate the hindering effects of uncertainty by supplying mandates to respond. For empowerment to unfold,

the effective contextual leader considers how to strike the right level of decentralization, combined with a formalization of the central procedures to allow for fast contingent responses. Some decisions are faster if centralized to allow the mandate and consolidated information as the decision foundation. Striking the balance between decentralized and centralized mandates is a key to agility. The empowerment results in more agility if it is backed up by a strong collaboration culture across critical functions, making cross-boundary playmaking an asset in developing agility. Leaders must also consider ensuring sufficient expertise in the empowered teams, as doing so offsets some of the adverse effects of external dynamism by boosting decision-making abilities. It is difficult to make empowerment drive organizational agility without the necessary functional expertise levels to act out the delegated mandates. Also, the demand from dynamism turns having a people composition with sufficient adaptive expertise into a crucial performance differentiator. Facing dynamism, you should recruit people who thrive in such environments into relevant roles. People with strong dominance and influence dispositions are part of the answer to securing the necessary flexibility. See figure 28.

Figure 28

Meeting External Dynamism with Agility
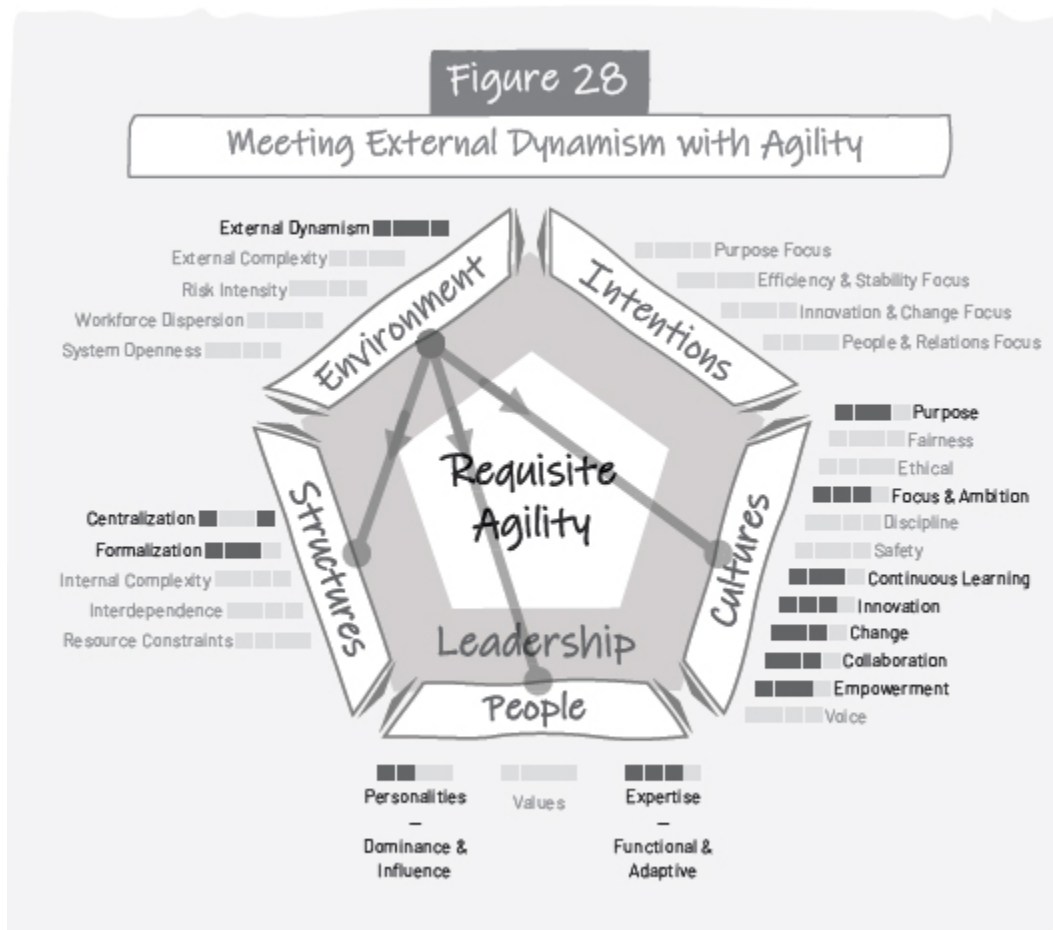
External dynamism can sustain old patterns and make it hard to change ways of working because the organization has built strong habits of effective responses. The more the strategic direction sets a new course, the more critical it becomes to create a strong sense of purpose and long-term direction among the followers. The strong purpose provides the principles that allow shaping the short-term patterns repeated over and over in response to dynamism. It lays the foundation for shaping practices through PIA Cycles. A strong purpose strengthens organizational agility when practices and purpose are aligned. It provides decision criteria that make it easier to navigate dilemmas and trade-offs. When the dynamism is high, a strong purpose culture helps cope with the perception that everything is unpredictable by adding long-term stability. A strong focus and ambition culture also supports organizational resilience in handling changing demands. It builds a shared understanding of how efforts and results connect, increasing the organizational ability to respond to dynamism with appropriate day-today contingent choices. The leader should involve people in breaking down objectives into actions and prioritizing these actions based on their feasibility and effect. In continuation, people should be involved in identifying and mitigating roadblocks because doing so builds the goal-path understanding necessary for agile responses to external dynamism. The essence is that leaders facing dynamism need to engage in shared sensemaking with their teams to build the capacity to respond to the jolts and patterned fluctuations in the external environment.

EXTERNAL COMPLEXITY

Juggling complex legislative demands, having many different stakeholders, or operating across different markets are examples of factors driving external complexity. The more elements of complexity there are and the greater the differences between them, the more complex an external environment is. External complexity is a combination of multiple factors outside of a leader's influence. The sum of factors comes together, creating a fog of complexity that reduces the outlook and ability to navigate decision-making. External complexity should be understood as a separate factor and considered with system openness, external dynamism, and risk intensity. There are severe intensifying effects between these factors. External complexity results in having to consider a lot of external variables when making decisions. Many stakeholder opinions, multiple market demands across countries, complicated
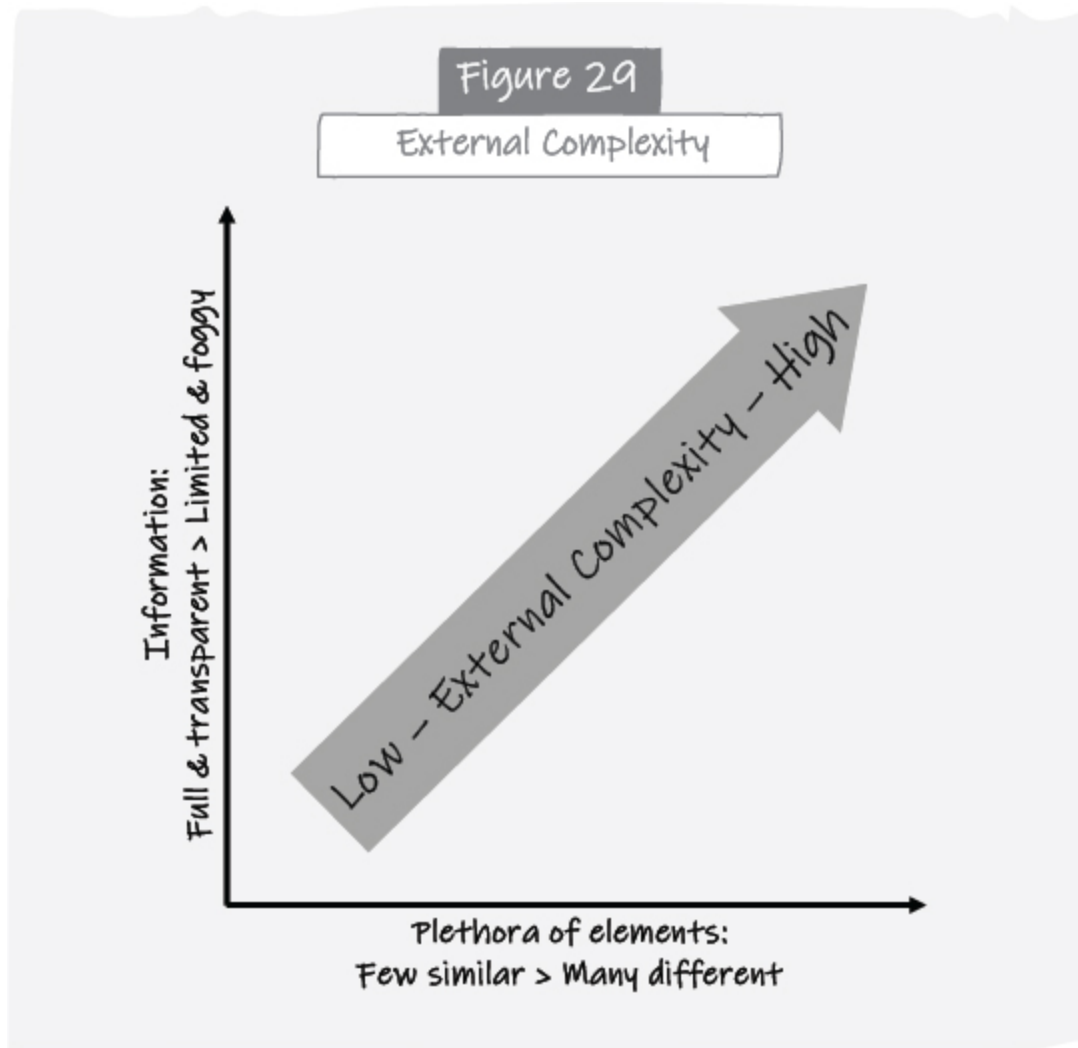
legislation, or sophisticated technologies are just some of the drivers. The environment becomes more complex when many sources influence how situations evolve, and the factors differ in character. Also, the complexity increases when there are many interdependencies between external factors and it is difficult to predict how they will influence each other. Complexity rises when it is difficult to disentangle the external factors and their individual and compound effects.

An example of external complexity is the Medico company, which develops and sells medical devices across 90 countries. They face political processes at several levels that influence the sales conditions in each market. The devices they produce must meet complicated European Union and individual country legislation to be permitted into the healthcare systems of the different countries. The sales and customer service leaders need to build the requisite complexity in the company to handle this external complexity. The requisite complexity includes organizing and governing the different specifications in packaging and the approval regimes of all the markets to ensure they sell, produce, and distribute correctly. It requires formalized processes and disciplined execution to maintain the appropriate requisite complexity without losing efficiency.

Another example is being part of a larger supplier consortium delivering a complex infrastructure project. In such a large-scale project involving many different functional expertise areas, novel approaches and many external stakeholders trigger complexity for the sub-suppliers. In both examples, most of this external complexity is transparent. It can be analyzed and considered during planning and organizing with few contingencies.

A third and different example of external complexity is the military commander planning an operation in hostile territory. There is a range of unknowns in the planning process, such as enemy locations, weapons and morale, the character of the terrain, the hostility among the locals, and the weather. The commander, of course, gathers all the intelligence possible about external factors. Still, for a range of factors, information will be scarce. Moreover, there will be unknown unknowns in such operations.

It can add to the fog when it is hard to foresee the ripple effects of a decision, such as when a leadership team wants to change production principles while being part of an integrated supply chain spanning many business partners. Taking all the relevant factors into account will be difficult, as many of them reside outside the leader's immediate insight and influence zone. This is when the information landscape becomes limited and foggy. See figure 29.

Figure 29

External Complexity

Information: Full & transparent > Limited & foggy

Low – External Complexity – High

Plethora of elements: Few similar > Many different

Source: Data from Noerby (2021, 2023).

The examples highlight a significant difference in understanding external complexity. Is it transparent external complexity, as faced by the Medico company? In transparent complexity, it is possible to gather, document, and organize information to build requisite complexity into our operating methods. Or is it the foggy external complexity, as faced by the military commander? In foggy complexity, many factors are difficult to identify, or their effects are hard to predict. This raises the need to plan for many contingencies complicating the planning and decision processes. We can also face foggy complexity if we have limited insights into the consumers' priorities, or if it is hard to retrieve reliable decision information for other reasons. Some of the challenges with external complexity are addressed here

by Christian Steen Larsen, who leads the facility management and workplace experience company ISS in Germany:

❝ External complexity has a major impact on leadership and work performance. It increases the ambiguity and therefore makes the right thing(s) to do less obvious as there are more things to consider, and getting all the necessary information is difficult.

Christian Steen Larsen, CEO at ISS Deutschland, Germany

There are "tickets to win" and "tickets to play" when it comes to external complexity. The tickets to win are elements that provide opportunities to create value if considered in the decision processes. Examples are consumer preferences, opportunities to get government subsidies, or new doors potentially opened by technology development. These factors are worth understanding, monitoring, and leveraging, as they give us opportunities to create more value than we would be able to without the insight. Tickets to play encompass external complexity from factors we need to monitor and assess to avoid negative consequences. These factors with high risk intensity tie up resources or limit our solution space. We cannot win by taking them into account, but we can lose by not doing so. Examples are import permissions, legislation, or information obtained from hearing rounds with multiple stakeholders. Often there are dozens of external factors that could be monitored. Still, the leader should ensure that only tickets to win or to play are included in the decision processes to avoid paralysis by analysis.

The increased connectedness driven by the internet and the globalization of industries contributes to increased complexity. Identifying the tickets to play and win in the external environment is more important than ever to avoid information overload. Applying risk intensity and value potential as selection criteria is a proven path in cutting through the clutter to arrive at decisions in high external complexity. This ability to sort out the essential factors in the decision process becomes even more critical when high external dynamism reduces the decision time. Time pressure intensifies the fogginess of the external complexity and increases the risk intensity. These effects relate to the

system openness in the leadership context. The more openness between the organization and its environment, the higher the likelihood that complexity goes up due to the many interactions prompted by external influence.

> 🔖 **DEFINITION: EXTERNAL COMPLEXITY**
>
> The number, transparency, and diversity of external elements influencing the decision-making.

External Complexity and Organizational Performance

External complexity changes the disciplines of coordination, planning, and organizing the work. More elements need to be aligned and considered. More potential outcomes should be anticipated, making sequencing and time estimation more difficult. Achieving predictability and foresight in coordination with the rest of the organization can be challenged by foggy complexity driving short-termism and silo-thinking. Handling complexity demands more frequent and precise communication, and the risk of misunderstandings increases. We simply have more details and information to keep track of, demanding that the planning and organizing practices are more granular, formalized, diligent, and disciplined.

When contractual and legal constraints drive the external complexity and every decision internally needs to be checked toward a multitude of factors, it can lead to low flexibility and high path dependence. Facing such transparent and highly complex operating conditions is well supported by strong discipline and focus and ambition cultures. However, it is essential to ensure that only actual tickets to play or win are handled with the "check every detail" diligence. Otherwise, it can threaten individual autonomy, which is an important engagement driver. Also, overdoing it can lead to a stagnant organization challenged by needs for innovation or organizational development. When the external complexity comes from different customer demands for tailor-made solutions, it drives a need for internal case-to-case coordination and problem-solving. The high variation in task demands helps the emergence of playmaking and supportive behavior in the organization. These performance behaviors are vital to success in matching such foggy complexity and should be supported by strong collaboration and empowerment cultures.

The two above effects on organizational performance underline that understanding whether we face transparent or foggy external complexity is fundamental. Foggy complexity in particular can trigger uncertainty and contribute to anxiety and a sense of low control. The cognitive and emotional strains increase as there are simply more elements to process all the time. This

ties up energy that people could otherwise spend engaging in team and organizational citizenship. There is a risk that active followership and participation in problem-solving and planning drops due to the challenges of digesting the complexity. Also, ownership behavior can be threatened because the complexity makes it harder to take charge and make decisions without waiting for orders. These negative withdrawal reactions highlight the importance of building psychological safety and mastery in handling complexity through the involvement of the team. When a team is highly engaged and psychologically empowered, the appetite and self-efficacy will paint another picture. They will engage in sorting out tickets to play and win, along with developing contingent responses. Mobilizing the team together is a vital antidote to the ambiguity that comes with foggy complexity. A mobilized team will help each other consider the pros and cons and choose between bad and evil. An excellent example of such practices is when a special forces team operating far behind enemy lines discusses the best next moves. They face foggy complexity and high risk intensity and tap into the collective wisdom of high psychological safety combined with critical thinking. The practice allows them to arrive at decisions in a highly complex environment where better or worse decisions rely on the quality of their judgment calls.

While higher complexity can incur ambiguity and stress, it can also spur a motivating effect. High external complexity holds the potential to inspire new ways of working and approaching problems because there is no one truth. It opens the opportunity to experiment and test judgments and assumptions by engaging elements to learn about the response patterns, such as running product tests in collaboration with customers or testing online responses to different types of content. These effects support the emergence of adaptive performance where piloting, experimenting, and the concept of "fail fast, fail forward" are valid approaches if the risk assessment allows them. This strategy toward external complexity drives learning, continuous improvement, and innovation that is often necessary to perform in foggy complexity. Judging what the best next step is, enacting these steps, and deliberately learning from the interactions are key dynamics in navigating high complexity.

External Complexity and Contextual Leadership

External complexity is one of the factors that a leader can't directly affect but needs to match with requisite internal complexity. Operating successfully in high external complexity is about building the organizational ability to handle

the complexity, as explained here by Magnus Röstlund, speaking from more than 20 years of global experience:

—————————————

❝ When working in an externally complex environment, it is the leader's task to explain the context and how it influences risk and opportunities. In continuation of sensemaking, it is key to develop critical thinking among employees. Success is gained when employees themselves can critically judge the right paths and decisions without the leader's direction.

Magnus Röstlund, MBA, Vice President, Head of Engineering and Material Technology at NKT, Sweden

—————————————

You should secure leadership practices that help teams manage the pressures external complexity can bring. Securing recurring analysis of what is going on in the external environment where the team is involved is crucial. You need to get the team's input, observations, judgments, and ideas to grasp external complexity. This involves building a shared understanding of which tickets to play and win you should monitor. This frame of reference and recurring shared interpretation is a crucial leadership practice matching external complexity. As high dynamism, it calls for shared more than directive leadership to build requisite internal complexity with SOPs that people are empowered to act out. At the same time, the leader must be directive on direction, priorities, and operating principles. Direction setting, known priorities, and operating from well-established principles counteract the complexity that can lead to indecisiveness, where discussions are reopened and actions are postponed. See figure 30.

Figure 30

External Complexity Calls for Clarity and Empowerment

Clarify direction, priorities, and operating principles
Directing

Sharing

Empower to match complexity
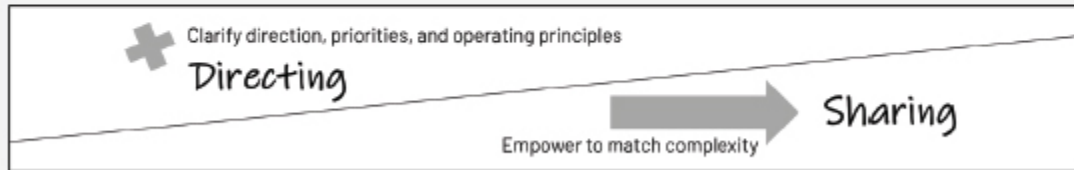
Source: Data from Noerby (2021).

Identify and Monitor Indicators

There are leading and lagging indicators. Leading indicators look forward by measuring contributing factors when we know a pattern related to what we want to predict. Lagging indicators look backward at things that have happened and can help us project and estimate the future if we believe the trend continues. Both leading and lagging indicators help foresee repeatable dynamism and handle high complexity. The leading indicators help predict likely development and moves and can be early or late warning signs. An example is a positive development in customer satisfaction, which usually indicates a higher propensity to buy, allowing us to forecast production. Employee satisfaction predicts retention. The product innovation index in an industry predicts the product life cycle. The inflation rate predicts consumer spending on luxury goods. Such indicators can help us understand the best responses to external complexity. Early indicators help long-term planning, as when birth numbers help predict the long-term development of the healthcare system, or increases in employment indicate upcoming growth in the housing markets. Late indicators are precursors to short-term events. Product and service launches, price adjustments from competitors, exchange rates, or days of sales outstanding are examples. Working with leading indicators highlights an important measure for handling external complexity, which is influencing the system openness. When a leader determines which information to monitor, discuss, and react on, she closes the system to information overload. Focusing people's attention on the crucial indicators in the surroundings preserves energy and prevents diluting focus. The lagging indicators are easy

to measure because they are about past events. Examples include last month's sales, the quality levels in production, the number of customer complaints or the number of returned goods. The lagging indicators can help us understand future performance by extrapolating the trends and then decide on reinforcing or corrective actions.

Monitoring and shared interpretation are vital to handling external complexity and dynamism. This is even more applicable when risk intensity is high and one operates in an open system. The key to success lies within the effective alignment of the leadership context to handle external demands. Effective measures include building a strong empowerment culture, decentralizing mandates, and employing highly skilled people to meet high complexity and dynamism. One example of effective measures is the strong discipline culture with formalized processes to meet transparent complexity in the previous Medico example. Stability emerges when you successfully align the leadership context to the external environment, even when the external environment is not stable. It emerges when the external and internal complexity match and move together. It is about building the requisite complexity in collecting, codifying, saving, retrieving, and using the data from the external complexity. Such requisite complexity enables us to create the information that allows insightful decision-making that drives value and mitigates risk. It requires functional expertise to make sense of the complexity and drive quality decisions. When the external environment is also dynamic, we must add the necessary agility. We must secure that the scanning and interpretation processes are fast and decentralized enough to match the dynamism.

This is about building absorptive capacity to match the external environment. It includes establishing effective operating principles that match the external complexity, dynamism, and risk. Absorptive capacity is the ability to recognize indications, signs, events, and patterns that should be interpreted and turned into appropriate action. Any team operating in high complexity should repeatedly be involved in interpreting these observations and demands from the external environment. As Jakob Thyregod from Baker Hughes, the energy technology company with more than 55,000 employees doing business in 120 countries, puts it:

> **66** It is a huge risk if the leader doesn't understand the external complexity or neglects the presence of complexity, as they risk leading and deciding on the wrong conditions.

Jakob Thyregod, Senior Executive, Vice President Human Resources, Industrial & Energy Technology at Baker Hughes, United Kingdom
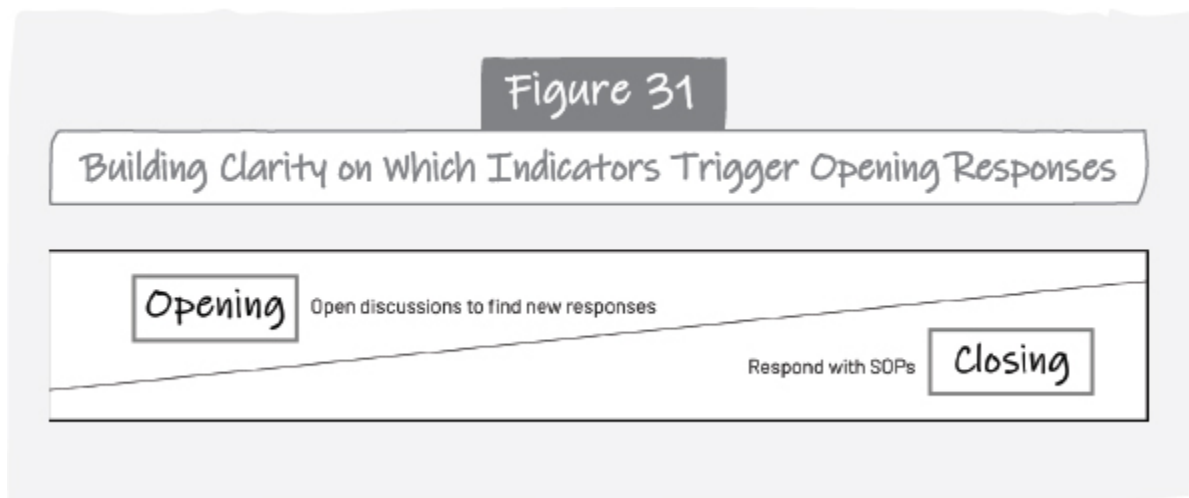

Engaging in repeated shared interpretations strengthens the absorptive capacity and lays the foundation for prudent decisions and responses. An organization without proficiency and practices to run PIA Cycles in response to high external complexity, dynamism, or risk intensity will most likely fail due to inadequate response patterns. The significance of absorptive capacity also tells us that shared leadership and empowerment are vital components to perform across the variability of many factors. An integrated part of sharing leadership is building the practice of analyzing what is going on in the external environment to ensure optimum decisions. It concerns building awareness of which indicators require opening responses and which should be met with closed SOP-handling. The importance of building strong operating procedures and giving clear direction increases with fogginess, as emphasized here by Serdar Ulger, speaking from experience leading sales companies across 20 countries in Europe and Asia-Pacific.

> **66** It is the leader's job to absorb and understand external complexities and translate these into operating principles to make things simpler and clearer for their organization.

Serdar Ulger, International Top Management Executive, Turkey

Building the teams' capacities to leverage the "collective wisdom" in sensemaking and engaging in critical thinking and joint decision-making requires shared leadership. It is about building capacity to engage in opening behaviors when relevant but refraining from doing so out of a want to consider all complexity. A key to striking this balance is the deliberate framing

of which indicators should be allowed to trigger opening responses. See figure 31.

Figure 31

Building Clarity on Which Indicators Trigger Opening Responses

Opening — Open discussions to find new responses

Respond with SOPs — Closing

Source: Data from Noerby (2021).

A part of building such team capacities is that the leader engages in sensegiving about what is going on and what implications it can incur. This can be done through scenario planning, where the effects of different options are discussed. It can also be done through after-action reviews, where the team engages in understanding the choices made and their consequences, such as when a firefighter team debriefs after a fire to build the shared capacity to decide during future operations. The leader should be aware that higher complexity can trigger uncertainty and anxiety that ties up energy and thereby gets in the way of performance. This increases the importance of developing a strong voice culture, so people speak up with their interpretations of the external complexity.

Understanding purpose makes it easier to handle complexity, and a strong purpose culture that permeates the scenario planning and after-action reviews works well in high complexity. The judgment calls become more manageable when the purpose is clear and understood. It forms strong guiding principles that a team can use as the starting point for approaching dilemmas and complexity with the PIA process.

Relatedly, clarity about the direction and performance priorities helps offset the hindering effects of external complexity. Along with communicating direction, the leader should buffer the organization from being bogged down by complexity. Buffering means clarifying the focus for departments and teams. This involves scoping the priorities they should focus on and shielding

them from involvement in activities that derail their focus. The leader must clearly define the direction and the scope of focus. This involves saying no to requests and preserving the organization's energy so that it can be invested in what matters most. To do this, system openness must be reduced to avoid overload. High external complexity comes with the risk of focusing on too many things, diluting the resources spent on core activities. At the same time, the leader must build the team's capacity to navigate complexity. Hence, the leader should spend extra energy involving people around the complexity they must be able to handle. This requires that they understand which complexity is out of their influence zone and direct their attention to things they can prevent, mitigate, or change through decisions and actions.

To provide clarity and empower the team, the leadership discipline of direction setting discussed in chapter 5, combined with a strong focus and ambition culture, is important in high external complexity. A centerpiece is to build the goal-path thinking abilities in the team so they can weigh the value and choose among different efforts toward the goals in focus. The more complexity there is, the higher the value of discussing and choosing which efforts will yield the most bang for the buck in pursuit of the results. Input from everyone on the team and consideration of the pros and cons of choices leads to better decisions when competent people think together. See figure 32 for the overview of factors discussed contributing to matching external complexity.

Figure 32

Meeting External Complexity with Requisite Internal Complexity
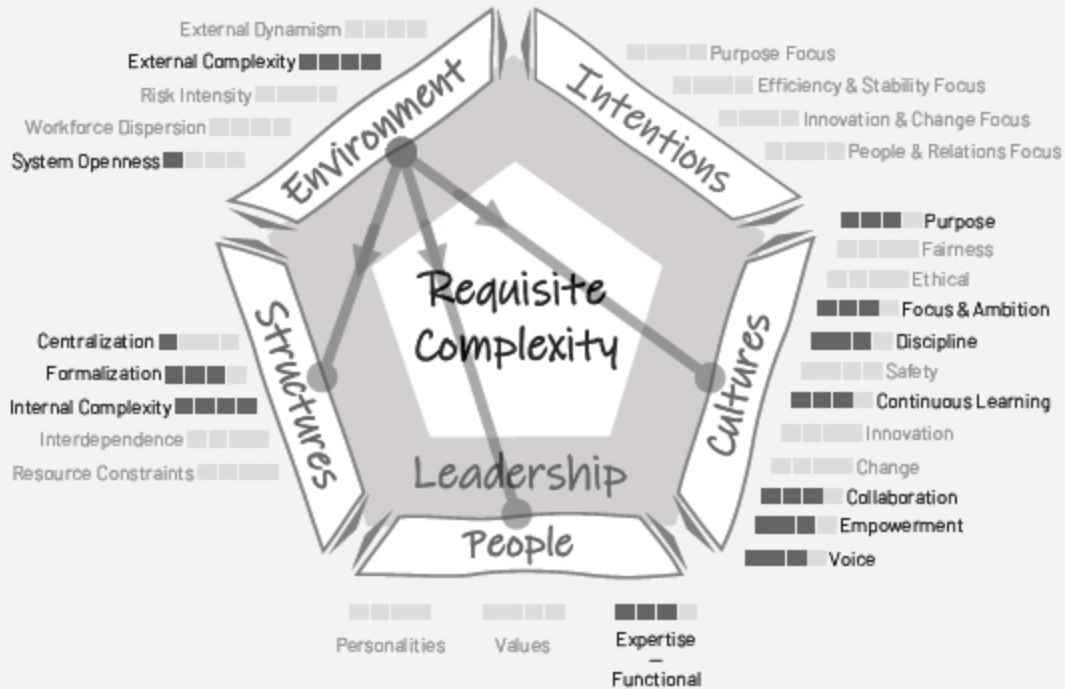
Source: Data from Noerby (2021, 2023).

Both direction setting and leading from purpose have the most effect when backed by frequent involvement in interpreting direction and purpose into action. The involvement develops organizational agility and resilience. The team builds the sensemaking and judgment ability when the leader involves everybody in PIA Cycles—before and after events and incidents have occurred. In practical terms, planning and evaluation team meetings where everyone is prompted to contribute become more critical when the complexity goes up. The team builds the skills, self-efficacy, and practices necessary for high performance in complex external settings when the leader nurtures the ability to judge and decide together. The pattern further evolves if external complexity is combined with high dynamism. Then, in addition, the leader should empower the team with decision mandates, clear escalation principles to get fast centralized decisions, and contingency orders to allow speedy decentralized adequate responses.

RISK INTENSITY

The more probable risks with potentially severe consequences present in the leadership context, the higher the risk intensity. Anything that can harm equipment, people, resources, ethics, value creation, or image is a risk factor. A leader needs to consider the probability of any risk and the criticality of consequences if the risk manifests itself. See figure 33.
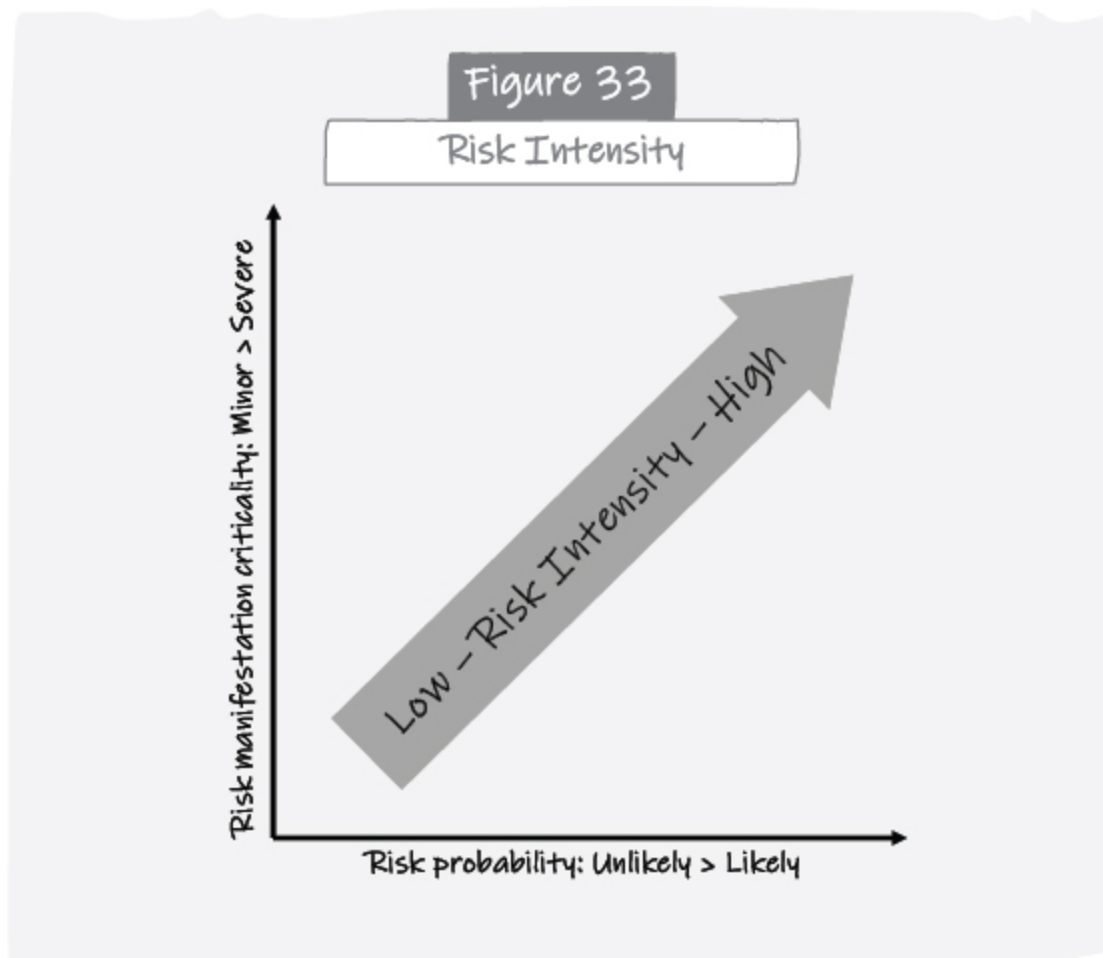
Source: Data from Noerby (2021, 2023).

A part of the criticality assessment is understanding whether the potential harm is physical, material, or psychological and understanding the proximity of the potential threats triggered by the way we operate. Some risks cannot be avoided when we do our jobs. There is a risk of human errors in a hospital, no matter how robustly check procedures are implemented. Of course, the probability of harmful mistakes decreases when preventive measures are implemented. Still, to entirely avoid the risks, the hospital would have to stop

treating patients. The same goes for manufacturing, where operating machinery comes with a risk. Doing your job as a police officer, working on an oil rig, meeting clients as a social worker, traveling in a sales job, being a correctional officer, or running a nuclear power plant comes with inherent risks. When understanding the risks, we need to focus on this exposure to risks and evaluate which risk elements can be reduced or avoided. There are risks in our action zone, which we can address by designing ways of working that remove or reduce the risks, such as replacing dangerous substances with harmless ones in a production process or pulling our people out of an area hit by civil unrest. There are risks in the influence zone where we can ask others to take preventive measures to avoid impact that will also hit us. However, risk intensity in the leadership context pertains to the inherent risks we face as part of the operating conditions—these are risks outside our influence and action zones. The risks we must accept are present while we are doing our utmost to prepare mitigative actions to avoid harm if the risks manifests.

We need to understand the criticality of the damage any necessary present risk can incur. Can actions, equipment, substances, or people we interact with injure our people physically or harm someone involved psychologically? Are there risks that can destroy vital equipment, and do we face potential ripple effects like production stops? Do we face ethical and moral dilemmas where our choices can do moral or emotional damage? Are we involved in activities that can bring external criticism to our company, impair our image, and incur commercial losses? The external risks relate to the presence of factors in our operating conditions that we must accept when undertaking the mission we pursue. We can prevent some of them from manifesting, and we can mitigate the effects of some of them if they occur. We cannot avoid all of them, but we must lead from an understanding of their presence and potential harm and decide on proportional responses, as noted here by James Jessup:

❝ An effective leadership response to risk is about balance and proportionality. Perceived higher risk tends to lead to a desire for higher levels of control, which is often counterproductive, especially if the dynamism is also high. Trust, empowerment, responsibility, and accountability are more mature responses for such situations.

James Jessup, APAC Solutions Architect and Sales & Solution Lead at CBRE Asia-Pacific, Singapore

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Risk intensity interacts with the state of crisis in an organization. In a crisis, the criticality of damage to vital equipment can be disastrous because of poor recovery opportunities. In non-crisis situations, preparing backup equipment and processes like the generators to secure the backup power supply to most hospitals can be more doable. If in a crisis, time, the lack of other resources, or physical placement can ramp up the error criticality significantly. So, when understanding risk intensity, the leader must also understand the measures and resources available to her response. This does not change the presence of the risk but expands the mitigation options available to the leader and lowers the error criticality. Examples include securing successors and competencies in your organization so that losing a key employee does not damage your progress in your most vital R&D project, securing transportation contracts with a company holding the necessary permits and capacity to transport your goods if your trucks break down, backing up vital IT applications, securing vital spare parts to avoid production stops, or keeping on hand backup inventory to mitigate any delivery shortage.

External complexity can intensify the criticality of risks, as preventing the risk or recovering after an incident can be complicated when many factors are connected and hard to disentangle. External dynamism interacts with risk intensity when time pressure increases the probability of errors when there is not enough time to follow standard safety protocols. These examples indicate that risk intensity should be considered with external dynamism and complexity and internal resource constraints to fully understand the risk probability and error criticality.

🚩 **DEFINITION: RISK INTENSITY**

> The presence of threat or error potential, how critical the consequences would be, and how likely the error occurs or the threat manifests.

Risk Intensity and Organizational Performance

Error criticality influences work performance. Higher levels of error consequences, whether they are physical, material, or psychological, shift the focus among many employees to preventing errors rather than pursuing desired outcomes. Many start playing not to lose, rather than to win. The hindering effects come from not wanting to suffer the evil consequences of

mistakes. Risk intensity increases the fear of acting and making mistakes, raising stress levels and anxiety for many people.

Risk presence can make followers and leaders react with withdrawal and paralysis if the risk probability and criticality exceed their coping capacity. The hindering effect of risk increases when the consequences become personal to team members or the leader. Risking your job and jeopardizing your family's livelihood, your personal bonus or promotion, your mental or physical health, or even your life puts a lot of strain on your emotional, physical, and cognitive resources available to perform. Less so, but still, the potential of losing the company's money, damaging equipment, or making errors also takes cognitive and emotional resources away from the performance efforts.

Importantly, there is a perceptual dimension to risk intensity that is imperative to understand as a leader. When we face risks, we evaluate the risks based on our perception of our personal and team resources to cope with the potential impact of those risks. This happens in open dialogue or more subconsciously. In either case, we build our perception of whether we feel capable of meeting the risks. We evaluate the preventive measures like protective equipment and the organization of the work, hereunder leadership decisions. We evaluate if we are put in harm's way, which is reasonable compared to what we need to achieve. We assess if our personal competencies and practices and those of our teams are adequate to meet the risks. We assess the prevailing beliefs in the culture and decide how confident we are about predicting how we will approach risks. Do we believe that we will take unnecessary risks? Have we experienced work pressure leading us to work unsafely? Do we really live up to "leaving no one behind"? Together, this evaluation will result in us feeling either capable and ready to meet the risks or incapable and unprepared to meet the risks. Feeling capable places us above a coping threshold that allows us to invest energy in solving the task because we feel that the risks are addressed with preventive and mitigative measures. Feeling incapable will redirect our main focus to risk avoidance.

Coping capacity builds from the engagement and empowerment drivers, where the starting point is understanding the strains we face together. What risks are we facing, and what can we do about them? It is about building mastery around preventive and mitigative measures. People need to know how to protect themselves and others from the risks. They must be skilled in the procedures, confident with the equipment, and experienced with the risk intensity they face. Only then can they build the psychological safety to engage in solving the tasks. Also, taking risks must make sense. If the risks are not

considered worthwhile compared to the goals, one of the most critical engagement and empowerment drivers, meaning, will disappear.

These psychological effects from risk intensity change the process of granting influence to the leader. If the leader does not engage in building a sufficient level of safety in the eyes of the employees, she will not be granted the opportunity to influence people. The foundation for leadership crumbles, and trust and team cohesion develop toward playing not to lose. Playing not to lose threatens functional performance, planning, and organizing. You will see quiet quitting, which means that people reduce their efforts to the necessary minimum and refrain from raising ambitions, looking ahead, and taking the initiative. Adaptive performance is threatened, as being flexible and engaging in learning activities can be perceived as exposing you to more risk. The withdrawal to uphold self-protection has a massive hindering effect on employee performance that fosters initiative and assuming accountability. Followership, ownership, and playmaking are reduced to a lower level when the risk intensity is not mitigated through leadership building strong purpose, voice, and safety cultures.

The personalities of the team members influence the effect of risk intensity. The stronger the stability and conscientiousness dispositions are, the more critical feeling safe becomes. All of the above highlight that building proficiency in preventive and mitigative safety measures is a precondition for engagement and performance. The expertise levels related to understanding and responding to risks become a crucial foundational building block in making the team move above the threshold of acceptable risk. If they do not move above the perceptual threshold, most of their energy will be tied into avoiding risk rather than solving the task at hand while preventing and mitigating risk as an integrated part of operating. First and foremost, the focus will be on not risking anything, which naturally reduces the willingness to experiment and innovate. The same effect can hinder effective decision-making for the leader and the team because the solution space narrows when the risk aversion prevails. It can lead to postponing necessary decisions and drive short-termism in decision-making to avoid addressing the bigger issues that come with a risk. On the other hand, if the functional expertise in assessing, preventing, and mitigating risk is there, it builds a willingness to take the informed, calculated risks necessary in much innovation.

High risk intensity can also positively impact performance and engagement. The negative effects discussed above relate to the cognitive and emotional impact of facing risk. The effects range from stress to arousal, and besides the dysfunctional implications of withdrawal, there is another side to

it. Risk and adversity can spur energy and increase attachment, strengthening team cohesion. When put under pressure, some people increase their supporting behaviors, volunteering help and investing themselves in taking care of their teammates as noted here by Lars-Henrik Thorshauge, referring to experience from a decade of military service including two deployments in Bosnia:

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> 66 My experiences from my military deployments have clearly shown that risk intensity makes both leaders and employees more focused on cooperation, communication, and doing things as agreed.

Lars-Henrik Thorshauge, Director & Strategic HR Business Partner at Scandinavian Tobacco Group, Denmark

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Having severe consequences threatening something vital to you can release massive amounts of energy due to the apparent meaning involved in doing something to meet the threat. The response behavior can be increased task and adaptive performance as well as organizational and team citizenship. The effects still rely on sufficient mastery, that is, a belief that I have skills and capabilities to act, and it needs to be backed up by a felt autonomy, that is, perceived discretion to act. These effects are at play when people step up and perform beyond all expectations due to the risk of losing their jobs. We see it when the evident presence of work hazards strengthens safety behavior where everyone is committed to taking care of each other because incidents come with hard consequences. Another helping effect when facing risks together is that safeguarding yourself can be decreased. It becomes easier to admit insecurity and ask for help because not doing so involves high risk. Finally, there is a positive engagement and performance effect from preventing or mitigating risk directed toward other people or elements. For example, reducing risk for clients, keeping kids out of harm's way, reducing the environmental risk, or helping save another part of the company all contribute positively to engagement.

Risk Intensity and Contextual Leadership

A precondition for performance is that the leader acts to offset the adverse effects of high risk intensity. She must ensure that the negative effects discussed above do not turn everything into a game of playing not to lose. She needs to bring people above the coping threshold and build the requisite risk readiness in the organization. That fosters clear priorities and principles related to risk handling and acceptance in combination with shared leadership to build the risk readiness. See figure 34.
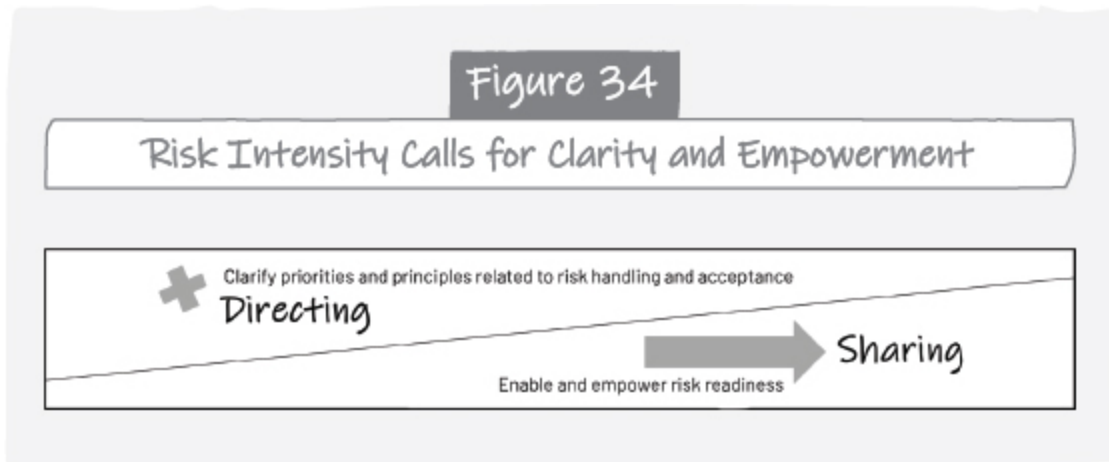
Source: Data from Noerby (2021).

She should do this with concrete preventive and mitigative measures backed up by training and involvement that develops the expertise in the team to assess, prevent, and mitigate risks. These efforts should be backed by shaping strong purpose, voice, and safety cultures to embed the requisite risk readiness into the organization. Together, this will build a shared understanding of acceptable risk tolerance. Building informed risk tolerance is an integrated part of making the organization perform in risk-intensive environments. Defining risk tolerance and agreeing on how to make decisions about going outside the tolerance is an essential leadership task. Some of the tolerance can be defined with formalized mandates. Other parts of risk tolerance must be carried by strong principles guiding the judgment calls under time pressure. The practical side of building requisite risk readiness that matches the external risk intensity is about building practices, tools, and methods. It involves the formalization of risk assessment and preventive or mitigative procedures. It is about building maturity in assessing and deciding the best responses to risks through PIA Cycles, as remarked here by Erik Roesen Larsen, who is responsible for health and safety at Innargi, which constructs and operates large-scale geothermal heating plants:

> **❝** How well you perform in high risk intensity depends on how mature your organization is when it comes to recognizing risks and hazards, appreciating them, accepting them, and dealing with them. In a less risk mature organization, some leaders think they can avoid all risks and "play not to lose," resulting in subpar performance. Leaders have to build risk maturity.

Erik Roesen Larsen, Head of Health, Safety, Security, and Environment at Innargi, Denmark

Running scenarios and incident drills to build risk readiness and doing after-action reviews to learn from incidents helps develop a shared understanding of risk tolerance and handling. It involves training safety procedures, the use of protective equipment, and rehearsing mitigating actions if incidents occur. These safety precautions must be backed by building a strong safety culture from clear principles that are interpreted through repeated PIA Cycles. The involvement is crucial in creating a commitment-based safety culture. In shaping the safety culture, the leader should also focus on developing a strong voice culture, as this is a key building block in securing the psychological safety necessary to enter a risk readiness level above the coping threshold. Developing such practical and psychological risk-coping capacity is a core building block in empowering the organization to perform in high-risk environments. Leading an organization that operates in risk intensity requires shared leadership because applying preventive measures, assessing risk, deciding on the best response, and initiating mitigative actions when incidents occur depends on everyone. It needs to be built into the fabric of the way we operate. Everyone needs to understand their roles and be capable of filling them. Through leadership, this must be backed up by a commitment-based safety culture, as discussed in chapter 8.

Another part of effective leadership when facing risk intensity is instilling a focus on the controllable parts of the operations to ensure that team members have a solid understanding of their action zone. A part of this is ensuring that this understanding includes the "must-do" tasks and "must-

decide" obligations to ensure performance even when people experience high risk intensity. This requires developing a strong discipline culture that ensures functional performance and prevents all energy from being directed to the risk intensity. High mastery in core operations helps build a coping capacity to face risks. Identifying what can be controlled and managed closely helps you accept that there are risk factors outside your control. Also, it helps build the team's ability to understand what is in and out of the team's control when deciding on preventive and mitigative actions.

In continuation, increased risk intensity drives a need for more supportive behavior from the leader. The more a job or the external risk intensity puts a cognitive, emotional, or physical load on employees, the more important it becomes that the leader becomes a caretaker. He must role model and develop a strong collaboration culture where the supporting and caretaking elements of team citizenship are promoted. This involves building high-quality team relations, including everyone, promoting backup behavior, and making people truly belong. Team cohesion and inclusion are key drivers that build risk-coping capacity. The leader must invest energy and resources in team building, developing strong shared company, unit, department, or team ethos carried by traditions upheld with pride. Developing such a shared identity contributes to a commitment-based culture, enabling people to cope with the constant pressure of working under risk-intensive conditions. Necessary preconditions are that people experience fair risk-taking expectations and that leadership judgments do not come with unnecessary risks. This emphasizes that a weak fairness culture can challenge the foundation for building risk readiness.

High risk intensity changes the prototypical expectations of leadership, and we expect the leader to step into a directive leadership style and take action when incidents occur. It can also be the first responder who takes the directive role and keeps the leadership baton until the incident is over to avoid mistakes and loss of time in any handover. This approach fosters shared leadership in the buildup of the capacity, so the directive style of the first responder role is well-established and understood. We expect exceptions to the norm to be handled with clever decisions that align well with our shared perception of risk tolerance and the principles underpinning our safety culture. The effect of positive and negative role modeling skyrockets. These are the cases when a threat is just about to manifest itself or is playing out. Your leadership practice should shift toward a more urgent, decisive, and directive leadership style to ensure speedy mitigative actions. This means that the leader is on stage facing the dilemmas and making the judgment calls demanded when risks play out. We expect the leader to step up to the

challenge! She must lead the way—show leadership integrity! Display charismatic leadership! Will we take the deal with a risk far beyond our normal risk tolerance? Will we put our colleagues in harm's way to rescue people who need help? Do we accept unsafe working conditions for a short period to uphold production and meet customer demands, or do we accept a significant financial penalty for not meeting the deadline? The leader will be evaluated on how well the judgment calls correspond with the shared perceptions of risk tolerance and risk-taking. These incidents will build or destroy trust in the leader. When followers believe in their leader's ability and integrity to decide and navigate difficult, risky situations while upholding the protection of their people, they are more trusting and willing to engage in necessary risk-taking behaviors. Shaping the context to meet risk intensity is a central leadership role, and the factors discussed above and below are summarized in figure 35.

Figure 35

Meeting Risk Intensity with Risk Readiness
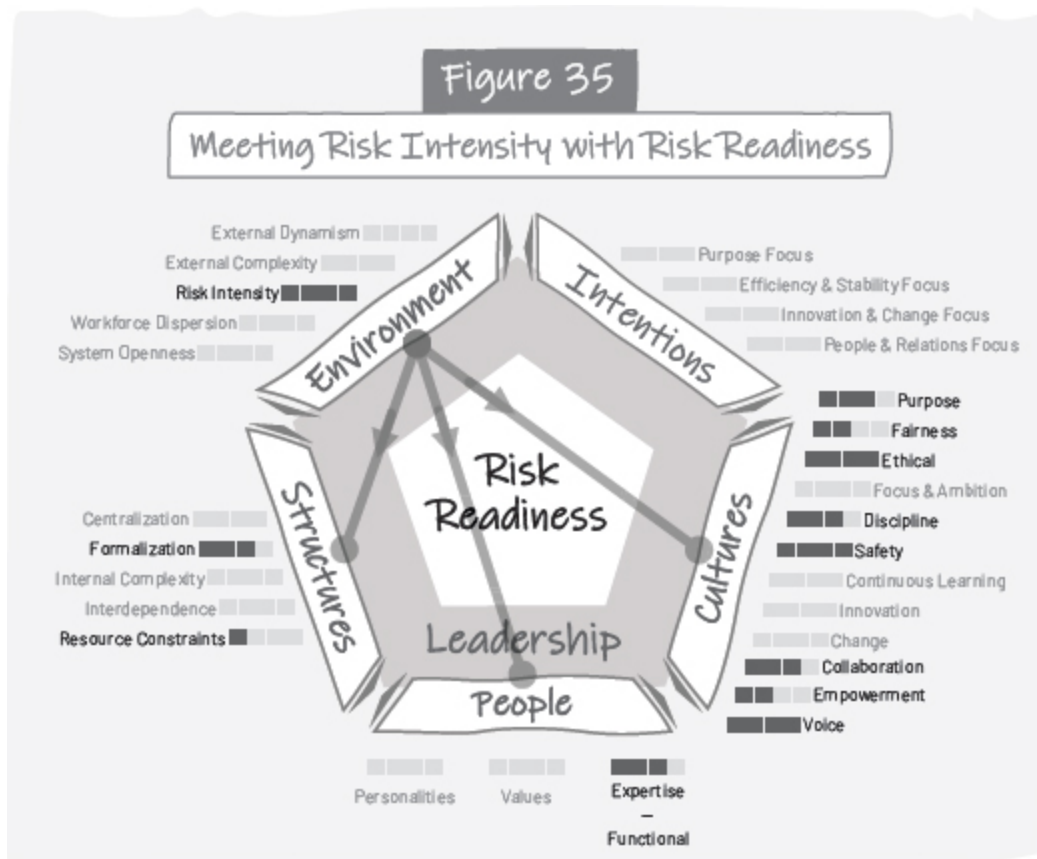
Source: Data from Noerby (2021, 2023).

In addition to the followers' increased attention to the leader's ability to handle incidents, there are also changed expectations from outside stakeholders. The importance of stakeholder management toward decision-

makers influencing the leader's leadership context is high when risk intensity is high. The leader needs to manage expectations and share risk assessments and potential risk scenarios to calibrate the guiding principles for responding. Anticipating risk scenarios and aligning with stakeholders up the hierarchy and outside the organization is crucial in allowing timely decisions. It is a vital leadership foundation. In high risk intensity, the leader must proactively secure the mandates to act to lead effectively when or if risk manifests.

There is a particular side to risk intensity concerning moral intensity. Some leaders need to consider the additional risk dimension of moral intensity involved in the choices their organization and themselves face. For example, medical team leaders can bring severe human consequences upon their patients if they make poor decisions. Nonetheless, these leaders must make moral-intense decisions using their best judgment and accept the potential consequences. Without these repeated judgment calls throughout their organization, they would not be able to operate. The same applies to first responders, social workers, humanitarian relief organizations, part of public administration, armed forces, and law enforcement. Moral intensity involves two dimensions in decision-making. Similar to deciding in the face of other risks, the decision-maker must consider the potential harm from the decision. However, there are also ethical and moral considerations that concern the social acceptance of the decision. The decision-maker must consider the potential reactions from other stakeholders, shareholders, relatives, colleagues, politicians, customers, the public, and anyone else who can question the judgment call. Moral intensity is about facing decision dilemmas and choosing between two evils that will bring adverse consequences for others. The potential negative consequences of acting have a determinant influence on whether decision-makers—leaders as well as employees—decide to act. Without guiding principles, there is a tendency to fall below the coping threshold, delay decisions, and shy away from the hard choice. These dynamics are at the heart of ethical leadership. Leading and taking empowered action from solid ethical principles or moral values refined through repeated PIA Cycles is a key feature in setting the organization up for performance. Developing a strong ethical culture becomes imperative to bring the organization above the coping threshold if operating in moral-intense settings. A strong ethical culture assists in mitigating the adverse effects of moral intensity with guiding principles for moral judgments.

WORKFORCE DISPERSION

Workforce dispersion is about the geographical and time distance between the people in the leadership context: The geographical separation when leading people located at four different sites across the country. The time separation when people work shifts in a hospital or a manufacturing facility. Working across time zones where the geographical spread is big enough for us to face differences in regular working hours. Last but not least, the flexibility of the hybrid workplace where people choose to work from home to balance work and life requirements, not because they are tied to different locations but because of the flexibility it provides. See figure 36.
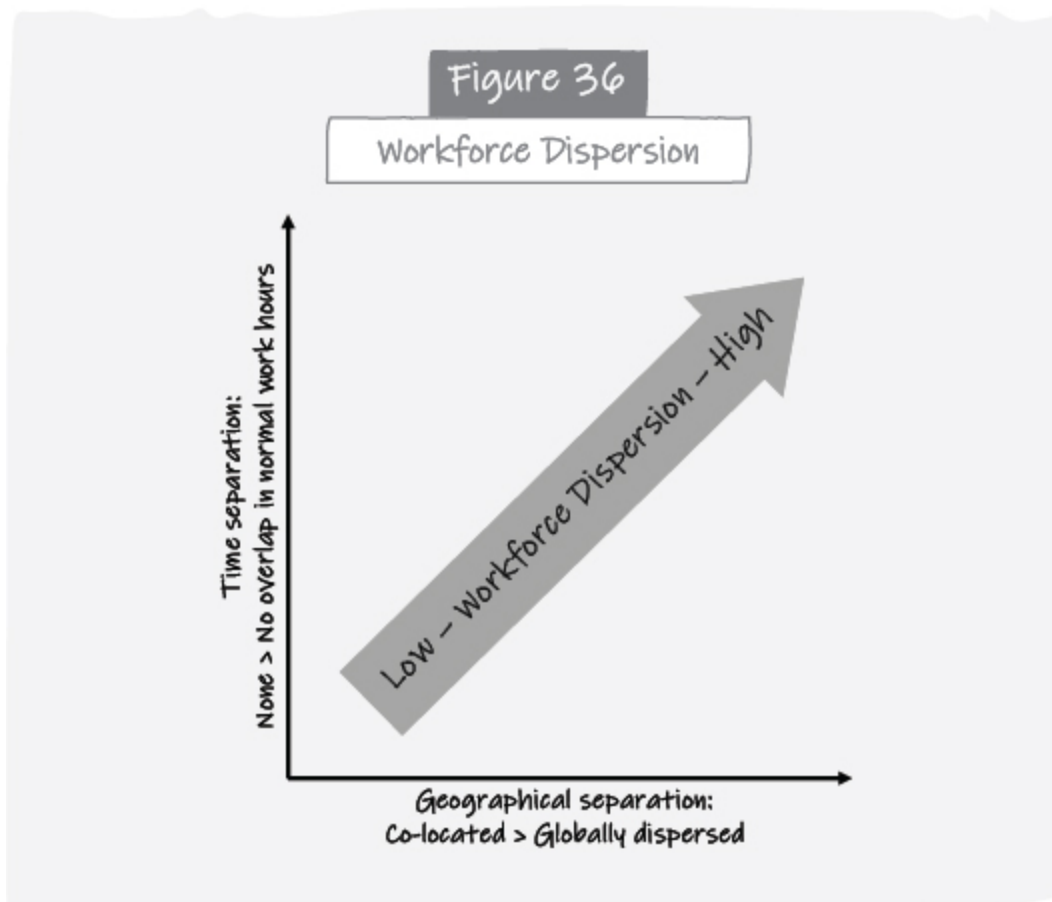
Source: Data from Noerby (2021, 2023).

After the COVID pandemic, more leaders face more workforce dispersion in their leadership context, and this comes with particular dynamics. The first important dynamic is that separation shifts some synchronic interactions to be asynchronous. Communication shifts toward mail or other communication means that do not connect people in real time.With that dynamic, separation shifts communication toward media types with less richness in communication

cues. When we talk to each other face-to-face, we can sense the mood and observe the small signs in body language. We naturally calibrate our communication style and can be curious when we sense doubt, disagreement, or other subtle reactions during difficult or complex conversations. That richness is reduced when we shift to online meetings, more so when we are on the phone and even more when we communicate in writing. Also, there is less informal communication and interaction in the dispersed workforce. We do not bump into each other at the water cooler or have lunch together as is customary when co-located in a physical workplace.

There is place-bound work resulting in workforce dispersion. These tasks can only be solved by being on site because of facilities, equipment, customer presence, or a need to be present at a certain geographical location. These restrictions set the operating conditions for the leader that oversees a range of stores across the country, the director leading teams in three different countries, or the sales manager leading 25 salespeople visiting clients across a vast geography. There is time-bound work that separates people, as when a factory runs three shifts and the three supervisors rarely see each other at the same time. Here, there are limited opportunities to get people together because their tasks drive the separation, and workforce dispersion is an operating condition. At the same time, the COVID pandemic and the development in communication technology have opened a new dimension to workforce dispersion, the hybrid workplace. In the hybrid workplace, we experience a mix of people working over a distance and on location. In these cases, it is worthwhile to also understand how dispersion holds hindering and helping effects on different task types. When tasks are not place- or time-bound, but a desire for work flexibility drives the separation, leaders need to understand the demands of the different types of tasks and their interdependencies. Only then can leaders set frames around when people can work from home and when they need to be in the same place at the same time. The task interdependencies range from independent work to intensive interdependence, as we will discuss in chapter 7. Besides, the character of the task matters when understanding the effects of separation. Building on the work of Professor Lynda Gratton, we can identify three types of tasks that are impacted differently by workforce dispersion.[46] The three task types are:

- Focus tasks. These tasks involve in-depth concentration work like analyzing data, writing reports, or preparing other written material. The tasks are independent of others once the necessary input is collected. The task demands the person be immersed in the work with high

contraction over a prolonged period. Disturbance like meetings, phone calls, or other interruptions destroying concentration and thinking work is terrible for productivity. These tasks can benefit from being isolated and thus shielded from the disturbances of many workplaces. The specifications concern the desired outputs, and there is little need for coordination during the focus work itself.

- Coordination-requiring tasks. Here, a sequential or simple two-way coordination with others is necessary on an ongoing basis. Progress and quality depend on checking in with others to get feedback on particular touch points as you progress. To solve the task successfully, there is a need to coordinate underway and identify any upcoming problems. The coordination rests upon recurring alignment about scoping, and the elements are often parts of achieving a shared goal. Many projects fall into this category. If the coordination is not strong enough, problems will arise due to a lack of coordinated timing, scope, and quality. Dispersion challenges these tasks due to the more cumbersome coordination and asynchronous communication, which hinders high performance.

- Cooperation tasks. In this category, value creation depends on intensive interaction between people. It involves idea generation where multiple professions need to be involved. Innovation and wicked problem-solving fall into this category. Also, after-action reviews where participants must build a mutual understanding of lessons learned, individual reactions, and the consequences to agree on future collaboration practices are typically in this category. Active participation creates value, and learning through reflexive dialogue is usually involved. Problem-solving complicated matters, resolving competing priorities, handling conflicts, building trust, or brainstorming are cooperation tasks. So is interpreting pilots and experiments into design principles or next phase trials. Another example is developing a quote in a multifunctional team. The tasks demand a combination of different perspectives and knowledge, critical and creative thinking aimed at creating value beyond the scope of any individual. In these tasks, it is often difficult to scope the solution space fully before starting the work. The tasks depend on rich communication and intensive interaction, often involving many people. Thus, dispersion comes with significant hindering effects on these task types.

Understanding dispersion requires understanding the actual physical and time separation, but it is equally important to understand the perceived distance between follower and leader and among the team members. The leader can rarely change the setting when it comes to geographical separation, necessary traveling, or working shifts. In many hybrid workplaces, people can work from home at will. In these settings, separation can often be influenced by framing when people need to be in the office together. I need to understand which parts of the time and place separation are in the action or influence zones and can be changed and which parts of the dispersion are operating conditions. I need to understand the working conditions of those working from afar, including their access to technology and equal opportunities for participating online and the influence of time zones or work shifts so that meetings are scheduled at manageable times for everyone. In general, the higher the interdependency of the work assignments in a dispersed team, the level of newness, the demand for innovation, or the diversity in the team, the more difficult dispersion makes it.

🔖 **DEFINITION: WORKFORCE DISPERSION**

> The degree of employee separation due to time- or place-bound demands and hybrid working choices.

Workforce Dispersion and Organizational Performance

Being separated from your colleagues or leader and collaborating over the distance challenges the development of team cohesion. Cohesion, as discussed in the section "Collaboration Culture" in chapter 8, refers to the quality of the relations between team members. This includes the trust team members feel for one another and their feelings of being personally invested in backing the others up because they feel like they belong in the team. It is an emotional attachment and builds from feeling psychologically safe with people you rely on. Belonging comes from having quality relationships with the leader and the others in one's team. These relationships are built through interaction where there is skin in the game—solving real-life work problems together—as this drives meaningful exchanges that build trust. Trust comes not from hope and good intentions but from being put into exchanges necessary for coordination or cooperation tasks. Belonging builds when we are integrated into the team by experiencing task interdependencies that make us feel valued and positively challenged by having to explain our perspectives to our colleagues. The sense of contributing to tasks where we experience the synergy of creating solutions that reach beyond the capacity of any individual is a path to high belonging

and integration. We experience valued involvement, and we build an understanding of how we fit into the broader organizational picture. Through the interactions, we will recognize how we make a difference and earn our respect through recognition from people around us.

Separation triggers a need to establish and maintain requisite common ground to offset the hindering effects. Common ground encompasses collaborative and operational awareness. It is the knowledge of how we collaborate and coordinate and who is working on what and what their progress is so far. Common ground opens the opportunities for proactively chipping in with suggestions, securing coordination, thinking along, and ensuring that our work fits together. An essential part of common ground is developing a shared language so we can communicate effectively, using and understanding words, terms, and definitions the same way. Detachment evolves if team members are not committed to developing a sufficiently rich common language with people different from themselves. The differences can stem from different expertise, professional backgrounds, national cultures, values, and personality dispositions. The lack of shared language impairs the exchange quality and makes us feel detached. It makes it harder to feel valued because involving people with whom we cannot have quality exchanges is too tricky; therefore, we prefer to do our part and then hand things over. We end up lacking commonality, and the detachment makes us identify with something other than the team, the leader, and the organization. Our belonging will be placed elsewhere, threatening the team cohesion crucial for making diverse teams perform. A lack of requisite common ground aligned to the organizational intentions can lead to differing ideas on what teams are trying to achieve. It results in detached perceptions around ways of operating and different interpretations of messages. We experience competing and unaligned priorities, variations in goal understanding, and fragmented underlying assumptions guiding our behavior.

Cohesion and belonging, in combination with task and collaborative awareness, drive integration. Integration becomes challenging with separation, and the risk of detachment increases. Detachment means that people do their parts, but we get no synergies. People do not feel belonging, and this reduces supporting behavior and playmaking, the two building blocks of team citizenship. People can be highly motivated by the autonomy involved in working from afar, but from an organizational performance perspective, detachment has dire effects. Particularly notably, the quality of cooperation tasks will drop if team cohesion and common ground falter.

Detachment also challenges inclusion and tolerance, two of the cornerstones in developing a strong collaboration culture. Releasing the positive effects of diversity demands sufficient levels of common ground and team cohesion, as discussed in chapter 8. You need to integrate a team to benefit from diversity, and that gets harder when a workforce is dispersed. The less integration, the more conflict potential you have built into the team. The risk of misunderstandings, misinterpretations of other people's intentions, and frustration from uncoordinated activities increases. The more detached people become, the less organizational commitment and loyalty. The identification shifts from us to me. We get less organizational citizenship, ownership, and followership beyond individuals' job responsibilities as the focus shifts to individual performance. The hindering effects of separation grow when interdependencies increase, and tasks move from focus over coordination toward cooperation tasks. There are also helping effects, as highlighted here by Carl Fredrik Langård-Bjor from ISS, the facility management and workplace experience company with more than 350,000 employees dispersed across thousands of customer sites in more than 30 countries:

❝ Physical distance can both be a hinder and a help. It is hindering because the number of interactions is often more limited. It is helping because the level of the interactions is often structured, planned, and with a clear purpose.

Carl Fredrik Langård-Bjor, CEO Northern Europe, UK and Ireland & Group Executive Vice President at ISS Global, Norway

On the helping side, separation can support the development of empowerment. Some people flourish with remote working and the opportunity to take more ownership, as noted here by Morten Bechmann, inspired by his experience leading dispersed sales forces across multiple countries:

❝ Physical distance can be a great advantage in managing senior employees. The separation allows you to develop a much higher degree of self-motivation and see a greater "businessmen" approach to making decisions and finding solutions in the business unit managed at a distance. It requires you to find the right balance between formalization, centralization, control, and procedures on one side and establishing a trusting, empowered environment with an understood business logic that allows the employee to make good decisions on the other side.

Morten Bechmann, MBA, Global Sales Director at Peter Justesen Company, Denmark

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Separation drives more accountability, as team members don't have the chance to always double-check with the leader, and the leader cannot micromanage to the same extent. This autonomy effect can lead people to take more accountability and initiative. It does, however, require that they have the skills and experience sufficient levels of mastery in the areas where they are asked to do remote work. For some people, this operating condition of being your own boss when it comes to planning and organizing work includes some getting used to and capability building and needs to be facilitated by the leader. For people who are more introverted and primarily engaged in focus tasks, remote working can allow them to concentrate without disturbance. These people will be motivated by the opportunity to immerse and consider detachment a positive thing. Some people prefer not having to socialize in the workplace and treasure working alone at home for that reason. Being motivated by focus tasks that demand much thinking can lead to spending too much time on the tasks. At the same time, detachment makes scoping and alignment around desired quality-effort balance more difficult so that the dynamic can become self-reinforcing. See the dynamics around aligning quality-effort requirements in the section "Expertise Composition" in chapter 9.

Leading people who see detachment as a benefit can challenge integrating the team and raising performance beyond the sum of individual contributions. This "lone rider" syndrome can hinder learning together, challenge innovation, and make it harder to ensure that people can cover for each other. Another

helping effect of collaborating over the distance is that it often drives more structure to work, resulting in productivity and engagement gains for some people. The structured way of working often implemented to mitigate the effects of distance increases meeting efficiency. It ramps up planning quality, focused decisions, and precise coordination compared to the practice in fully proximal settings where things are sometimes taken more ad hoc.

Workforce Dispersion and Contextual Leadership

Leading a dispersed workforce is not "just" about communicating more, as noted here by Jason W. Hoffman, drawing on two decades of working in globally dispersed organizations out of Scandinavia and the United States:

❝ Remote leadership requires a different approach to be fully effective. Communication around expectations, accountability, priorities, etc., needs to be more explicit, with a higher frequency and formalized if not in close proximity to colleagues.

Jason W. Hoffman, Vice President, Human Resources at Synthekine, USA

Leading at a distance requires different behaviors than leading people who are co-located and present every day. To mitigate the hindering effects of dispersion, the leader must focus on building the requisite common ground matching the workforce dispersion. She must build a formalized framework that covers the core ways of operating to build collaborative and operational awareness. She must form the principles the team should be operating by involving the team in a PIA Cycle. She should set the standard based on the business needs. From there, she should develop and formalize ground rules with the team, covering clear expectations for preparation and participation in the joint activities and creating a shared understanding of how to work on the different task types, how to scope and align the quality-effort balance on focus tasks, and how to ensure involvement when facing coordination and cooperation tasks. She should settle when she requires people to participate in coordination and cooperation meetings. She should consider how to build

interdependence into the team to ensure people leverage each other's strengths. She must ensure that participation is in the best format that accommodates the tasks and that people are online with video or, even better, physically present if the meetings are about cooperation-type tasks. She should build standards around frequent recurring meetings with standard agendas and routines around information sharing, preparation, and participation. Especially in a team where the task interdependence is low, she should consider how to create meaningful value-creating interdependence to drive cohesion and belonging. In this manner, workforce dispersion calls for a closed leadership approach when it comes to establishing and adhering to collaborative practices. The principles for how we work over the distance should be mandatory, and the team should develop their discipline culture to support everyone in adhering to the shared practices. This should be brought to life by building the practice of holding each other accountable to the shared ground rules—the common ground. See figure 37.
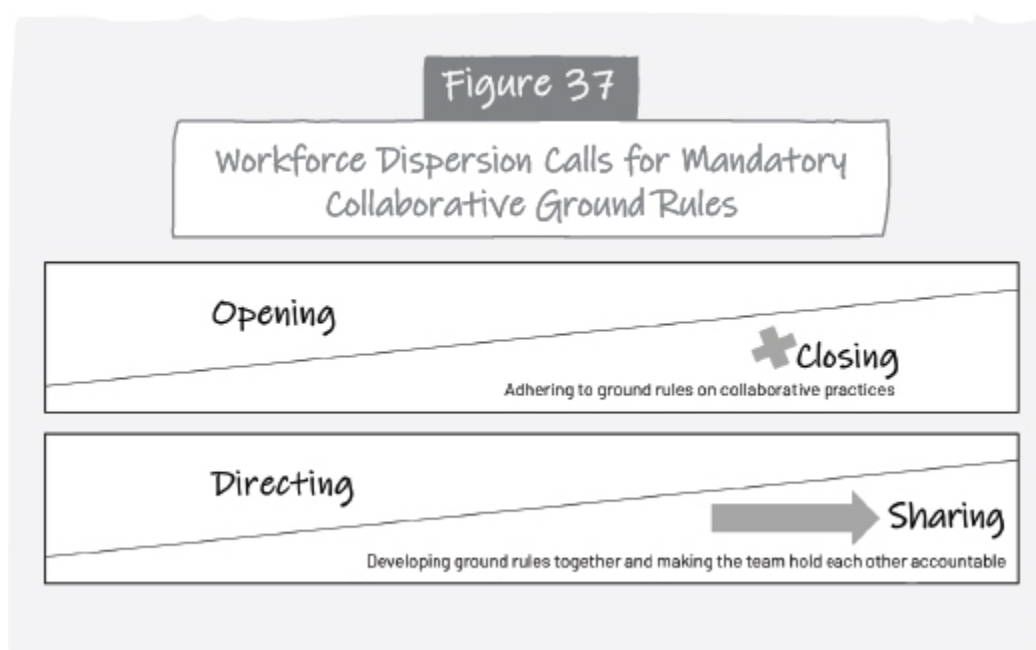
Source: Data from Noerby (2021).

The leader and team must build solid practices around scoping tasks and agreeing on outcome quality and timing when leading over a distance. We need more explicit ways of clarifying accountabilities and specifying relevant KPIs to create mutual transparency. The team should ensure that task overviews and progress are shared. This requires developing a strong focus and ambition culture. These features relate to collaborative and operational awareness, and

the common ground it builds does not come by itself in a dispersed setting. The common ground is a precondition for relying on empowered autonomy to get the work done without losing coordination. The scaffolds must be revisited in repeated PIA Cycles, and individuals must be onboarded and motivated to act along the shared principles. The team involvement in scaffolding contributes to clarity around role expectations beyond solving individual tasks. This is a key feature for all remote teams, especially in the hybrid workplace where the choices of when and how to work cannot be left entirely to individual preferences. Role clarity about participation in the shared processes is key to securing team integration, which drives up performance. This often demands more effort from the leader than having all his people in one place. However, insisting on certain ways of collaborating is necessary for team integration. Frequency, clear behavioral agreements, and consistency are imperative when leading over a distance because they build scaffolds that support collaboration. A part of the scaffolding is building shared language and aligning interpretations to empower people to act from solid common ground. For leaders, leading a dispersed workforce requires more involvement in PIA Cycles than leading a team interacting face-to-face every day. Dispersion demands active orchestration of joint sessions where members take charge on their respective areas of responsibility. Shared leadership is a precondition for performance in a dispersed team. It comes with an increased need for individual clarification of role expectations and feedback about contributions to making the dispersed organization work. The leader must work with each follower to clarify commitments, as dispersion removes many of the socialization processes that build culture. To counteract this, the leader must be active in one-to-one settings and with the team to build cohesion and belonging.

Along the scaffolding, the leader needs to invest more energy in understanding the preferred working style, skill levels, personality dispositions, and working conditions for remote employees and teams. It takes an effort to ensure that you understand and recognize the conditions. This is the first step in building the belonging necessary for team integration. There is also a higher demand for the leader to agree with each employee on how to support them best and to agree on their responsibility in creating active followership and ownership. Individualized consideration becomes more important. People need different interaction frequencies besides the recurring team meetings, and the leader needs to have that insight and act on it, as noted here by Dorthe Rønnau, drawing on her more than 20 years of experience leading dispersed organizations:

> **❝ The need for regular and structured touch points goes up as the physical distance increases. If not taken into account, there is—in my experience—a large likelihood of negatively impacting employee performance.**
>
> **Dorthe Rønnau, Senior Vice President, People & Culture at Coloplast, Denmark**

The leader must be much more deliberate in ensuring frequent interaction because the prompts you get "for free" when working in the same building are not there. In continuation, it is a key discipline for a remote leader to make herself accessible to her people. Her team needs to know how and when they can get a hold of her, and the leader needs to be fast on the rebound to prevent detachment. In addition, working in a dispersed setting raises the need for the leader to recruit right. Effective collaboration in a dispersed team fosters three skill sets:

1. the core functional expertise to solve tasks,

2. the skills to plan and organize work, and

3. the organizational expertise to collaborate in a dispersed organization.

It follows that separation makes it even more important that the leader supports less experienced remote employees in interpreting the ground rules and building individual practices to play into the rhythm. There is a strong need to ensure newcomers get up to speed on collaborative and operational awareness. The peer-to-peer learning about how things are done in the organization simply needs more facilitation between dispersed colleagues.

The leader should ensure that all team members meet regularly and synchronously on the richest possible media. The sense of belonging grows when everyone experiences frequent inclusion. Scheduling more informal check-ins across the team to compensate for not meeting at the coffee machine is important when the team is dispersed. Not all parts of a meeting should be task-focused, and the agreed-upon weekly check-ins should never be cancelled because there is nothing on the agenda. Keep the meetings and ask people to give an update on how things are going. You do not build social glue

by accepting detachment. It is important to meet physically to build cohesion and common ground in a team. See figure 38.

Figure 38

Meeting Workforce Dispersion with Common Ground
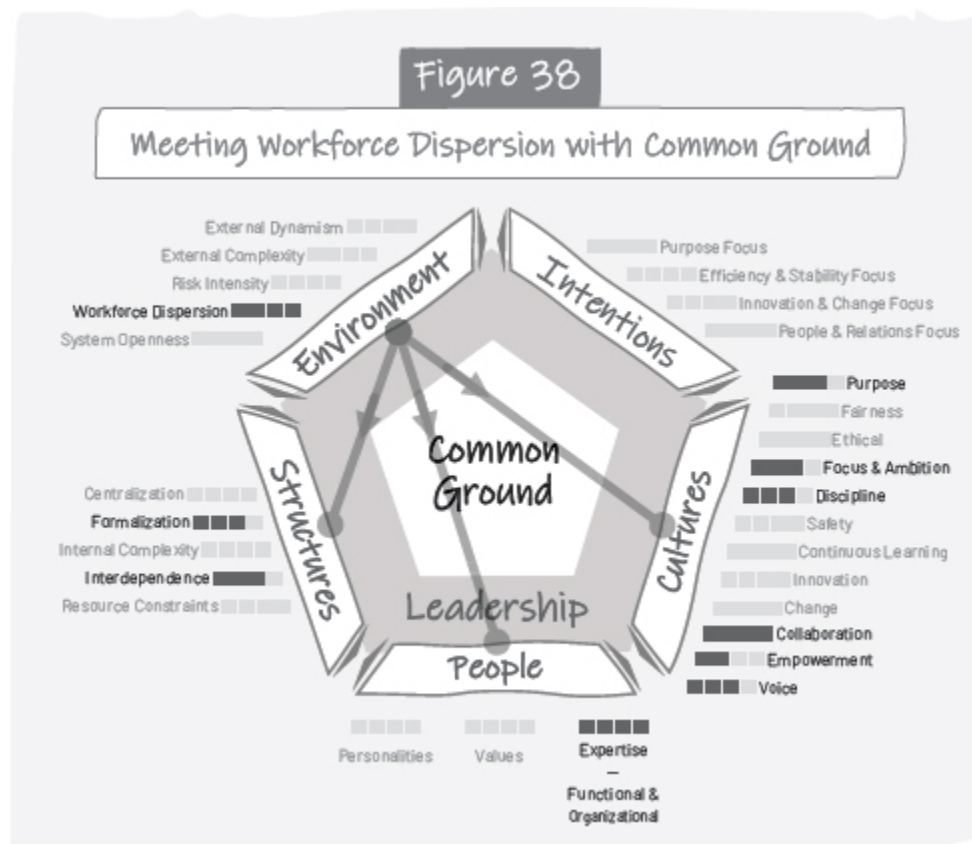
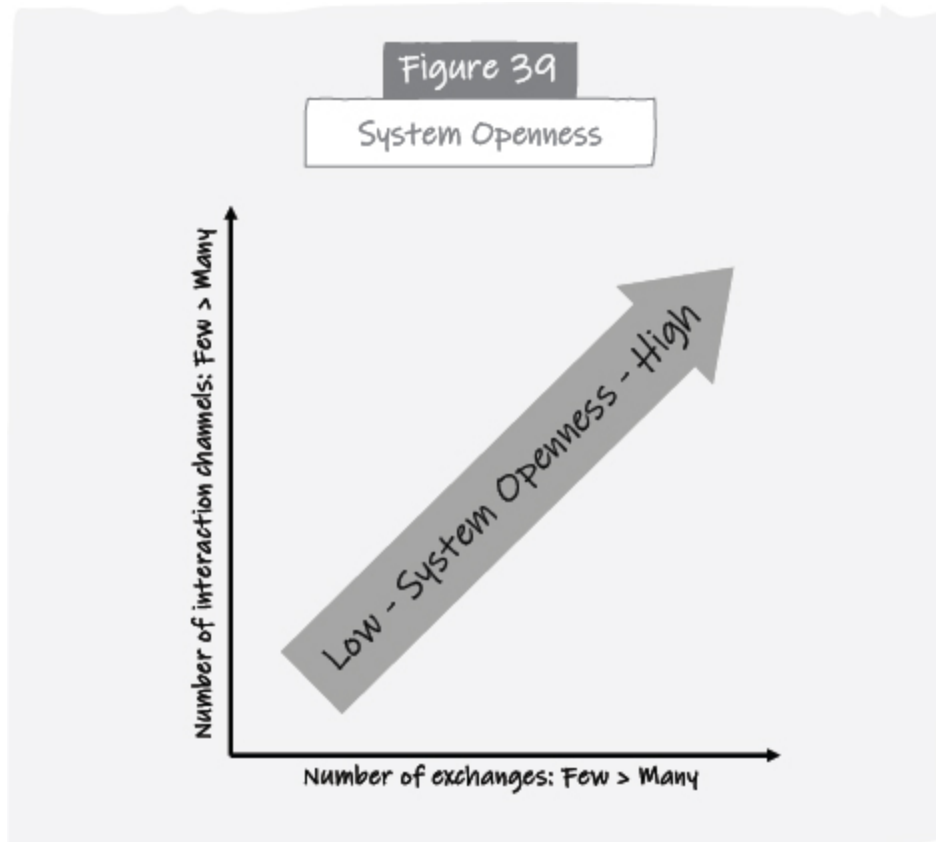**Source: Data from Noerby (2021, 2023).**

The importance increases if the team comprises both employees colocated with the leader and remote employees. Remote employees can easily feel detached if they compare their experiences to the integration between co-located colleagues. The leader must make an effort to always include the remote and present employee in communication, announcements, and celebrations at the same time by ensuring that joining from afar is doable online.

The importance of purpose increases with dispersion as a means of making people experience that they belong in a team tied together by a shared purpose. Cultivating a purpose culture by linking initiatives to the purpose becomes a more important part of leadership. In continuation, the leader should provide clear direction and make business priorities understood, followed by engaging the team in breaking these into efforts. Developing a strong focus and ambition culture with understood and accepted goal-path

connections forms the basis for self-monitoring and self-regulating work efforts. It provides the foundation for the team to step up and display active followership and ownership. Leading a dispersed workforce involves a shift toward shared leadership. It also involves a focus on developing followership, ownership, supporting behavior, and playmaking—precisely the work behavior threatened by dispersion. Developing these behaviors in a dispersed team requires being explicit about the expectations and commitments of each team member to act in specific ways. Such clear commitments form a basis for keeping each other accountable, allowing the team to develop common ground. Do this by running repeated PIA Cycles where the team develops mutual understandings of OK and not-OK behavior that is used for evaluating and further developing the individual contributions. This is about developing shared practices and systems for monitoring performance and prioritizing tasks, resources, and efforts. It involves enabling the team to take part in the leadership task, as the empowerment pulls the remote employees into shared accountabilities. When sharing accountability for things that matter, the team builds cohesion, which is what is heavily challenged by time and geographical separation.

SYSTEM OPENNESS

Leaders in an organization with many employees in direct contact with customers, patients, users, or citizens daily face a different leadership context than leaders leading employees with less external influence. People in an organization are influenced by their interactions with others and the feedback they interpret from these interactions. We have an open system when there are many interaction channels in and out of the organization, setting priorities and directing the actions and choices of the teams. See figure 39.

Figure 39

System Openness

Number of interaction channels: Few > Many

Low - System Openness - High

Number of exchanges: Few > Many

Source: Data from Noerby (2021, 2023).

When many new people shift in or out of the organization, it becomes harder to direct behavior and maintain consistency in how things are done. It results in a need for ongoing alignment of how we should collaborate. Patterns emerge because of repeated interactions. When interacting with external parties, some habits emerge that are largely outside the leader's control. These patterns create regularities and routines in interacting with external parties. These habits become patterns we rely on because they normally play out in a certain way. In the open system, there are frequent reprioritizations and adjustments of actions due to the information flowing in from the external environment. There are many moments of truth where our employees operate independently based on their understanding of the standards we have set as leaders. The external parties act from their world map, and this often demands in-the-moment judgment calls by the employees. This is called a moment of truth because the actions of our employees determine the experience of the other party. That truth becomes the input for deciding what the customer thinks of our organization, products, services, and people. In such an open system, reality is reproduced with a great deal of

influence from external people. The openness between different companies increases when technology development partners establish open standards to promote data exchange to allow each other to build on one another's insights. The openness within a company increases when an organization increases data transparency across the different functions by aligning the protocols and use of systems. This openness can extend beyond the boundaries of the company. It makes it easier for everyone to participate in coordination, decision-making, and cocreation. It also happens when companies increase the system openness so customers can follow goods in the supply chain or a project's progress, or when they are allowed access to provide and extract data underway. The openness on the data side significantly influences information processing by making it easier to access decision information. On the other hand, there is a risk that it will increase internal complexity, making coordination more difficult.

Leaders are more in control in a closed system since there are few external influences. We can control behavior, data exchange, and processes more significantly since the people acting are all employees of the same organization. It is easier to align behavior and foresee how events will play out in a manufacturing facility, closed to anyone but the employees, than in an on-site client-serving service organization. In a service organization, an external event, such as a complaint or a customer request, immediately triggers an action. In this manner, openness creates a leadership context where those other than the leader and employees make the priority calls. Customer decisions and behavior become a vital dynamic influencing how much influence the leader has on how situations evolve. Some feedback from the surroundings might reinforce the organization's priorities. In contrast, other feedback from users or patients can lead to employees sustaining undesired behavior. An open system can make it hard to implement new ways of working because the expectations and priorities of the customers sustain the previous behavioral patterns. The higher the external connectedness and the more prompts from the outside there are influencing internal behavior, the more open a system. To understand the openness, we look for in- and outflow of information. We strive to understand the type and frequency of interaction with people, systems, and information sources outside the organization, influencing the priorities, decisions, ways of working, and perceptions of desired behavior. Look for feedback loops where agreements are made, demands negotiated, or deliveries signed off between the leader's people and other departments or people outside the company. The more often there are interactions and feedback loops, the more connected the system becomes.

High openness exists when we experience customers, suppliers, or external partners having a strong voice in our organization. This is when we are often influenced from the outside in the way we work, such as when data exchange with suppliers or partners changes our courses of action and decisions. When we are so connected to external events, changes in sub-supplier production, customer financing of projects, or other external events immediately trigger adjustments inside our organization. High openness is about interaction with the outside environment that has a consequence on the inside. It is more than transparency. Understanding openness is about recognizing the exchanges that influence what we do and when and how the exchanges influence us. It relates to the connectedness between our priorities and the external demands—are they tightly coupled? It is about understanding how many factors influence the interpretation of what is important and what should be done. For example, in an organization working with many external consultants who are sourced for different projects, all these people shifting in and out of the organization influence the culture, prioritization, and decision-making. Openness is driven by the number of active daily interaction channels between our people and users, patients, citizens, or customers.

🔖 **DEFINITION: SYSTEM OPENNESS**

> The number of channels and the exchange frequency between the organization and its external environment, influencing priorities, attitudes, and behavior.

Understanding the openness of a system also includes the connectedness between non-human system elements that influence how the organization behaves. The external factors that demand necessary responses in the organization to market trends and decisions made by authorities or competitors are examples. Other non-human attractors could be rules, weather, prices, fluctuations in resource availability, and any other key components outside the organization's control that need to be monitored. The more information sources the organization tracks on an ongoing basis to follow the dynamism, external complexity, and risk intensity, the more openness.

Absorptive Capacity

As discussed under external complexity, an organization must build absorptive capacity to handle the information from many exchanges in many channels. Absorptive capacity is the organization's ability to recognize the value of new external knowledge, take the information in, and convert that into innovation,

learning, change, and enhanced decision-making. Absorptive capacity is knowing which indicators to watch in the external environment. It's recognizing which messages, moves, or indications in the interaction with the external customers, competitors, and partners to react on. It's knowing how to acquire more information necessary for decision-making. It's having processes and approaches to verify the observations and vet their significance and valuate their importance. It's knowing who needs to get the information. If the information or exchange is well known, it can be met with SOPs, such as calling the customer, fixing the problem, filing a report, and so forth. It can trigger escalation out of predefined thresholds, or per default if it is not a standard exchange or observation. The absorptive capacity includes having protocols for encoding the relevant information so it goes into standardized systems, making it usable for others in the organization. It is having the necessary exchange spaces in the organization to disseminate the information. Exchange spaces can be databases, processing systems, management meetings, or standard business updates. See the chapter 7 section "Interdependence" for more about the exchange spaces. To match the system openness, the leader needs to build requisite absorptive capacity, which is the sum of all the processes above. She needs to organize and standardize how the in- and outflow in many channels are handled. See figure 40.

Figure 40

Absorptive Capacity

Environmental scanning
– key indicators

Interaction

1. Acquiring info
2. Verifying info
3. Vetting and valuation
4. Acting and escalating

5. Identifying who needs the information
6. Transforming to useful information
7. Encoding to share

8. Disseminating
9. Using, Acting

Exchange spaces
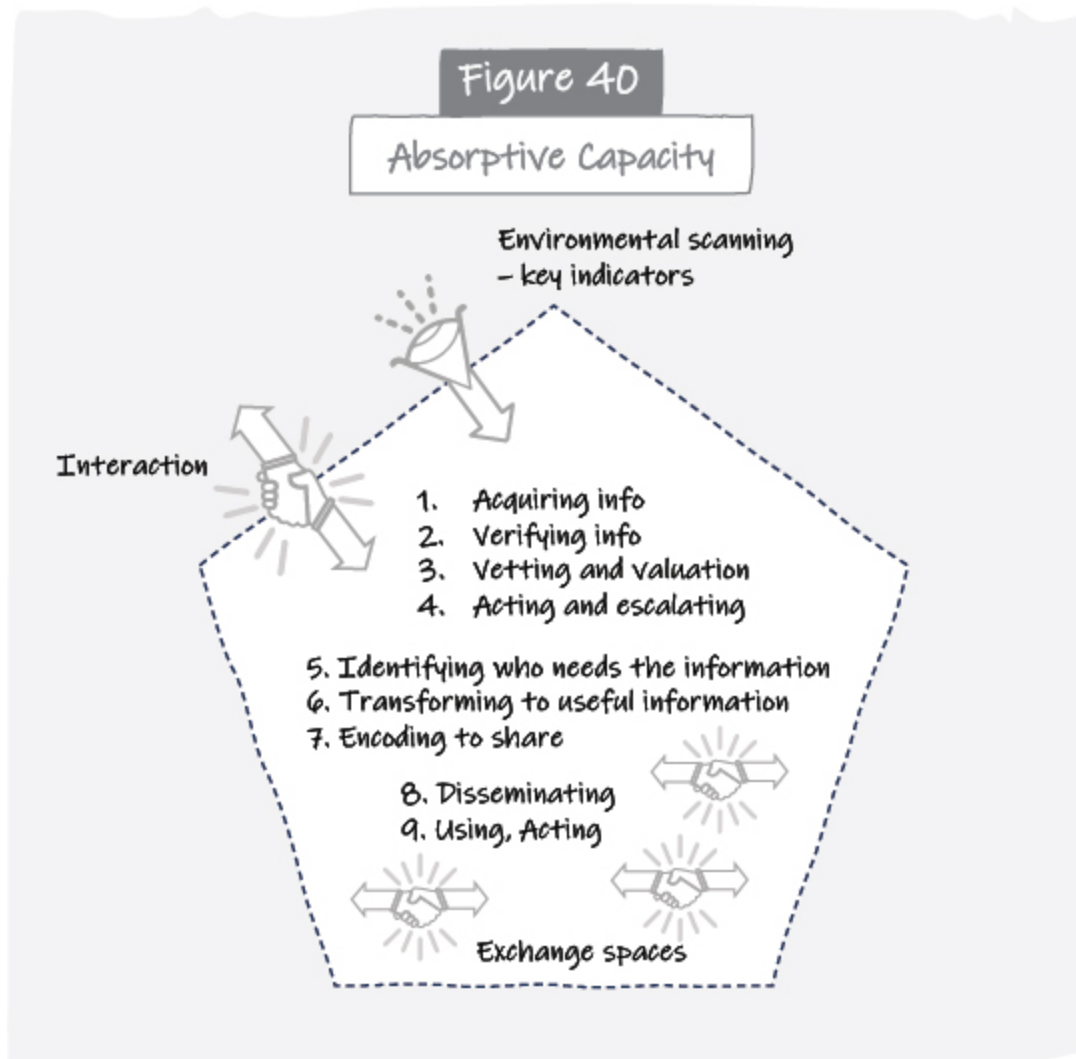
Openness and interdependence are related but different. Openness relates to factors that can influence but that do not necessarily do so. For example, the internet and increased information access allow organizational members access to more knowledge for benchmarking than ever before. That applies to operational processes as well as leadership and collaboration conditions. A good example is the growth of glassdoor.com, which allows employees and job seekers to get insight into salaries and working conditions across companies. This openness is supported by the increased use of social media, especially for millennials and younger people in the workforce. This openness has created a new set of potentially influential factors for leaders to understand and follow. Discussions on diversity and inclusion, fair treatment, environmental footprint, and other workforce preferences emerge and demand attention to ensure continued workforce engagement. These effects

are intensified by the growing expectation and practice of whistleblower arrangements in companies. These anonymous reporting services open a communication channel directly to senior leadership regarding unethical, unfair, or illegal conduct.

Embracing this openness is ever more crucial for leaders. Still, it also holds the potential for information overload and paralysis by information gathering. On top, the number and quality of knowledge networks spanning companies providing insights in functional fields have increased. Access to abundant information has become an asset— and a liability—for knowledge workers. The access to information that can be infused into any discussion and the ease of communicating have made the evaluation of how much information should be included in decision processes a vital performance driver.

In the understanding of openness lies the recognition and assessment of attractors and tensions. Attractors are the very influential factors that pull attention, action, and attitudes in specific directions. Attractors influence patterns by reinforcing or reducing behavior through feedback and responses. We find attractors among the external stakeholders with much influence. Their words, actions, and reactions matter to our decisions and response patterns. These can be senior staff in supplier companies, key representatives with important customers, patient organizations, politicians, or social media influencers. As leaders, we should know our key external attractors. We also have significant attractors in the workforce—the employees who greatly influence how we do things within our organizations. Attractors are also market mechanisms, political trends, or public opinion that, to a large degree, dictate how we do business. Attractors come with tensions that can potentially influence the leadership context. The tensions relate to the influence of attractors triggering changes in priorities, ways of operating, and decisions beyond the usual response patterns. High-tension attractors often infuse competing priorities or significant reprioritizations with many ripple effects in organizations. The potential tensions are an important part of understanding openness and absorptive capacity. The leader should consider how to set up recurring sessions where the monitoring and anticipated moves are discussed with significant attractors.

What Are the Effects of System Openness in the Leadership Context?

There are important considerations about openness if pursuing innovation and change. The openness toward external knowledge and industry partners is

an essential source of innovation. Cocreating novel solutions in the interaction and feedback loops with externals is the hallmark of open innovation. As a rule of thumb, the more external complexity and dynamism, the more openness, collaboration, and sharing of information to spur innovation the company should consider. To make open innovation work, the leader should shape a cross-boundary innovation culture between internal and external people. The openness should be scaffolded by formalized and aligned processes supporting the exchange, legal measures removing the exchange risk, and decision-making structures factoring in the interest of both sides. The more open an organization is to external complexity, dynamism, or risk intensity, and the higher the levels of these external factors, the better an organization tends to adapt and learn. The absorptive capacity grows into organizational flexibility that becomes embedded in a strong change culture. This implies that if an organization is changing strategy toward more innovation, it is crucial to open the organization up by increasing relevant interaction with customers, suppliers, or external knowledge partners. This can happen because of strategic choices. These could include entering new markets, targeting new customer segments, shifting toward new technology, or transforming from a product only toward a product and service strategy. The cultural offset for taking on increased external complexity and dynamism can lag and needs to be shaped to enable success with the new strategy. Doing so requires active leadership to build absorptive capacity and convert it into results by reshaping the organization to perform in the new context.

The open system positively affects adaptive performance as it builds flexibility and makes people used to learning. It fosters high psychological safety to promote the collaboration and voice cultures underpinning effective organizational learning. It is a leadership task to establish psychological safety by emphasizing and building skills in supporting and playmaking. Volunteering to help people from anywhere in the organization and actively reaching out for help are two necessary employee behaviors in the open system. Leading in open systems comes with a leadership commitment to promote, role model, and train such behavior. Openness is favorable for personalities driven by outgoing goal-directed behaviors—the dominance and influence dispositions. This energy drives ownership and playmaking. To ensure that these people do not invent many priorities, it is imperative to establish a strong focus and ambition culture in an open organization. On the other hand, high openness can be stressful for the personalities preferring more predictable approaches—the stability and conscientiousness dispositions. However, all personalities can perform well in an open system, but this requires active opening– closing

leadership to ensure that information flows do not result in uncoordinated activities, diluting the return on human capital.

Another dynamic influencing leaders and employees is that the internet and social media have changed the openness in most organizations. The frame of reference for employees in their expectations of the workplace and leadership has shifted. Now everyone can acquire information to compare their perception of what is going on at their workplace with accounts of how others experience their workplaces. This increases the importance of aligning mutual expectations to efforts, rewards, autonomy, and workplace conditions —the psychological contract is more important than ever. The psychological contract exists at the individual level and a shared team level. It emphasizes the importance of frequent dialogues between a leader and the individual and the leader and the team. Higher openness results in more competing priorities and potential for cross-pressure, which can impact engagement negatively. Suppose the necessary task and collaborative awareness are not present. In that case, it can be very stressful to operate in an open system. This underlines the importance of shaping a strong collaboration culture in an open organization. More so, if there is no clear direction and purpose translated into clear success criteria, openness can threaten engagement. If multiple parties are allowed constantly to put expectations on your table, it can be challenging to make good sense of what success looks like in my job. That drives engagement down.

System Openness and Contextual Leadership

When pursuing efficiency, there are important considerations about controlling the openness and the responses to avoid too much disturbance in the running operation. This is about clearly understanding and framing when to apply opening and closing leadership behavior—the ambidextrous leadership discussed earlier in this chapter. See figure 41.

Figure 41

Ambidextrous Leadership:
Shift and Frame the Leadership Approach

Opening

Closing
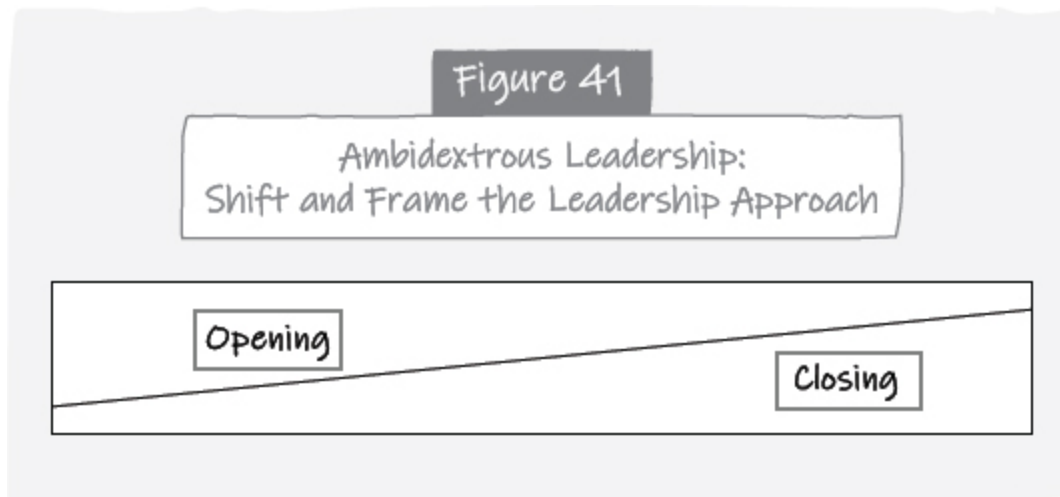
Source: Data from Noerby (2021).

The more interruptions, reinterpretations, and new ideas accepted into an established, well-running routine, the less effective the execution. A more closed organization can direct its energy to the core value-creating processes. You get more functional performance and more effective planning and organizing in an organization that is less disturbed. It is easier to plan, organize, and perform when you do not allow anyone from the outside to change the short-term production plan by closing it two weeks in advance. There is less coordination effort and higher predictability. The same goes for knowledge work, where it needs to be understood that the information collection process should be stopped at some point to secure a transition into the analysis needed to produce the solution. Keeping channels open increases the variation, defocuses people, and ties up much energy in reprioritization and re-coordination. Closing processes for input to allow full focus and progress, along with not reopening decisions, is vital to pursuing efficiency. So is aligning across the governance system so that decisions made in one part of the organization are not changed, second-guessed, and reopened, or simply disregarded in another part of the organization.

This relates to determining who defines the parameters of success. It becomes a central leadership task to specify, interpret, and ensure that the organization knows what defines success. The risk is that in an open organization, there will be many definitions of success imposed upon the organization's members, either explicitly or implicitly, through the many interactions with customers, users, and external partners. The external attractors naturally influence what success looks like, which they should. However, without leadership emphasis on what matters the most, this risks

diluting the organization's focus. The saying that "the customer is king" cannot stand alone. It must be balanced with the organizational intentions on efficiency, innovation, and purpose. The same applies when an internal shared service organization interfaces with many business units and departments inside a large corporation. If service or operating level agreements are not established, that leaves the definition of success hanging in the wind. There is a risk that success will be defined differently by those receiving services from the shared service organization. The expectations must be managed from an explicit, documented, and interpreted framework. Such a framework should be fully aligned with purpose, mission, vision, and business priorities, making the leadership intent crisp and clear. From there, a strong purpose or focus and ambition culture combined with high expertise and strong empowerment can result in high performance. Another approach is to specify operating level agreements with granular KPIs at the process level. This could be backed by a strong focus and ambition culture, a discipline culture, and well-formalized processes. In either case, the success criteria cannot be left to be defined solely by the attractors and tensions in the open system—leadership must ensure recurring acting-learning iterations in the PIA Cycle to align organizational behavior to the decided success criteria.

The importance of establishing principles for responding to external influences increases when the openness increases. To build requisite absorptive capacity, the leader should establish the principles for three interrelated processes.

1. Firstly, monitoring and collecting information from the external attractors with the most tension potential. Which market information, sales numbers, industry indexes, competitors, or planning in other departments should the team recurringly collect data on? The leader should establish standards for how this data must be converted into information—for example, trend overviews, forecasts, or risk assessments.

2. Secondly, setting standards for vetting the information by agreeing on who should assess the information and when, ensuring that the information is included in the internal coordination and resource allocation choices in a timely manner. These processes should be built into the meeting structures, so everything is not always up for discussion.

3. Finally, establishing principles for when and how to actively prompt reactions from the external attractors to enrich innovation, decision-

making, and coordination. This requires setting standards for when customer satisfaction surveys, supplier assessments, citizen focus groups, and pilot testing with consumers are done in the yearly, quarterly, or monthly cycle. It requires agreeing when a project steering committee or product owners in a scrum development process should be prompted for input. It requires determining which gates should be signed off with the client underway, or which decisions must be put to public hearing in an urban development project.

These three processes—collecting, vetting, and prompting information exchange—lie at the heart of effectively responding to the openness in the leadership context. The three processes lie within the leadership discipline of knowing when to open for input and discussion and when to close to establish focus and progress. This is about deliberately controlling the information processing to ensure the organization's resources are spent wisely on core value-creating work. A part of successfully handling openness is finding a dialectic rhythm between opening and closing the information processing to avoid endless meetings and revisiting decisions because loads of information keep flowing in. Knowing which information should go where and how it will be processed is crucial in ensuring that most energy goes into actual value-creating work rather than endless information-relaying. Controlling openness by deliberately limiting the input from the outside to promote progress in project sprints, change endeavors, or implementation of new practices is a part of effective leadership. For some departments pursuing efficiency, adhering to standards, and running operations without efforts spent on second-guessing, the practice is vital. Conversely, it is also important to open the process to reengineering processes when shifts in the external environment indicate a need for it. These shifts may include the introduction of new technology, significant shifts in customer preferences, changes in the cost structure impacting the current way of working, or shifts in strategy from efficiency toward innovation. The impact of such shifts emphasizes that the contextual leader should ensure a regular scanning of the external environment, such as in a yearly cycle where the strategy is updated, and the operating model is scrutinized to identify areas for optimization, disruption, or step-change initiatives.

High openness across departments is imperative in knowledge-intensive companies where the value creation is innovation and new projects and involves high levels of value-adding internal complexity. The performance relies on boundary-spanning interdependence, and internal openness across

the company becomes a key performance driver. Through the rotation of people, horizontal career tracks, and deliberate orchestration of the exchange spaces, the organization can build connectedness that translates into a competitive advantage. The connectedness reflects how easy it is to reach beyond the few daily contacts. In an organization where project work creates a lot of ties, it increases openness because it becomes easier to reach many people who can help do your job. You build your network and accumulate social capital by helping each other whenever asked rather than holding a narrow functional focus. If orchestrated by leadership and HR, the career progression and cross-organizational project involvement build a well-connected open system in which accessing experts anywhere is the norm. Combined with a strong purpose culture and a shared leadership approach, this results in an intent-based organization where a well-aligned purpose becomes the driving force. It does not come by itself, as high openness and a purpose-driven organization must be supplemented with a sufficient level of process and system alignment, requiring quite a bit of leadership effort. This approach of acting from purpose combined with solid skills in aligning implies that running the PIA Cycle becomes a crucial people skill for those working across internal boundaries. They must be good at framing, verifying, involving the right people, and interpreting to build shared understandings. They must master specifying commitments and holding each other accountable. It must be natural for them to learn together and follow through on commitments. Consequently, these people also become optimally positioned to identify best practices and lift them to be deployed across the organization. Meeting openness in this manner requires shared leadership, as illustrated in figure 42.
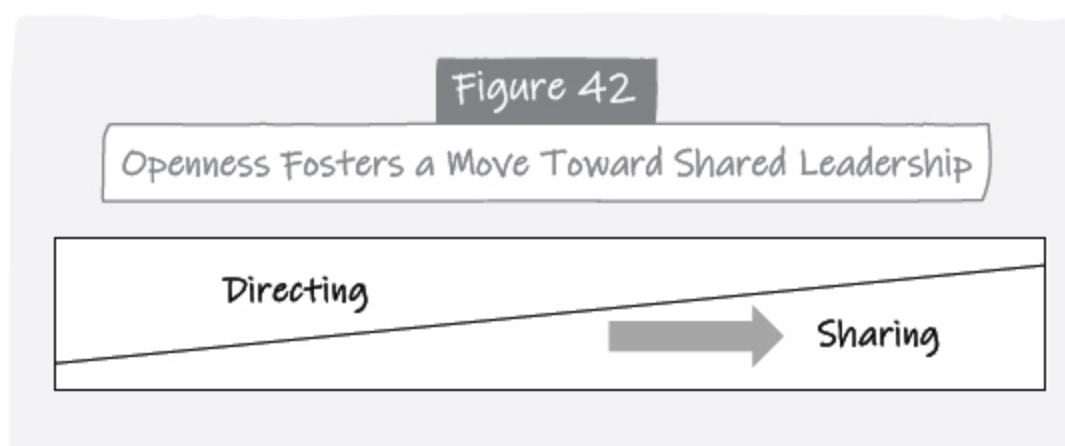
Source: Data from Noerby (2021).

Developing the empowerment needed to interact effectively with people outside the organization is a crucial leadership priority in open organizations. There is a high level of self-organization with many prioritizations in the encounters between employees and users, citizens or patients. It demands ownership and playmaking from the employees. It requires them to know the organizational priorities and act from an interpretation aligned with the leader's intent. The mandates to decide about customer requests, escalation principles based on the potential consequences of incidents, or financial thresholds for trading bunker oil must be interpreted in the situation by the employees in the open system. To be at the forefront of these situations and enable the organization to empower action, the attractors and their tensions should be a recurring dialogue subject and should be mapped out as a starting point. The tensions should be understood from their capacity to influence decisions, priorities, and resource allocation. The potential tensions should be matched with the requisite leadership choices about staffing different roles, shaping culture, and setting up structures. One step is mapping of stakeholders and other external attractors like key competitors or chosen KPIs on the customers. Another step is deciding how to monitor these and considering contingent responses with your organization. Understanding the attractors is vital in shaping the requisite setup and matching external complexity with internal complexity, dynamism with agility, and risk intensity with risk readiness. All of this requires absorptive capacity, the requisite response to system openness—see figure 43.

Figure 43

Meeting System Openness with Absorptive Capacity
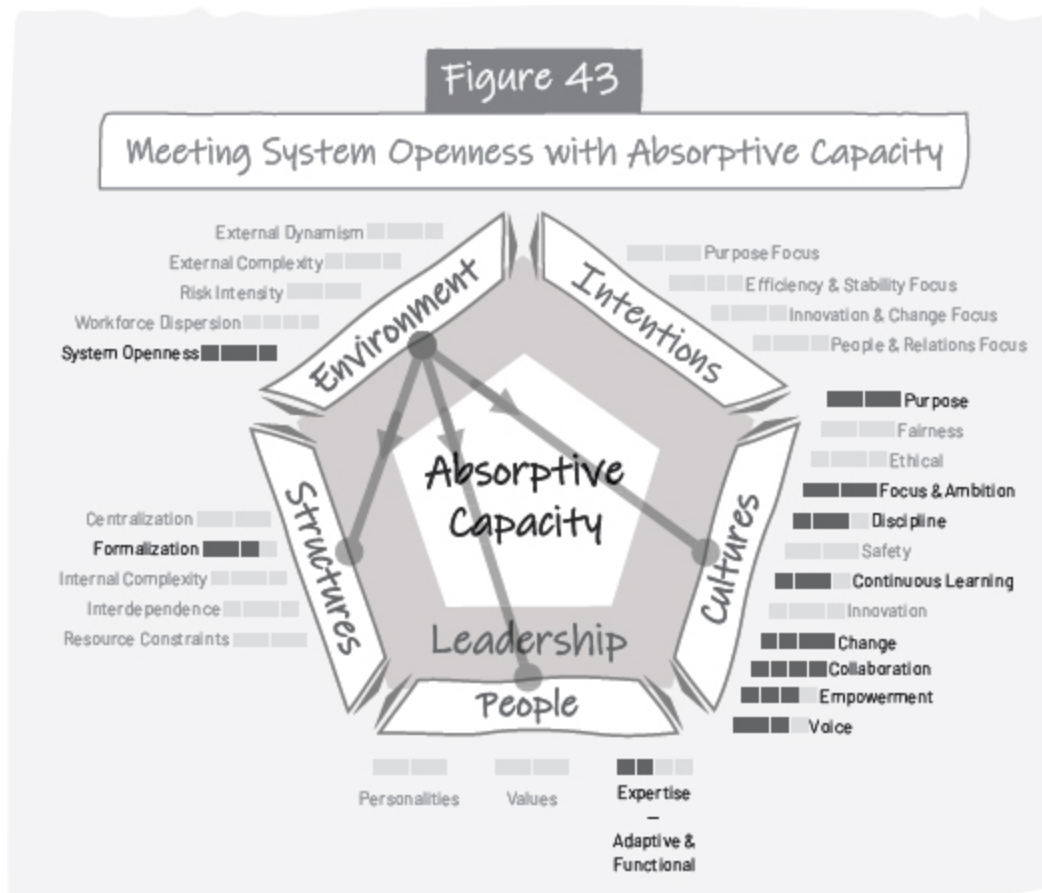
Source: Data from Noerby (2021, 2023).

Deviations, incidents, trends, and cases to learn from are lifeblood in reeducating the organization to perform well in the open system. A strong continuous learning culture drives alignment in high openness. It is good practice to ensure recurring team meetings where cases are shared to keep reinforcing clarity about the principles we adhere to and aligning interpretations. This reeducation is often underestimated because it takes time, but doing without comes with the risk of misalignment in how similar cases are handled. Also, the recurring learning sessions help ensure that the feedback loops that create and sustain behavior are balanced in the outside-in and inside-out influence. Otherwise, we risk that our sales representatives identify with the customers and prioritize the customer requests without sufficient attention to the company's profitability. We get scope creep in customer projects out of misconceived loyalty to the customer. We need to balance the influence of the external attractors with the priorities and principles set by the company. Here, the focus and ambition culture plays in by making the employees understand the means-ends chain, allowing them to better make

informed choices because they know the goals and success criteria. This way, we increase the ability to self-organize in a way that aligns with the organizational intentions and empowers employees to share the obligation of continuously aligning efforts to the company priorities.

CHAPTER 7

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OPTIMIZE STRUCTURES

An organization chooses an organizational design and establishes structures to enable and promote performance. In order for an organization to be successful, it is fundamental that the organization maintains a fit between the organizational intentions, the external environment, and the organizational design.

Firstly, the structures split the tasks of the whole organization into bundles of tasks that naturally fit together, which are then assigned to different functions and units. This means that structures should follow processes and value creation. The more end-to-end processes that create value can be assigned to units rather than flowing across units, the more efficient the operation will be. On the other hand, specialization in the steps of a process often requires that different functions perform different parts of a process, leading to the second purpose of the organizational design.

The second purpose of the structures is to establish the reporting lines and distribute mandates to enable efficient decision-making and coordination. Building coordination and decision-making into the organization design with specified roles and reporting lines makes life easier, especially in larger organizations. In this respect, it is helpful to understand how information is acquired, processed, consolidated, and analyzed for effective decision-making and coordination.

Next, understand how new information is integrated into existing knowledge and leveraged for updating and further developing practices, services, and products. For example, the sales force must capture the demand for new services in the market. Then they must report the new demand in the customer relation management process so that the sales manager overseeing this customer segment can present consolidated decision information for the product development team. These data capture, reporting, and consolidation processes should be built into the structures. So, structures go beyond the reporting lines in the organizational chart. This encompasses the way

information-sharing systems are set up, the design of the ERP system, the budgeting process, the recurring in- and between department meetings, the KPIs, and the business review meetings. The structures cover the processes, roles and responsibilities, IT systems, and metrics and performance follow-up put in place to make the operating model run as intended. The structures also encompass the governance system, which is the system of rules, practices, and processes determining the mandates and accountabilities of leaders at different levels.

Most leaders operate in an existing organizational design. Within these settings, it is imperative to understand and influence the organizational structures to promote value creation, decision-making, and effective coordination. To do so, leaders should identify the central processes for the area they intend to strengthen. Processes are the key to making structures work well. This involves identifying what the structures should support—value creation, decision-making or optimal resource allocation? Six key process features can guide the optimization of structures. Should we centralize the budgeting process to optimize resource utilization? Should we formalize the procurement process to prevent the risk of quality variations in our raw material intake? These choices should guide the work with structures, cultures, and people composition. Focusing on the six key process features makes it easy to address how well the current organizational setup helps or hinders performance and optimize from there. See table 1.

Table 1

The Six Key Process Features

- Value creation
- Risk prevention and mitigation
- Decision-making
- Information-processing
- Resource allocation and utilization
- Coordination

For many leaders, the task is to optimize within the existing organizational chart, which makes the process approach effective. Organizations have often organized their units around customers, markets, products, or services—or specialized into functions that perform specific task bundles, such as manufacturing, logistics, sales, finance, IT, and HR. These design principles are often combined, and reporting lines are established to deliver on the six key process features. This leads to simple organizations with one-to-one reporting lines from top to bottom and more complex organizational forms like the matrix organization. In the matrix, dual reporting lines and overlapping mandates secure aligned decision-making and coordination in the most value-intensive process interfaces. With an offset in the existing structures, the leader must mature processes to optimize value creation or other process features. Don't try to boil the ocean and address everything at once. Focus and mature one process at a time through PIA Cycles involving all with a stake. Sometimes, these optimizations exceed the leader's mandate, and the necessary process changes must be escalated to avoid suboptimization and secure alignment across functions. This can be difficult, but nonetheless, it is a crucial contextual leadership task. Ensuring fitness to the organizational intentions, external environment, and maturing processes is the pathway to building scalability in an organization. Stable aligned processes increase repeatability and transferability, fueling growth and efficiency gains. Getting the overview of how all the factors in the leadership context align optimally is complex, which is why the process approach is used as the can opener. Find the process feature in focus, such as information processing, and start improving that process. Involve the people with a stake in the process in a PIA Cycle to take steps toward a more mature process to strengthen the context. Focus on one process at a time, and progress process for process. During these discussions, the structural factors of centralization, formalization, internal complexity, interdependence, and resource constraints become design parameters that can be adjusted. See figure 44.

Figure 44

Focus on Processes when Optimizing Structures

Environment · Intenti... · Process · Cultures · People

Centralization
Formalization
Internal Complexity
Interdependence
Resource Constraints

Structures

Value creation
Risk prevention and mitigation
Decision-making
Information-processing
Resource allocation and utilization
Coordination
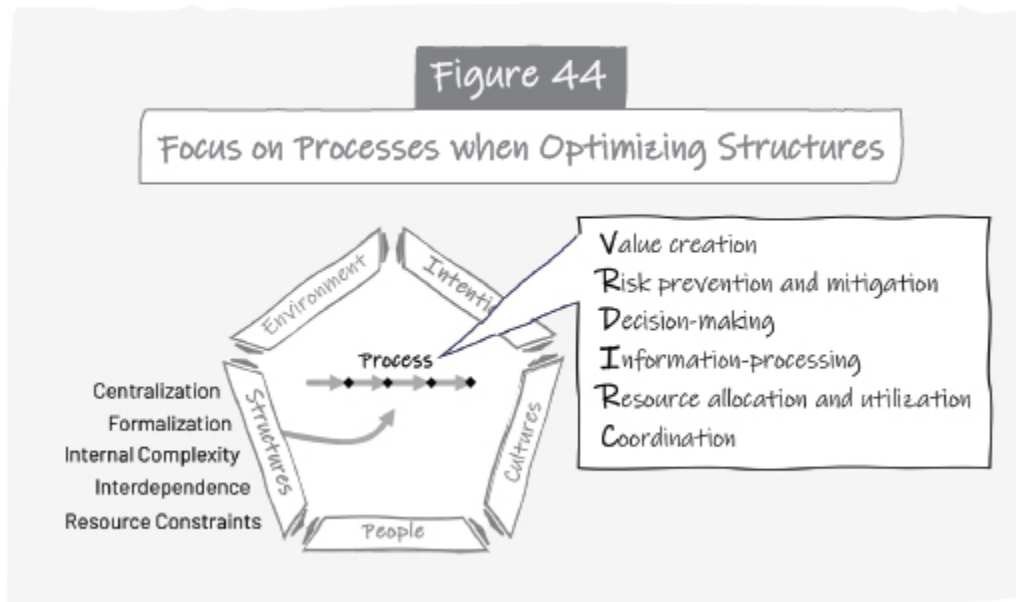
Source: Data from Noerby (2021).

These are the structural factors in the leadership context that we will investigate in this chapter. Relatedly, a part of understanding structures is matching leadership to the hierarchical placement of the leader herself. Being at the strategic, tactical, or operational leadership level comes with different demands for effective leadership. A discussion of what makes you effective at different levels will close this chapter.

CENTRALIZATION

Centralization is all about the distribution of decision rights within an organization. It is about the governance that underpins the organizational structure and who can decide on what and when. Centralization has a permanent part built into the position mandates embedded in the organizational structure and job descriptions. It has a more variable part where the mandates related to different tasks and projects are assigned from task to task or in fixed periods. Centralization is a design matter, but within the formal position mandates, decentralization should be an active leadership tool to promote the organizational intentions. Leaders should empower their people by delegating mandates per process, task, decision area, or function to empower action.

Many decentralization–centralization choices are woven into overlapping processes and often determined by different process owners. In this cross-

field, the leader should recognize where performance and engagement could be optimized by influencing the centralization–decentralization balance. Centralization should always be considered while evaluating what best serves the six process features: value creation, risk prevention and mitigation, decision-making, information processing, resource allocation and utilization, and coordination. The leader can consider how many decisions in a typical week need to be approved by one or more central functions and what the reasons are for not decentralizing. The leader can look for how changes to standards or non-routine cost, resource, or time allocations are governed— who can decide? In essence, looking at decision mandates and understanding the reasons is key to uncovering if centralization is fit to promote value creation, mitigate risk, and ensure speed and agility. See figure 45.
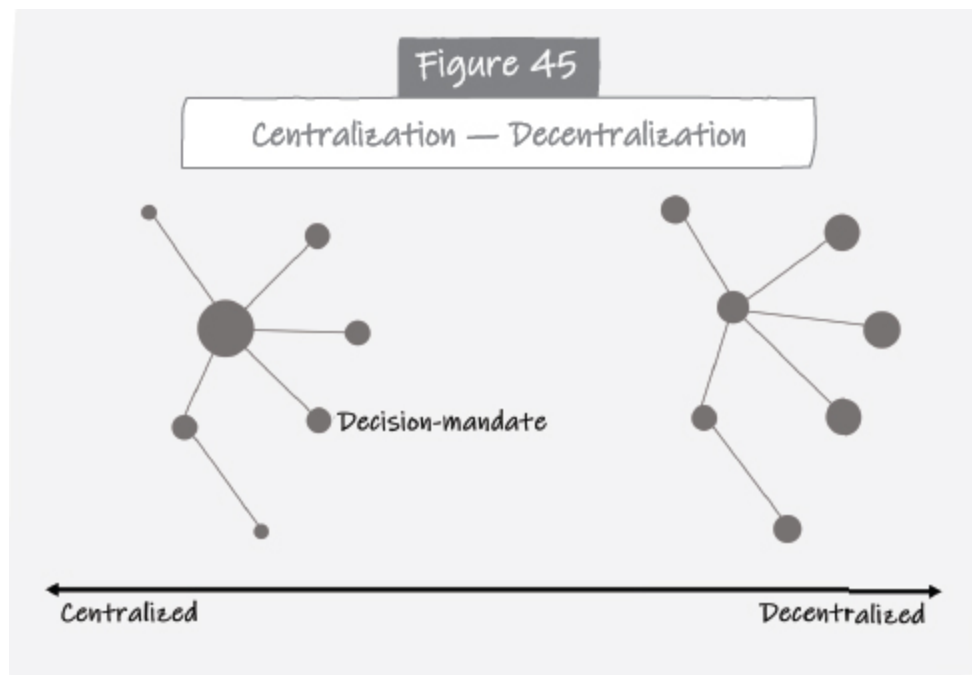
Source: Data from Noerby (2021, 2023).

Sometimes decision-making and the need for consolidating information are confused and centralized to ensure that a particular function is always in the loop. Consider separating deciding and being informed—you can be informed without centralizing decision-making. The lower the degrees of freedom in a job, team, or function, the higher the centralization of decision-making. Part of understanding centralization is to look for the escalation rules. Decentralization becomes clearer when we have guidelines and thresholds for which decisions must be escalated for approval. This provides the

maneuvering room for self-directed actions and the safety catch that certain decisions are centralized. The clarity of which decisions need approval from a higher level of management promotes the purpose of centralization— to facilitate one or more of the six key process features.

🔖 **DEFINITION: CENTRALIZATION**

> The extent to which decision authority and mandate are centralized or delegated into the organization.

It is essential to strike the optimal balance between centralization and decentralization to ensure optimal process performance, but also to empower and engage people. It is not an either-or that promotes optimal performance, as remarked here by Dr. Deborah Koland:

❝ Centralizing decision-making may make it easier and quicker for organizations to execute, but it can also kill the motivation of leaders and employees because they feel they are limited in power. On the other hand, many leaders and employees like to have decision-making taken off their backs, leaving them with clear-cut direction and accountabilities. This is why striking the centralization that best promotes the organization's intentions is extremely important.

Dr. Deborah Koland, Strategist, Researcher, Writer, and Catalyst at Deborah Koland LLC, USA

Centralized mandates and decision-making can ensure alignment and fast decisions in ambiguous and complex situations, maintain control, and ensure coordination and holistic prioritization. In some cases, organizations can reach complex decisions more quickly through centralized decision-making rather than at the frontline. For a manufacturer with multiple plants, any issues relevant to all can be best sorted within the central function because local decisions would be made without insight into the experiences and challenges across the other plants.

Delegating authority to solve problems can also result in more rapid responses as long as the relevant local expertise and sufficient insight into the consequences of decisions are in place. Sharing leadership by delegating decision-making authority means empowering action by the people close to real-life insight who are qualified with high levels of competencies. In essence, the leader must know how to strike the optimal balance, securing qualified decision-making measured toward the organizational intentions she strives to promote. This should result in clarity about decision mandates ("can decide") and obligations ("must decide")—two drivers in establishing strong actions zones throughout the organization. While striking the right balance between centralization and decentralization is the key, generally, decentralization leads to higher performance. High-performing workplaces are characterized by decentralization, delegating decision-making authority to the greatest extent possible to promote engagement and empowerment without jeopardizing key process features. Decentralization results in more flexible and rapid responses to changing demands and relying more on decisions governed by expertise than a hierarchy of authority.

What Are the Effects of Centralization in the Leadership Context?

Leaders should use deliberate, tailored levels of centralization to promote organizational intentions and empower team action, as noted here by Lene Groth, the CHRO of STARK Group, a leading retailer and distributor of heavy building materials, with 20,000-plus employees across seven countries in Europe:

66 There is no "golden rule," but you should centralize what makes sense to centralize. But put the responsibility and cost where the activity is, and then I have experienced you create better results. If you take away the responsibility for things and lift them up to the Group level, people lose interest and sense of responsibility, which can create a culture of "them and us" and "pointing fingers."

Lene Groth, Chief Human Resources Officer at STARK Group, Denmark

A fundamental consideration is whether centralized decision-making and coordination best support the core value-creating processes. Moreover, how much decision-making and coordination can be decentralized to benefit from empowering and engaging the organization? The organizational intentions should guide the choices. Suppose you want people to act out a company purpose of customer-centricity. In that case, you should decentralize decisions to enable people to serve the customers. A strong purpose intention actively interpreted and supported by decentralized mandates promotes the coproduction of leadership. With such shared leadership, people suggest priorities and resource allocation, take charge, and make things happen. Decentralization is a precondition for strong shared leadership. It results in more followership and ownership, which is essential to developing a strong purpose culture.

Pursuing efficiency can be well supported by a centralized approach to planning, resource allocation, and determining standards. Centralized decision-making is conducive to optimizing existing business operations. It enables reducing costs and increasing efficiency in running operations. One driver is reducing variation in types of equipment, ways of operating, contractual terms, and all other standards that can only be changed centrally. Another driver is consolidating decisions to promote economies of scale, ensuring procurement volumes giving buying power, making it easier to enter service agreements with external partners and negotiating transportation and IT deals. Centralization increases efficiency by eliminating duplicate efforts and streamlining work and decision-making processes. Centralized decision-making drives aligned operation and organizational behavior, which helps efficient operation and supports functional performance along decided company standards. Centralization enables coordination across units and promotes the collection of best practices, conceptualization into standards, and implementation across the company's units. Centralization is a precondition for developing effective business systems and driving alignment that enables benefiting from strong standards. Clarity about the job mandates supports functional performance. It drives execution, making it easier to direct the energy into the action zone. Role descriptions that make it clear what I can and must decide, along with explicit coordination and information demands in the interfaces to others, make it possible to plan and organize my work effectively. Clarity about roles and mandates should not be confused with fixed detailed job descriptions—the performance and engagement driver is clarity,

not granularity or micromanagement. Ambiguity and confusion about mandates create a weak performance platform in both decentralized and centralized settings.

For centralization in determining and maintaining company standards, processes, methods, systems, and ways of working to take full effect, that centralization needs to be backed up by continued learning. There is a need for solid observation and lift processes in the PIA Cycle. This way, local suggestions for optimizations, further development, and best practices can be lifted, conceptualized, and deployed throughout the organization with PIA Cycles. This combination of centralization and deep involvement in the continued development of the company standards shifts the ownership into the organization and fuels engagement. It offsets some of the hindering effects of centralizing by adding meaning, leveraging mastery, and involving people—positively influencing these three intrinsic engagement and empowerment drivers.

If innovation is part of the organizational intentions, consider decentralizing resource allocation and mandates to experiment. Decentralization is one of the key factors that influence the emergence of innovation, as highlighted here by Dr. Annie Haver.

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66 A high ceiling effect where your thoughts and ideas are listened to is important for creativity and empowerment among employees. In this respect, a high degree of centralization can reduce creativity and empowerment, and decentralizing should be considered if innovation is an organizational ambition.

Dr. Annie Haver, Associate Professor of Leadership at University of Stavanger, Norway, and Honorary Visiting Fellow at the University of Wollongong in NSW, Australia

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In general, the higher the level of centralization, the less creativity emerges. Decentralized decision-making promotes innovation and ownership, bringing new business opportunities to fruition and finding new paths to create new value. People assume ownership for adapting and learning together. They feel empowered to try new things and build a coping capacity for

handling change. Decentralizing decisions, information interpretation and evaluation, coordination, and resource prioritization positively influence the levels of initiative. Delegating decision authority results in more flexible and rapid responses to changing demands. It drives more group interaction, flexibility, feelings of freedom, initiative, and trial-and-error learning, all promoting innovation. You get more ideas and experimentation when a team can discuss, decide, and try new solutions out without escalating for approval. This builds flexibility and agility in the organization and drives productivity with more small improvements implemented fast. These positive effects must be balanced with the positive effects of standardization, enabling economies of scale and transferring learning across large companies. The leader must understand which parts of the operation should be governed by the efficiency intentions and in which areas it is about innovation to consider centralization-decentralization optimally.

Attracting, motivating, and retaining highly qualified staff and ensuring human capital quality is best supported by decentralizing to the highest possible extent. Accomplished and highly skilled talents expect job autonomy and to be allowed to use their mastery. This inherent desire for decentralization should be balanced with sensemaking about the operating model justifying the centralization while decentralizing as much as possible to promote the return on human capital. Decentralization positively affects psychological empowerment and engagement because autonomy and influence fuel going above and beyond formal role expectations. Decentralization enriches your job and provides room to influence decisions and coordination, which has a significant positive engagement effect. Job enrichment leads to higher performance and quicker response behavior. When people have influence and autonomy in their jobs, there is more learning in the organization. Employees given the discretion to experiment or change ways of working will give, in return, more take-charge behavior. Suppose mandates are delegated to the greatest extent while maintaining centralized control with standards and processes. In that case, there will be less need for support from the leader and higher productivity. Job enrichment occurs within the frames created by the standards and aligned processes determined by the operating model. So it is of the essence for the contextual leader to make sense of the coexistence of decentralized and centralized mandates to release the optimal benefits of the alignment-autonomy balance.

It follows that if centralization is high, there is a retention risk for people motivated by empowerment, who are often the people needed to secure the adaptive performance in the organization. There is a hindering influence from

centralization on the willingness to engage in initiatives reaching beyond individuals' own roles. You get less ownership and playmaking when people work in centralized settings where they get accustomed to low involvement in decision-making. These dynamics pose a challenge for companies having pursued an efficiency intention for a long time, moving into a merger or a significant change of operating model. The people composition supported by a strong discipline culture that, for a long time, has been honed to support efficiency has also resulted in low adaptability and change capacity. They have built fitness to the efficiency intention, resulting in a high path dependency that becomes a challenge in the change process. In such a case, the innovation, change, and empowerment cultures must be strengthened to enable a shift that clashes with the past.

Contextual Leadership and Centralization

Centralization or decentralization only work at a certain process maturity, so people work according to the intended distribution of mandates, as noted here by Carsten Højlund. He speaks from decades of designing and maturing service delivery, finance, and risk management processes and implementing to high levels of compliance:

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66 No matter if decisions and functions are centralized or decentralized, it is buy-in that is the key to success. In that respect, stakeholder management needs to be given even more leadership focus in a decentralized setting to ensure desired alignment and benefits of scale from shared processes and systems.

Carsten Højlund, Head of Group Finance at ISS World Services, Denmark

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Centralization interacts with the expectations embedded in national culture —especially with how people expect decisions to be made and the importance of rules. If the people in the organization share strong authority and rule orientations, centralization can help performance a lot. This is because decision-making by escalating to higher-placed leaders is an inherent

expectation about how leadership should work. In these cultures, people prefer to escalate decisions. These value orientations can counteract decentralization's intended positive speed, flexibility, and empowerment effects.

Conversely, the value-driven expectations about autonomy in some national cultures can result in a challenge to a centralized decision-making and coordination approach. Understanding the value orientations among the people in your different offices and geographies is part of making centralization or decentralization work. It needs to be addressed with clear principles activated through a PIA Cycle to replace the inherent assumptions about how things should be done. Making mandates turn into organizational performance hinges on solid involvement in interpretation and clear commitments that people are kept accountable to. This is well supported by mature processes that clarify role expectations. It includes clarifying mandates through active interaction, onboarding and integrating newcomers, coaching and committing the experienced employees, and building shared understandings of accountabilities across functions.

The positive effects of decentralizing—speed, engagement, informed decisions, flexibility, and more innovation—depend on competencies to lift the mandates. Deciding about decentralization should include assessing the organization's maturity and the quality of the human capital. The organization can build quicker response mechanisms by developing competencies for high-quality decisions among the problem owners.

This reaches beyond functional skills, including the expertise to make informed decisions, to look ahead, and to ensure planning in dynamic environments and other contextual skills. It is a good idea to decentralize only when the skills are there to act out the mandates. Otherwise, build the skills and decentralize bit by bit to reach the full extent of possible decentralization. The enabling-mandating balance and decentralizing are crucial drivers of empowering the organization, so consider centralization and the empowerment culture together.

Most leaders can centralize or decentralize mandates to some extent and should do so actively to promote performance, as emphasized here by Benny G. Jakobsen from Ørsted. At Ørsted, 8,000 people work globally to help countries and companies transition to green energy with wind, solar, hydrogen, biomass, and energy storage solutions:

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❝ The business complexity, the way responsibility and accountability are delegated and aligned, and how signing rights and authority are implemented impact leadership and employee performance. Through structure, processes, clear delegation of authority, responsibility, and accountability, leaders can decrease internal complexity—or the opposite if not!

Benny G. Jakobsen, Vice President, Head of People & Development for Engineering, Procurement, Construction, Operation & IT at Ørsted, Denmark

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The opportunities for increasing or decreasing centralization depend on the degrees of leadership freedom determined by the strategy for the functional area. The leader should recognize the limits centralization build into the organizational design and governance sets for the leader's discretion to empower and verify these interpretations with his immediate manager. This verification should include a discussion of the need for decentralizing specific task mandates to promote frontline performance. The verification builds awareness of the split between personal, central, and decentralized mandates. An essential part of this is to recognize the wriggle room within the routines, processes, procedures, and standards, which can only be changed through centralized decision-making because they are company standards. The leader needs to understand how he can create a platform for genuine involvement and empowerment of his organization while promoting the company-wide alignment that drives efficiency and scale benefits. The clarity enables sensemaking and promotes establishing clear role expectations in the organization. Clarity makes it easier for people to commit to delegated mandates. This instills accountability into empowerment that you are clear about mandates and obligations within them. Creating clarity and active mandating are critical leadership tasks.

Decentralization is closely linked to shared leadership. The leader should give the team as much control and discretion as possible because so many engagement and empowerment effects are involved. This results in more organizational and team citizenship—more people volunteering, taking the initiative, backing each other up, and reaching out to coordinate. So, while the organizational intentions should determine centralization, the leader should

seek to decentralize mandates and let the team influence work and resource planning, ways of working and coordinating, improvements, and experiments within the frames. Also, the leader should involve people in the information processing, interpretation, sensemaking, and decisions about the running operation as much as possible. To build the operational and collaborative awareness necessary for shared leadership, the leader should engage in sensegiving around the rationales of adjacent centralization and decentralization to ensure it does not hinder engagement. The sensegiving is about explaining the balance between alignment and autonomy in the different processes, roles, and areas of functioning.

The operational awareness (what is going on?) and the collaborative awareness (who should I engage with to get things done?) facilitate employees taking responsibility for deciding and prioritizing what should be moved forward. The operational and collaborative awareness helps make decentralization work. The level of decentralization influences which decisions, stakeholder management, and sensegiving the leader should choose to be engaged in and spend time on. Decentralization requires a different coordination approach than a centralized hierarchy where decisions, information, and coordination flow up-down. It demands awareness and accountability, so people engage and involve people across boundaries based on operational and collaborative awareness. Successful decentralization depends on a strong collaboration culture.

Besides the levels of centralization based on the organizational intentions and the nature of what the company does, the leaders should also consider how centralization can help decision-making, information processing, coordination, and engagement to mitigate the external environment's hindering effects.

There is an increased response speed when mandates are decentralized to the frontline. Decentralization is a means to mitigate external dynamism and complexity, given that the mandates are backed up by expertise and/or formalized contingency orders. Matching repeatable dynamism can be done with formalized contingency orders. In contrast, disruptive dynamism must be met with decentralization backed by expertise, enabling sound judgment calls. Decentralization positively influences organizational accountability, and leaders and followers make faster decisions and take self-initiated empowered action.

In this vein, centralization can lead to less local accountability and a sense of "them vs. us" between local entities and HQ. Centralization can reduce the speed in local leadership when decisions need to be sent up the hierarchy for approval. However, centralizing certain more complex decisions can make it

easier and quicker for an organization to get answers from highly specialized "go-to roles." The positive or negative effects on decision speed are related to how clearly the decision scope can be delineated and communicated. External dynamism increases the relevance of such decentralization, which, in turn, means that centralization can hinder effective leadership and performance in dynamic environments.

A significant drawback of centralizing decision-making is the risk of lacking local insight and understanding. At the same time, the drawback of decentralized decision-making is the lack of holistic understanding of unintended ripple effects from local actions and decisions. To be contextually effective, centralization of decisions needing holistic overview in combination with decentralization of decisions securing agility is necessary. The balance is especially crucial in dynamic, complex, and risk-intensive environments where decisions can have severe consequences beyond the frontline overview. A geographically dispersed sales force in a complex and dynamic market or military units operating on the battlefield are examples of needing high mandate clarity between centralized and decentralized decision-making.

When facing high external complexity, centralization enables greater control over operations, which can be particularly important in industries with strict regulatory requirements or where the consequences of failure can be severe.

Also, complexity in the customer structure drives a need to consider centralization to secure consistent service-level definitions, a precondition of handling the complexity inside. Decision-making in high complexity often comes with difficulty foreseeing knock-on effects and predicting how things will play out. If further intensified by dynamism putting time pressure into the equation, it speaks for centralizing such decisions and building the capacity to provide sound, timely decisions. On the other hand, transparent external complexity, where it is possible to gather, document, and organize information to systemize contingent responses, advocates for decentralizing to gain agility. The level of risk intensity adds to understanding the optimal fit. Centralization interacts with risk intensity, and a leader can maintain control by centralizing to mitigate risk by setting up decision thresholds to ensure certain risks are not decided on locally. Such centralization could be used to ensure expert judgment, clarify competing priorities, or coordinate beyond the overview of the local leadership.

Building consistency in decision-making, especially in new areas, is helped by a period of centralizing the decision-making. Over time, the leader can then decentralize as the organization's skills in information assessment, decision-

making, and coordination build. This way, an inherent part of contextual leadership is to balance centralization and decentralization and build organizational capability to decentralize. The balance points cover the intentions, external environment, expertise, culture strength, and engagement and empowerment effects of centralizing/decentralizing. For example, determine which elements in a global supply chain should be decided centrally and run as fully aligned practices and which elements are best served through decentralized mandates with local autonomy. It is always a consideration which mandates and decisions should be centralized to ensure qualified expert decisions, create alignment, maintain control, or ensure coordination and prioritization, such as allocating scarce resources. Also, the consolidation to reap the benefits of shared purchasing and optimal use of resources in shared service centers is a reason for centralization. Most leaders can centralize or decentralize mandates to some extent in the organization reporting to them. The degrees of freedom to increase or decrease centralization are linked to positional mandate, as higher hierarchical positions have a greater opportunity to influence what can be decentralized. This highlights the importance of verifying the wriggle room and mandates up the hierarchy. The strategy can differ across functions or processes. Some functions or processes can have low degrees of freedom for changing centralization, for example, in a highly standardized shared service setup or a strongly aligned digital marketing process. Other areas might have less interdependency and a full mandate to shape the structures. In all instances, the structural choices of de/centralizing must come from the organizational intentions and be backed up by shaping the cultures to support the intentions.

FORMALIZATION

High levels of formalization in the workplace mean there are well-established structures, processes, and procedures that leaders and teams must follow. Formalization covers the organization's level of formal, codified, and documented directives, processes, principles, and policies that guide action. It is decided and written guidelines telling the organization's members how to make decisions, process information, allocate resources, and coordinate and conduct business in many other areas. See figure 46.

Figure 46

Low to High Formalization

Process — Ad hoc coordination / Low or no documentation

Process — Planned coordination / Much documentation

Low Formalization ———— High Formalization
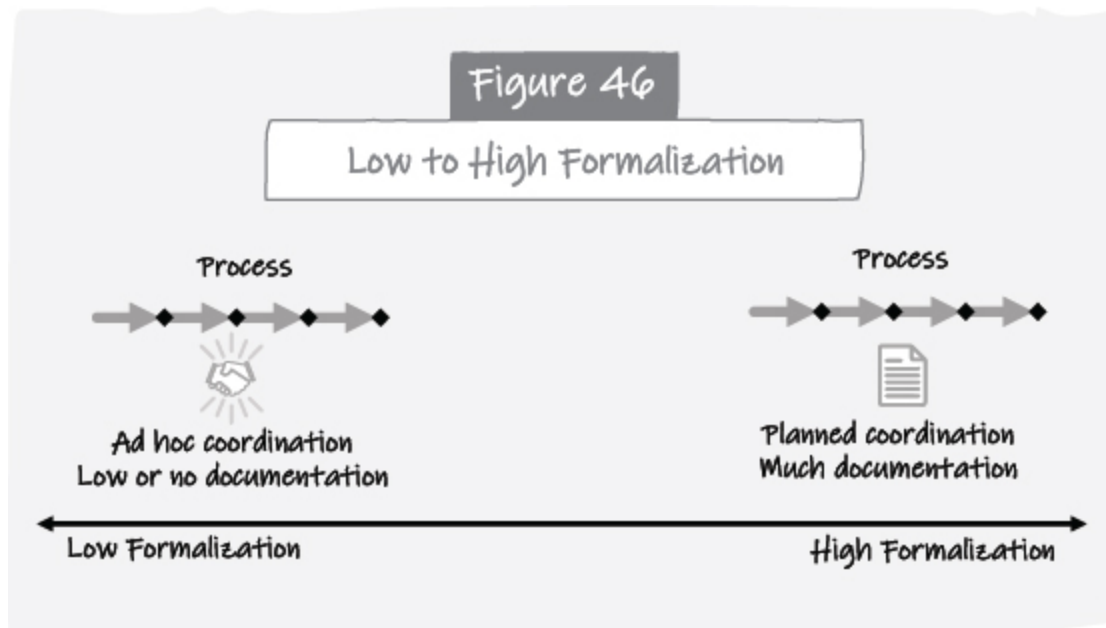
Source: Data from Noerby (2021, 2023).

Formalization is linked to the formal governance system, including role definitions and descriptions, and regulates significant parts of organizational behavior. Importantly, high formalization does not equal centralization or decentralization. Formalization can be high in both cases. We recognize formalization when many documented standards, policies, and procedures are used as integrated work tools. High formalization means that rules, work principles, procedures, and policies for almost everything are written down. Another sign of high formalization is that the work instructions and standards are up to date.

🔖 **DEFINITION: FORMALIZATION**

The level of decided and documented policies, procedures, rules, and guidelines that must be followed.

Formalization aims to scaffold processes, procedures, and instructions that make the organization more effective and regulate risky or undesired behavior. It comes with a leadership obligation. You must explain why each element, step, regulation, demand, and way of working in the formalized process is included. You should be able to get across how the elements benefit decision-making, information processing, or any of the other key process features. If you cannot, then consider the fitness of the formalization—should it be relaxed or tightened? Is the process over-formalized because some specialist

has overengineered the process based on personal preferences, misunderstood professional pride, or a lack of understanding of how things work in real life? Then you need to choose to influence the formalization level or relax parts of the process with your people.

Formalization must be balanced in its rigidity to the purpose it serves. Only the essential elements should be formalized to preserve individual autonomy since overengineered detailed processes tend to demotivate. A good principle is that the alignment-autonomy balance should be built into the level of formalization. It must be clear and make sense why this process is formalized to the level it is. A recipe and medication-mixing process should be more detailed and documented than instructions for handling a customer complaint. In both cases, formalization is important to secure consistency and good results. Still, the latter should not be overengineered because it will remove ownership in the frontline. Formalization must be adequately fixed yet flexible to mobilize the people operating the process. Formalization does not oppose the job enrichment created by decentralization. It can effectively support it by clarifying the mandates and promoting the freedom to operate.

Formalization comes with a mandate that must be clear. Is the formalized approach a suggestion that can be deviated from? Or should it be enforced to the letter? Is it a policy where large parts of the interpretation are left to the local leader or a rule that applies like legislation? The leader is responsible for verifying the tightness of the formalization and understanding which parts she can relax—where is the wriggle room? Then she can engage in interpretation with her people to make the formalized processes, instructions, guidelines, policies, values, and principles come to life. The leader is responsible for ensuring that formalized company policies are acted out as intended.

What Are the Effects of Formalization in the Leadership Context?

Ensuring fitness of formalization is key and comes with a range of benefits, as commented on here by Magnus Röstlund from NKT, the global provider of high-, medium- and low-voltage infrastructure:

66 Formalization should follow the money. Formalization is key in having the organization revolving around processes that provide value to the customer. As long as formalization of standards happens in the business lines, the result will be optimized performance. If processes are formalized from corporate level for reasons other than optimizing value creation in the frontline, then customer focus diminishes and organizational performance suffers.

Magnus Röstlund, MBA, Vice President, Head of Engineering and Material Technology at NKT, Sweden

Formalization makes processes faster and more efficient because everyone knows their part. This drives reliability and consistency in the key actions driving performance. Formalization frees energy that can be invested in unusual, cognitively intensive, and highly complex tasks by reducing the energy required in subprocesses covered by SOPs.

For example, we ensure that all equipment is serviced and all critical materials are replenished with SOPs. The doctor has an SOP, a checklist comprising all the key questions to ask a trauma patient to ensure no hidden injuries are overlooked. The fire teams have SOPs for storing the equipment in the fire trucks so any fireman can go to any fire truck and find the equipment he needs during a joint operation. These SOPs free up the capacity to concentrate on the complex parts of the job demanding problem-solving and judgment. A leader's task is to establish SOPs for the recurring processes that multiple people carry out. Fit-for-purpose routines build consistency, reduce mistakes, allow continuous improvements, ease knowledge transfer, and reduce the vulnerability in the organization.

Formalizing decision-making in certain areas supports followership and ownership because it mandates team members to make decisions without the leader. It reduces the dependency on the leader and promotes initiative and self-directed action. Formalization influences trust by creating predictability and transparency through clearly documented expectations. An example is the job description, which can be considered foundational for the psychological contract. The psychological contract gives clarity about the mutual expectation of efforts, collaboration, and contribution to the team on one side and the

rewards, autonomy, influence, meaning, and development opportunities on the other side. A solid psychological contract with clear expectations and obligations positively influences the engagement and empowerment drivers, translating into higher personal effort in all areas. However, be aware that giving clear expectations is not the same as specifying everything, but rather formalizing around the key expectations and principles. The purpose is framing clear action zones with the freedom to operate that releases the potential of people's autonomy and empowers self-directed initiative.

Formalization creates predictability and transparency and increases efficiency as documentation allows the reuse of previous experience. It forms the basis for operational consistency. When supplemented by a strong discipline culture, fit-for-purpose formalization comes with positive performance effects. A good correspondence between the documentation and enactment, strong alignment strength in the leadership context is fundamental to continuous improvements. The correspondence is a key feature in continuous improvements in the acting-aligning stage of the PIA Cycle. Here we evaluate the success of our actions and consider if we should update the procedure or adjust behavior. The basis for learning and optimization is to document the desired way of working to a level that allows the shared interpretation of how we move toward the desired ways of working.

Formalization supports the knowledge transfer among workers because documentation scaffolds the exchange—it provides the structure underneath. It aids in making accessible and communicating knowledge because we write things down following the same standards. It makes it easier to capture learnings in one project and transfer them to the next project if we have a standardized format to document those learnings—do they relate to scoping, resource allocation, quality assurance, or another feature that others can recognize in a forthcoming project? The standards make it possible to store data in a way that others can access and understand it. Formalizing the procedures that allow information to flow across people, functions, and time is an important leadership task. Otherwise, we risk that experience remains individual learning and is not turned into organizational learning. Formalization is part of enabling the lift processes in the PIA Cycle, where best practice is transferred across an organization to build scalability through end-to-end process maturity. It is a leadership obligation to formalize knowledge capture and use it to build an organizational memory beyond the sum of the individual.

High formalization sometimes hinders creativity, innovation, change, and development. There are two sides to that story. Suppose formalization is not

fit for purpose and the organization has over-formalized many procedures for a long time. In that case, it can have weakened the empowerment culture. Not-fit-for-purpose formalization locks in a path dependence where the organization operates in accordance with the formalized procedures without understanding why, but simply by administering processes by the book. It removes ownership and initiative, and the formalized procedures are used as argument in favor of doing things in a particular manner. These things aren't done for reasons like securing decision quality, complying with legislation, ensuring coordination, or maintaining quality; they are done simply because the instruction says so. In these cases, tight, not-fit-for-purpose formalization kills innovation and builds resistance to change. It is the leader's responsibility to ensure the fitness of the formalization, as stressed here by Professor Jordi Escartín, speaking from more than two decades of organizational consulting and research experience:

66 Formalization can help performance until a certain threshold, but taking it too far can hinder performance. The organization needs to strike the optimal level for its different parts.

Jordi Escartín, PhD, Professor of Organizational Behavior at the University of Barcelona, Spain, and Visiting Professor at King's College London, United Kingdom

When it comes to innovation, learning, and developing new approaches, there is a positive effect of fit-for-purpose formalization. As an example, consider a department with highly formalized standards for documenting and sharing new knowledge, combined with no formal guidelines for how employees work on their core tasks, allowing more flexibility and creativity. In this case, the formalization promotes innovation by making it easier to access and reuse findings from previous processes because they are documented along formalized protocols. Fit-for-purpose formalization is why thousands of developers can cocreate open software systems—they know the coding protocols and innovate while applying the protocols as a shared formalized foundation. A fit-for-purpose level of formalization that makes sense for the people working with the routines is positive for engagement. It creates

predictability about expectations and makes understanding and adhering to norms and standards easier. Fulfilling expectations is vital to feeling valuable, and meeting formalized standards contributes.

However, suppose formalized processes and ways of operating are out of sync with the purpose of the process, are not updated, or are over-formalized. In that case, formalization negatively impacts performance by making operating more cumbersome than necessary. Also, a high level of formalization can hinder work performance and leadership through a fear of breaking the rules. Over-formalized settings negatively influence the experience of autonomy and can lead to complacency. This is especially true if the cumbersome formalization is experienced as meaningless. It can result in quiet quitting, where only the effort necessary to meet the formalized demands to a minimum is put in. For some people, the goal becomes to do things by the book to avoid criticism. These adverse effects of not-fit-for-purpose or over-formalization hinder critical thinking, adapting, learning, and ownership.

Contextual Leadership and Formalization

Laying out who can decide what and which procedures must be adhered to and setting the level of documented practices is integral to organizational design. In most companies, there are formalized codes of conduct, policies, and procedures that a leader must follow. Hence, the leader must build awareness about the level of formalization and assess the maturity and strength of the related processes and cultures. These formalized processes obligate the leader to understand and leverage existing formalized regulations and principles to align expectations, build common ground around how things are done in the organization, and reinforce this behavior. A precondition is of course that the leader verifies the fitness of the formalized processes if in doubt. Fit-for-purpose formalization provides decision, information processing, resource allocation, and coordination efficiency that are important to all types of performance. The fitness comes from identifying where formalizing is justified from a value creation or risk avoidance perspective and then, in these areas, aligning and formalizing the repeatable parts. If the formalization is fit for purpose, it frees up energy for interpreting and responding to the dynamic, complex, and risk-intensive parts that demand cognitive capacity, attention, and time. Fit-for-purpose formalization is when everyone knows our SOPs when it comes to documenting, communicating, escalating decisions, and safety. We do not need to invest attention or energy

because everyone follows the same protocol. We get a scaffold supporting our operation and can concentrate on the difficult stuff. Making it work hinges on involving people because formalization without interpretation with the individuals who will work along the formalized processes does not work, as indicated here by James Jessup from CBRE:

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66 The effectiveness of formalization depends on the maturity and quality of the team being led. A low maturity of the team may require more formalization to be effective, whereas a more mature team can flourish with less formalization and freedom carried by their expertise.

James Jessup, APAC Solutions Architect and Sales & Solution Lead at CBRE Asia-Pacific, Singapore

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It takes no effect to send out a new instruction or policy if it is not interpreted and converted into commitments to operate along the formalized instructions or principles. The interpretation can involve training to build expertise in running the processes, and formalizing process descriptions is the first step in maturing processes. Worst-case scenario, an approach to formalization that does not include involvement, interpretation, and training risks negatively influencing the experience of individual autonomy resulting in the undesired quiet quitting effects discussed above. This dual demand for making formalization work, ensuring fitness and interpreting to convert to action, is a significant reason why mastering the PIA process is imperative to contextual leadership.

Formalization can be used to align understanding of permanent mandates like job roles. It can be used to establish clarity around the mandates assigned to gates in processes, rules of engagement, or codes of conduct that apply across roles, functions, and levels. So, leaders should use formalization as an active means to express behavioral expectations and align understandings to support work performance in roles and processes. It is good practice to agree and formalize the process when handling an unusual situation involving people not used to collaborating. List bullet points about who is accountable for what and stipulating coordination and decision gates that cannot be passed

without joint decision-making. Fit-for-purpose formalization is not slow in such instances. There are many areas where formalizing is relevant to drive efficiency related to information processing, coordination, or any of the other key process features. Examples include project management, estimation and forecasting, testing procedures, safety incident investigation, and employee performance appraisals.

The leader can use formalization to develop substitutes for leadership by establishing joint frames of reference about conduct, processes, and decisions, such as when the leader involves a team in establishing formalized behavioral expectations and joint interpretations in a previously non-formalized area. In many instances, formalization can assist leadership in promoting desired performance, allowing the leaders to focus their efforts on other matters. Formalization can substitute part of direct leadership influence and can extend the leader's reach.

An essential part of leadership is orchestrating decision-making in the organization. Effective decision-making involves combining multiple interpretations and judgments in the process. The more pressure we are put under and the less we are challenged in our thinking, the more we repeat decision biases. As individuals, we are prone to repeating decision patterns, which makes individual decision-making inferior to shared decision-making. So, to promote critical thinking by ensuring shared decision-making and help prevent decisions based on partial awareness of how other departments will be affected, the leader can formalize decision-making. One example is formalizing decision thresholds, ensuring decisions above a certain cost or about specific resources cannot be made without escalation. Another example is establishing coordination demands, where decisions cannot be made without checking in with others in designated roles, as when the logistical planner cannot commit to changes in the delivery schedule without approval from the production planner. Contextual leadership involves formalizing effective decision strategies. Such formalized decision measures can be built into the permanent structure, as in a matrix organization, or established by formalizing a process with gates. Formalizing decision-making can mitigate individual decision-maker shortcomings in expertise and experience and is a valuable asset to the leader in empowering the organization.

Most leaders can increase and, to some extent, decrease formalization within the wriggle room allowed by the company-set policies, procedures, and instructions to promote performance. The leader needs to recognize when the level of formalization of a given process is not fit for purpose and should be adjusted or where compliance deliberately should not be 100%. The extent to

which a leader can increase or decrease the level of formalization for processes depends on the level of formalization imposed by the company and the leader's power to influence such externally decided formalization. Choosing not to comply 100% is a leadership judgment call that should be backed by sensemaking so that deviating does not become a norm. Deliberate noncompliance should be mandated by the leader, and a mutual commitment to the boundaries of flexibility in adhering to formalized standards should be developed in the team. If deviations are left unaddressed, they can evolve into a weak discipline culture permeating other areas. Deviations and noncompliance must be kept case-specific and closely tied to clearly explained criteria for deviating. In other cases, the relaxation or tightening must be escalated for decisions, or other departments must be involved to align and adjust the formalized standards.

The more open a system and the higher the staff churn, the more critical it is to establish consistency and a foundation for training by formalizing the key ways of working. Also, a lower level of process maturity and low competence levels increase the relevance of documenting processes and procedures. Formalizing creates a consistent foundation for conveying behavioral expectations, onboarding newcomers, and reinforcing desired ways of operating. Also, the external complexity must be considered, as often, internal processes need to be formalized to document and secure compliance with legislative or industry demands. Promises to the customers about quality assurance, traceability of materials, environmental impact, or adherence to the UN Global Compact are examples of the external environment requiring formalization. Formalization supports handling such external complexity by enabling consistency in the many subprocesses and allowing a foundation for effective coordination of all these efforts. Higher external complexity should trigger formalization consideration to match the information processing demands from the surroundings. External deadlines for reporting compliance and legislative documentation demands are part of the external complexity. So is documentation expected from customers as an operating condition for doing business? Such external complexity should be reflected by internally formalized processes ensuring consistency in meeting these demands. This allows the organization to focus on the core tasks without faltering the performance in these important areas. Standardizing and formalizing the responses to such transparent external complexity reduces the time spent on coordination, mutual updating, and realigning.

The pressure on decision-making increases when complexity, dynamism, risk intensity, or workforce dispersion rises. Facing high dynamism in the

external environment calls for building requisite agility. Here, the formalization of SOPs is a vital asset. The SOPs help overcome coordination difficulties and free up the resources to handle more stressful, volatile conditions. High risk intensity demands SOPs for the contingent responses that can be relevant when threats are to be assessed, decisions are to be made, and when threats turn into incidents. The time pressure and the potentially severe consequences mean building consistent preventive procedures and exercising standard reactions to incidents is crucial. When leading a workforce that collaborates from afar or works different shifts, it helps to formalize the information processing, communication, documentation, reporting, and standards for preparation and participation. Formalizing these SOPs helps build common ground scaffolding the performance and freeing up time and energy that would otherwise have been spent coordinating and aligning.

As the discussion in this section shows, formalization is a vital scaffolding tool for any leader and should be considered and optimized continuously.

INTERNAL COMPLEXITY

Internal complexity emerges due to external complexity making it necessary to build internal processes, data handling capacity and organization in requisite response. Internal complexity also emerges due to internal decisions about organizing work, implementing new processes and IT systems, reorganizing job functions, and merging with other companies. Also, the fact that people solve problems and organize work differently means that people turnover leaves a lot of complexity clutter behind. The complexity can be value-adding or non-value-adding to operational efficiency, as well as for innovation and change performance.

High external complexity makes companies specialize their functions to ensure the necessary expertise to compete. The driver is to secure the requisite setup in the organization that enables high performance toward the demands of the external environment. The driver is also company size, where large companies often centralize HR, IT, and finance functions to specialize these functions and benefit from economies of scale. Specialization in a particular function enables focus. It can bring down complexity in the function, but the coordination demand across functions grows, resulting in internal complexity. Often this is handled by assigning single points of contact to the business units simplifying their access and use of HR, finance, or IT by having a business partner. At the same time, the function can specialize within the function to build the necessary depth to handle high complexity in difficult

areas like legal, tax, or IT security. Specializing is a path to ensuring focus and building the necessary efficiency and expertise in the company's core areas. The more specialized functions and professional disciplines in the company's core value-creating activities, the more operational complexity.

An example is building an oil rig, which is highly complex due to the number of specialized disciplines that must be involved and coordinated. The different parts may not be complex for each expert, and the requirements in each part may also be well known. Still, the coordination of the specialized functions drives complexity. The same type of complexity is faced by the leader leading highly specialized experts that collaborate in an R&D department. The leader faces the complexity of bridging across the experts, making them understand each other to experiment together and enrich each other's thinking. Leaders should manage internal complexity by understanding the job demands and which complexity drivers add value while identifying and reducing the complexity, which takes up energy without adding value corresponding to the workload or resource investment.

Task complexity is determined by the number of unique acts, parts, and information pieces required to solve the task. We face high internal complexity in a department where highly complex tasks demand many actions to coordinate, when processes have many small steps with many contributors and the work teams need to gather information from many different sources. For example, treating cancer patients in a hospital oncology ward is a highly specialized complex task with many information pieces demanding high medical expertise. A similar task complexity applies to the statistical strength calculations for large-scale steel constructions that were not built before. Such tasks can be broken down into components. Still, they can only be solved successfully with a systems-thinking mindset embracing the task complexity.

Adding to internal complexity is the level of newness in the tasks and how often task requirements change—how dynamic the complexity is. It gets more complicated when the complexity is dynamic, and requirements change as tasks progress. When it is challenging to predict the task requirements because they evolve with progress toward finalization. Another driver is when the tasks are rarely the same, so there is a need to do something new to solve the tasks almost every time.

The more unknowns in a task, the more complexity. In some cases, leaders face unknown unknowns in the external environment, driving a need to organize for a range of contingencies, which considerably ramps up complexity. The dynamic complexity can also be purely internal, as when a biology lab does biofuel experiments to develop new enzymes, which develop

in nonlinear and unpredictable patterns. Dynamic complexity also ramps up when innovating with external parties to find novel solutions to highly complex problems.

🔖 **DEFINITION: INTERNAL COMPLEXITY**

> The number of different job roles, the amount of task complexity, and the change rate in task requirements.

A leader should understand these three complexity drivers— coordination and collaboration between specialized functions, task complexity, and the change rate of requirements. The leader should untangle the complexity drivers to identify which parts of internal complexity are value-adding in response to the external complexity. Internal complexity can be good as long as it adds value. However, complexity drivers are often not directly linked to meeting external demands or driving efficiency value internally. Complexity can come from centrally decided unaligned processes that add layers of reporting, new local administrative processes, or an increased number of diverse stakeholder requirements as organizations grow. Such internal complexity, or red tape, seems to increase as a natural part of an organization's life unless leaders continuously work to simplify and align. Non-value-adding complexity grown from good intent in the past should be rooted out as much as the leader's mandate allows. Well-intended unaligned processes, implemented by central functions, impose complexity on the subunits, who should spend their time on value-creating core activities. It is a leadership task to raise such misfits to the attention of the functions that can align to simplify the frontline closest to the primary value creation.

What Are the Effects of Internal Complexity in the Leadership Context?

High complexity can slow down organizational agility because it takes longer to get an overview of all the attached strings and ensure that everything has been considered before deciding. It can lead to postponing decisions and can sustain outdated practices because it is too complex to change parts of the system. High complexity can make people more reactive and reluctant to change, reducing adaptability. People can become less open to new input because fitting new information into a complex picture can be energy consuming. This highlights the importance of balancing the intentions to pursue efficiency on one side and innovation and change on the other. The

complexity can result in less ownership, taking-charge behavior, and playmaking because people find it difficult to overview the consequences of their initiatives. An effective approach to developing organizational awareness about how to navigate the complexity is internal rotations, as highlighted here by Ernest Mast. He heads up Doré Copper Mining Corporation, operating multiple geographically dispersed mines and processing facilities.

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66 Leaders should try to minimize internal complexity. However, in many cases, that cannot be done due to the nature of the business. One good response is then to ensure that everyone has an understanding of the tasks in the organization and that, from time to time, personnel are moved between departments. This builds awareness that helps handle the complexity.

Ernest Mast, EMBA, President and Chief Executive Officer at Doré Copper Mining Corporation, Canada

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The intention to drive efficient operations with high internal complexity requires standardization of processes, precise component specifications and measurements, and strong discipline in the execution of the SOPs. Significant parts of the core operation are often automated or controlled by IT-supported processes ensuring process demands are diligently met. Maintaining high efficiency means that these processes must be stable and that changing them should be deliberate after careful consideration. In high complexity, planning and organizing becomes more cumbersome due to the increased number of parameters playing in, so the complexity should be met by good practices securing the absorptive capacity to handle the myriad of information. This type of operation builds path dependence because building effective solid habits is a key performance driver. It creates a natural skepticism of change but installs a continuous improvement mindset that relies on incremental improvements—small-step nudging. Due to these performance efficiency drivers, complexity can result in complacency and sustaining obsolete methods. It is a leadership priority to balance the discipline culture with a

continuous learning culture that builds flexibility and a positive attitude toward change. Job rotations, upskilling, process reengineering, cross-functional projects, and opening the organization to outside influence can help secure development and learning.

The intention to innovate drives complexity when it demands the involvement of new expertise and specializations. It comes with complexity due to the deliberate change of task requirements inherent in creating novel solutions. Introducing different ways of thinking, new technology, materials, production methods, different consumer groups, or spanning industry boundaries are all complexity drivers. Later in the process, new services or products change the requirements to the organization. Change drives complexity, as moving from a current stage to a new stage involves creating an overview of all the moving parts and deciding how to do things going forward. New ties are introduced in change and processes are distorted and should be reestablished with a fit-for-new-purpose mindset. This change complexity is further intensified by not having all the answers about how exactly the future will look and how elements in any previous discontinued solutions will be handled.

The efficiency intention comes with variation and complexity reduction as key performance drivers. The innovation intention involves increasing the variation and complexity to create novel solutions that can be simplified in the latter stages of innovation. The same mechanism applies in a change where the initial stages naturally ramp up complexity. Therefore, combining these organizational intentions adds an extra layer of complexity.

Another layer to the complexity is related to the people composition. When a company has many nationalities working, it comes with a high diversity in the value orientations and the complexity of many languages and traditions. Also, the differences in personality dispositions play in. When there is a high diversity in the department, it contributes to the complexity. The leader needs to understand the personality dispositions and value orientations to ensure the complexity of diversity becomes a value-add. The diversity in the people composition needs to be mitigated by establishing common ground to turn the complexity into an asset rather than a liability. This is one of the reasons establishing common ground is a centerpiece in developing a strong collaboration culture.

High job complexity can influence job satisfaction positively as the job becomes more interesting. Value-adding complexity can be a strong motivating factor in promoting self-directed learning and innovative thinking. Successfully solving complex tasks reinforces the mastery experience. It can create *flow*

experiences, where people emerge fully in their jobs because the professional challenge of solving complex matters with an evident purpose makes sense and feels rewarding.[47] It drives ownership and playmaking as people take pride in making complex mattes succeed.

It can also negatively influence people's engagement as jobs become more difficult and the likelihood of errors and potential for work overload go up. Complexity can increase perceived work strains. It can negatively influence the experience of job autonomy when complexity constrains what you can decide in your job due to being part of a larger complex system where you need to coordinate constantly with others. Exposure to a complexity that exceeds the team or individual capacity can breed stress due to losing overview and inadequacy in meeting demands.

Understanding the effect of internal complexity on people taps into having dialogues about the perceived job demands and aligning coordination and interaction expectations. Following the aligned perception of job demands, it involves understanding the individual resources to meet the demands. What is the job holder's expertise, experience, personality, and abilities? What resources are available in the team, and who in the broader organization can the job holder access to get support? What are the tools, resources, and equipment at their disposal to get the job done? After reducing the non-value-adding complexity, these job demand-resource considerations are essential in understanding the internal complexity. This relates to the resource constraints to the job, as access to resources helps mitigate the adverse effects of complexity. The leader should strive to manage the complexity by understanding the job demands-abilities/resources to realize the organizational intentions. Put the right person in the right job and scope the job content to maximize the effect on realizing the organizational objectives.

Contextual Leadership and Internal Complexity

It should be a leadership priority to simplify as much as possible by focusing on the less value-creating complexity to free up capacity that can be used for more value-creating activities. This is succinctly put here by Bob Markey, who speaks from a context at Sikich that is highly complex. Sikich delivers a range of technology-enabling services in accounting, audit, and tax requiring a very diverse staff composition and service portfolio.

❝ Good leaders break down complexity and make things simple. In simplicity, there is success.

Bob Markey, Senior Director, Talent Acquisition at Sikich, USA

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Complexity reduces the possibility for the leader to be in the details. It increases the time and energy needed for coordination. You must focus on understanding value-adding and non-value-adding complexity to lead on the former and reduce the latter. Increased complexity increases the need to substitute personal leader insight with processes and systems that support you in understanding progress, priorities, and problems. In turn, such formalized processes can reduce complexity, improve coordination, reduce conflict, ensure cross-functional collaboration, and reduce the effect of information bottlenecks.

Internal complexity raises the need for supportive leader behavior and accessibility to engage in problem-solving. Also, the leader should engage in sensegiving around the necessary complexity. The leader needs to explain why complexity is necessary and how it adds value because complexity can potentially demotivate some people. Complexity makes it a vital leadership task to build the expertise in the organization that can handle the task complexity within each job and function. Higher internal complexity incurs a need for more competent staff since the leader must trust and rely on staff's insight and judgments in areas she does not master herself. This emphasizes the importance of building coordination structures and standards that simplify information processing when the complexity reaches across functions. It is about exchange spaces that force coordinated decision-making and resource allocation.

Putting the right person in the right job requires that jobs are designed well. The leader should consider specialization enough to secure focus. It is about placing coherent processes on the same table and avoiding splitting responsibilities between different jobs if keeping the task with one job holder makes more sense. The specialization must be balanced with interdependence to ensure close enough exchanges in decision-making, information processing, resource allocation, and coordination. Striking this balance is fundamental to deciding on the job and organizational design. It is about bundling the tasks that fit well together and placing them with clear ownership in one job, team, or function. It requires understanding where to cut end-to-end processes that

involve more people or functions, ensuring that formalized exchange spaces support the interfaces. The leader should understand her organization and organize work to promote optimal specialization, then add coordination and exchange across jobs and functions necessary to create optimal value and mitigate risks. A part of this consideration is considering which mandates should be decentralized or centralized to handle the complexity. Centralizing reduces complexity because all information is concentrated in one function, allowing overview and holistic analysis. It reduces the coordination complexity. Decentralization reduces complexity by mandating that local job holders make decisions and get on with their jobs. Another part is to consider how to "buffer" a function or job from disturbance so they can concentrate on performing their tasks with quality and efficiency. This applies to job design in general, particularly when the leader needs to progress on something new.

When driving change or innovation in a running organization, it becomes a crucial leadership task to frame, disentangle, and sequence the efforts to ensure that the disciplines do not distort each other. Solving new and different tasks in an existing organization with success demands leadership attention. It fosters a "closing period" with deliberate buffering to ensure coordination and collaboration with the existing specialized functions do not kill progress. As the value creation progresses, it demands an "opening period" where implementation is orchestrated through exchange spaces. This closing-opening leadership discipline is part of effectively handling innovation and change in a running operation pursuing efficiency. This is when you free up a team to concentrate on implementing the new IT system or developing a new part of the market. You separate them into a unit that can concentrate on that particular task—specialize. You consider how decision-making, information processing, resource allocation, and coordination can be made simple and independent of the existing operation. It could be buffered from the rest of the organization for a period, followed by increasing the exchange spaces to integrate the new IT system into the base organization or transferring the new market's responsibility to the existing sales organization.

Another significant complexity-reducing measure is clearing up competing priorities in the goals set up by different job holders or functions. Some competing priorities, like measuring quality standards and trying to reduce resource consumption, drive a value-adding complexity that should be sustained. Other competing priorities should be cleared up. For example, when the finance department demands very detailed reporting while the IT system investments have been halted, resulting in a lot of non-value-adding manual information processing, the leadership team should decide on an acceptable

reporting level to reduce complexity in the frontline if the reporting is not highly value-adding or necessary to mitigate risk.

Fixing root causes is an important measure to reduce complexity. Handling deviations from a planned process, set quality standard, or anticipated timing drives much coordination needed to mitigate the deviations. This is especially important if there is a low level of slack in the process, making it sensitive to delays, quality fallouts, or rework. The discipline of fixing root causes is inherent in the continuous learning culture. In highly complex settings, the leader should strengthen these capabilities in the organization. High complexity triggers more organizational conflicts as more competing priorities and misunderstandings arise.

When there are more functions to match the complexity and people with different educational backgrounds communicate with each other, it adds to the conflict likelihood, as discussed here by Dr. Annie Haver:

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66 For example, in a hospital context, the internal complexity is pretty challenging: many different groups like doctors, nurses, clerks, and porters with different educations, tasks, and job contexts need to collaborate. This complexity challenges the leadership style because you need to use different styles for each group of people.

Dr. Annie Haver, Associate Professor of Leadership at University of Stavanger, Norway, and Honorary Visiting Fellow at the University of Wollongong in NSW, Australia

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It makes conflict management and resolution a necessary leadership discipline. Leading different functional groups who engage with different job content sets demands adapting the leadership approach. The leaders need a shared approach when leading the three composite experts doing research and development. In contrast, a more directive approach is needed when leading the three production planners allocating resources and coordinating schedules.

Understanding the broader company landscape becomes more critical in complex settings. The more stakeholders with a direct interest in the leader's area, the more crucial it becomes to manage the complexity by understanding how and when they need to be informed or involved. There is an increased

need for acquiring and coordinating resources and paving the way with the broader organization when trouble arises. Employees need help navigating the complexity reaching into their job, and the leader should build this collaborative awareness in her team. Along with investing in building shared collaborative awareness, operational awareness is important to strengthen the collaboration culture, which increases the capacity to handle complexity. Making roles clearer, defining responsibilities for the functions involved in processes, and setting up meetings structures with predefined structures for information sharing simplifies coordination. Aligning KPIs, data storage formats, and documentation approaches reduces complexity. The number of product variants, distribution channels, and services are value-adding complexity drivers that can be considered. The same goes for the insource-outsourcing balance, where the complexity of managing sub-suppliers compared to having the functions in your organization should be considered.

High internal complexity demands a different leadership approach than low-complexity environments with little variation. The leader must focus on motivating ownership, followership, and playmaking through shared leadership. Making people assume leadership for their parts is the path to leverage the deep insight into complexity that followers have that the leader most probably does not have. Another part of enabling the organization is long-term direction setting and building a strong focus and ambition culture. It supports people in prioritizing and coordinating when navigating complexity. Goal alignment across functions becomes a key leadership team task in complex settings. Leaders must encourage members with different specializations to utilize their different vantage points to problem-solve and develop new solutions. This demands a shared leadership approach that reaches into other functions to bring expert insights to the surface and empower experts to take more decisions. It is well supported by strengthening the empowerment culture, especially if people work with innovation. It applies to both efficiency and innovation that empowerment and expertise promote performance when complexity is high. The more complex the tasks, the higher the need for activating multiple functional disciplines. In high complexity, there is a positive relationship between team effectiveness and shared leadership—for efficient operations as well as in innovation and change settings.

INTERDEPENDENCE

The more activities build upon each other to deliver the final result, the higher the interdependence. Depending on the same resources, people or equipment can create interdependence. Ensuring that information is consolidated from different functions or evaluated in a certain order creates interdependence. Interdependence relates to the processes flowing through the organization related to the six key process features: value creation, risk mitigation, decision-making, information processing, resource allocation, and coordination. Interdependence can span functions and organizational units and tie to external parties. The level of boundary-spanning interdependence in particular is a critical factor in the leadership context since it greatly influences value creation, as identified here by Greg Daniel, who leads an organization delivering integrated workplace solutions. Their operations encompasses all aspects of facility management, energy optimization, technical building maintenance, workplace optimization, asset management, and a range of other services that are integrated to deliver optimal value.

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66 Creating dependencies to promote performance is as much about the business process as it is about unique social contracts between parties. Leadership should set the stage to avoid one party focusing only on their priorities and not on mutual success. The skin in the game must be of equal weight, shared objectives must be made clear, and people must be held accountable.

Greg Daniel, MBA, EMEA Alliance Director at CBRE Global Workplace Solutions (GWS), Ireland

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Exchange Spaces

When understanding interdependence, thinking about "exchange spaces" in the organization is helpful. It is anywhere knowledge is accessed, created, or exchanged.

Exchange spaces are anywhere individuals interact, encompassing physical spaces, virtual collaboration platforms, knowledge repositories, meeting or reporting structures, councils, or communities. An exchange space does not

have to be a meeting where people are present at the same time. It can be a shared database that multiple functions feed into and draw upon, or meeting structures, the preparation exchange before the meetings, and the meeting minutes informing action. Thinking about exchange spaces is important to facilitate cross-boundary knowledge creation and sharing. There are coordination spaces driven by operational interdependence as the weekly coordination meeting between logistics and production. There are temporary solution spaces, for example driven by projects when implementing new technology, where the project leader leads the process to establish a new way of operating. Finally, there are learning spaces driving continuous learning or innovation where the leader establishes shared knowledge repositories, audits, experience-sharing meetings, or training. The exchange spaces relate to the absorptive capacity discussed in the chapter 6 section "System Openness," and orchestrating fit-for-purpose exchange spaces is part of effective contextual leadership. See figure 47.

Figure 47

Exchange Spaces

.. To Move/Develop ⋘ **Exchange Spaces** ⋙ .. To Run Operations

Learning Spaces

1. Internships, projects, or periodic stationing in other functions. Rotating tasks to drive learning and reduce vulnerability.
2. Functional communities driving development of operational or commercial excellence.
3. Internal audits and visits externally or internally, internal training academies, and self-directed learning repositories.

Solution Spaces

1. Implementation projects and roll-out of new processes or systems.
2. Problem-solving when cross-organizational collaboration, processes, or handover is faulty.
3. Lifting and transferring best practices, re-training in existing processes, and onboarding newcomers.

Coordination Spaces

1. Coordination and planning meetings for operations, forecasting, budgeting, staffing, and resource allocation.
2. Recurring meetings reviewing KPIs and deciding on corrective and reinforcing actions to optimize running operations.
3. Access to joint reporting systems, databases, or other knowledge repositories.

Required and facilitated through leadership   Driven by necessary coordination needs

Source: Data from Noerby (2021).

There is interdependence when the way the individual department performs its jobs impacts other functions across boundaries, and performance depends on close and frequent coordination to maintain efficiency or quality. There are times when projects cannot be completed unless everyone contributes or when much cross-organizational collaboration is needed to create value. Dependencies also arise when most work activities are affected by the activities of people outside the team or function. In open systems, it is important to consider which exchange spaces should be allowed influence and actively uncouple ties that do not promote value creation. The leader needs to consider how many people in the customer organization should be allowed direct access to people in the leader's operation. Allowing complete openness can involve too many exchange spaces creating a high non-value-creating interdependence.

🔖 **DEFINITION: INTERDEPENDENCE**

The number and intensity of dependencies across jobs, functions, or boundaries requiring coordination or alignment.

Interdependence comes from coupling between work activities and task inflow/outflow exchanges. The coupling can be created or can emerge in goal overlaps where departments or team members must rely on each other for goal fulfillment. It can stem from resource dependencies when multiple parties draw on the same resources, which may be experts, money, or capacity. Coupling can be tight or loose; the tighter, the more coordination it entails. Principles like just-in-time delivery in a value chain depend on the tight coupling to ensure the timing. In other systems, slack is built in, resulting in looser coupling and less coordination needed. The starting point is to understand the interdependencies in the core operation and workflows running in and out of the leadership context. Following the workflows allows us to recognize three levels of interdependence. See figure 48.
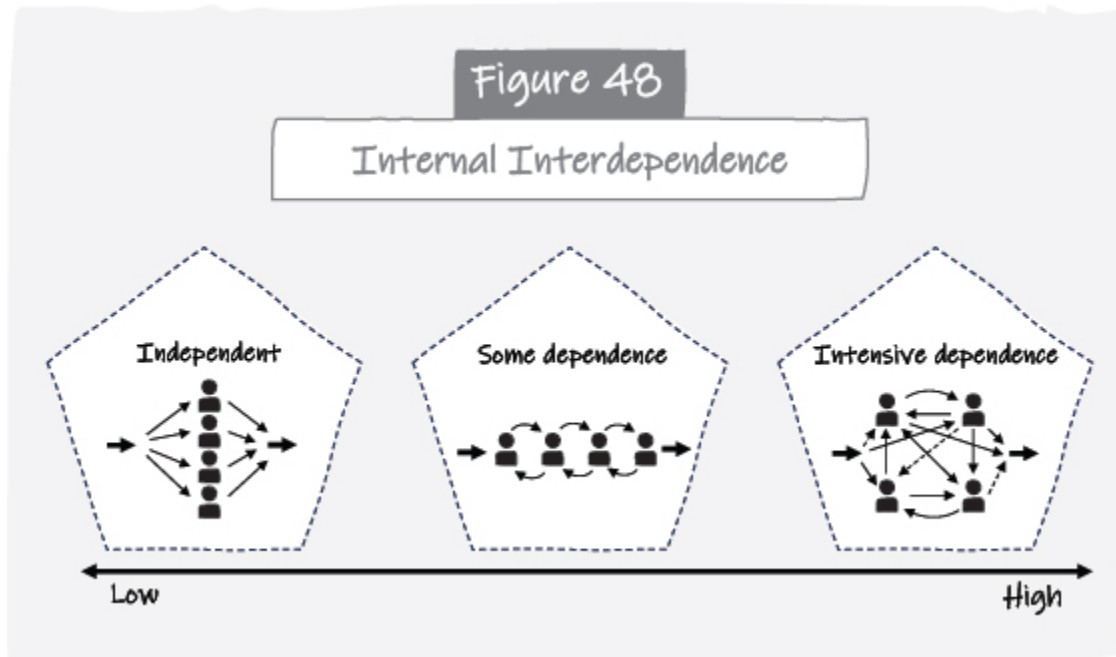
Source: Data from Noerby (2021, 2023).

Independent work is where members or units deliver their contribution through independent activities. Each team does not have to coordinate with anyone outside the team to plan, organize, and do their work. As an example, the stores in a retail chain operate as independent units of the same organization.

There is some dependence with processes that moves step-by-step and unidirectionally from one member or unit to the next. Coordination can often be handled effectively by setting up standards for passing tasks, information, projects, or parts on to the next step in the workflow. It can also be two-way interactions where work and activities flow back and forth between members or units. The need for setting the context up to support performance increases since coordination, communication, task interpretation, problem-solving, and decision-making influence both sides of interdependence. As an example, many manufacturing companies operate with some dependencies in their supply chain.

Intensive interdependence is the highest level, where members or units must work and collaborate in close, continuous coordination to accomplish their goals. This type of interdependence relates to high internal complexity with much overlap and interlock between processes, procedures, and routines. Experimentation, discovery, innovation, and wicked problem-solving drive intensive interdependence. It involves co-locating people to enable the

unpredictable needs for continuous coordination, cocreation, and recurring interpretation during the discovery learning processes. As examples, organizing a large-scale concert or building a food processing factory comes with intensive interdependencies in the planning phases.

These levels of interdependence apply to the core operation of producing goods and delivering services—running the business. They also apply to strategic initiatives and other projects that move the business from one steady state to another. Interdependence should by nature be considered along with internal complexity because it can add to the dependencies as put very precisely here by Dr. Candice Chow, an expert in strategic leadership:

66 Interdependence increases complexity. Complexity increases interdependence.

Dr. Candice Chow, Assistant Professor of Strategic Management at DeGroote School of Business, McMaster University, Canada

Understanding interdependence involves understanding the value creation and risk mitigation in processes triggering interdependence. It also involves considering if decision-making, information processing, resource utilization, or coordination could benefit from more or less coupling to support yielding even more value. Based hereon, the exchange spaces should be tailored to best support value creation and risk mitigation.

What Are the Effects of Interdependence in the Leadership Context?

Intensive interdependence results in an increased capacity to handle complexity because people become proficient in the exchange processes. The information processing capacity increases because the team builds cohesion and shared language and gets accustomed to thinking together. When such effective exchange spaces are developed, the collaboration culture strengthens as a core component for effective learning, supporting innovation, change, and efficiency intentions. You get more effective playmaking because people become used to collaborating across the organization—it becomes natural to reach out and access other functions and people.

Tight coupling in operations where things are precisely and timely coordinated drives efficiency, stability, and task performance. When our SOPs in the different departments fit well together and there are precise coordination mechanisms such as deadlines, quality thresholds, agreed-upon measurement points with related contingent reactions, or well-disciplined updating of shared information systems, it results in high functional performance. It gives better resource utilization because no time or effort is spent when well-functioning processes run as clockwork. The drawback of high interdependence in a value chain, perhaps even spanning several sub-suppliers, is that the ripple effects of delays or resource scarcity in one part of the chain impact the entire chain. This is why understanding and building adequate slack is a way of reducing interdependence to mitigate risk.

The pursuit of efficiency and high sequential or two-way interdependence built into the system can hinder adaptability and coping with change because everything is tied together. This is why it is relevant to consider uncoupling a team or a function from the running operation if you pursue innovation. Reducing operational interdependence allows them to experiment without fitting into the established functional and corporate processes. On the other hand, it is imperative to create exchange spaces focused on continuous improvement to secure learning transfer across the business. Such exchange spaces include coordination in the daily team board meetings and learning in project evaluations when passing gates. Another example is the Gemba walks used in lean management, where observing the actual work processes to learn from best practices and identify opportunities for improvement represents a well-established form of learning spaces. Intensive interdependence, where multiple functions are brought together in innovation processes, promotes divergent thinking and idea generation. Compared to high operational interdependence, it demands different leadership facilitation moving toward opening behaviors. The interdependence must be created with innovation goals. Shared practices must be developed without the evident coordination and collaboration needs triggered by running operations that need coordination.

Being involved in meaningful exchanges about decisions, coordination, and learning has significant positive motivational effects. It fuels meaning and influence. It allows using your skills in collaboration with others—supporting the experience of mastery. The influence on these three engagement and empowerment drivers translates into improved communication and transfer of tacit knowledge, resulting in higher performance.

On the other hand, interdependence can lead to overload due to coordination demands and an experience of limited autonomy. When everyone has a say, decisions are changed in unpredictable ways, there is a lot of company politics, or everything is postponed due to dependencies, interdependence negatively impacts ownership and initiative. It becomes a stress driver and can result in complacency due to giving up on taking charge. Doing things better or differently takes too much emotional energy and practical effort.

Contextual Leadership and Interdependence

A process mindset and clear focus on value creation, risk prevention and mitigation, or any of the other six key process features should guide the work with interdependence. Interdependence can negatively influence performance by creating uncertainty and delays from waiting or spurring misunderstandings due to information overload. It increases the likelihood of conflicts because more people are in the mix, and it especially complicates governance about who decides what, who needs to be involved, and when. High interdependence raises the leadership demands for managing conflicts and balancing competing priorities. It emphasizes the importance of building purpose and direction to establish aligned perceptions of priorities that convert into resource allocation and choice of activities. Cultivating the focus and ambition culture empowers the organization to assume responsibility for navigating the competing priorities often inherent in high interdependence. Focus allows more energy for task performance, so interdependence must be driven by clear value creation or risk mitigation. The leader should make organizational life as simple as possible with only the necessary coordination for running the business and deliberate choices about the exchange spaces for implementation and learning.

Besides matching the requirements from the task workflows, the leader should consider how interdependence can be used as a performance driver. The more knowledge exchange, creativity, and innovation you want, the more critical it becomes to create exchange spaces with intensive interdependence driven by explicit learning and innovation goals. That happens when leaders bring people from across the organization together to learn about a specific topic, problem, or opportunity. Succeeding with cross-organizational learning requires pinpointing the obligations that make people depend on each other since exchanging experiences without mutual obligations rarely results in sustained performance improvements. Cross-organizational initiatives aiming

to create value through exchanging experiences should come with specific desired outcomes. It requires orchestrated preparation so everyone can contribute. It demands commitments to take action from the meetings. As an example, you can commit the warehouse managers across five sites to deliver a reduction of the total operating costs for the five sites by establishing a warehouse manager forum. This will drive experience exchange and the development of novel solutions. It will commit the managers to work together to optimize the total sum of operating costs rather than focusing on their individual sites. Decreasing or increasing interdependence is linked to the broader organizational structure. It can sometimes only be changed by escalating decisions to the company process owners or those in charge of the organizational design. The leader needs to consider these interdependencies when considering interdependence.

Interdependence highlights that contextual leadership involves leading those other than direct followers, including other leaders. It includes upward and cross-organizational influence toward leaders up the hierarchy, decision-makers, resource owners, and policymakers in other parts of the company. The interdependence with the external environment should make the leader consider monitoring and scanning the external environment and representing the organization to the outside world. Which exchange spaces with external parties are necessary to secure and drive value creation? These may be suppliers, technology partners, governmental agencies, or customers.

The leader should identify the interdependent part of the value creation in the processes crossing boundaries. The leaders or employees on each side of the boundary should establish a shared understanding of their exchange space. The leaders on both sides should identify and communicate the value created through the exchange to motivate the information and coordination efforts. They should make people meet frequently and set up the exchange format, for example, meeting agendas, agreed-upon processes, decision gates, information roles, and deadlines. Boundary-spanning relationships not forced by operational coordination requires boundary-spanning leader coalitions and networking. Leading peers is a mutual exchange process that demands time and effort. In many instances, it works well with assigning end-to-end process-responsible employees. The process-responsible employees should be mandated to optimize along the process spanning the boundaries, and such process ownership can be shared by employees on each side of a boundary, as well as with external parties. Many organizations insist on having leaders as process-responsible to ensure that the focus is on business outcomes rather than risking that well-meaning specialists overengineer processes in good faith.

In any instance, facilitating interdependence to drive business results is a leadership responsibility, as noted here by Dorthe Rønnau. She drives the people agenda in a global organization where global operations and the global business support functions deliver across the five strategic business areas, resulting in high requirements for collaboration and alignment.

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66 I see the leader as a boundary facilitator/ manager ''connecting the dots.'' This is a key role in facilitating that interdependence does not end up as roadblocks or excuses for individual performance problems.

Dorthe Rønnau, Senior Vice President, People & Culture at Coloplast, Denmark

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There are a lot of good reasons to emphasize active leadership when it comes to interdependence. When interdependent parties have competing goals or an unequal amount of "skin in the game" in the coupling, the conflict risk should be mitigated through leadership. This is about aligning goals, resource priorities, and processes with leader peers. It involves building a cross-boundary collaboration culture and making horizontal teamwork function well, yielding high performance. Establishing shared goals where success is a mutual obligation creates an interdependence that triggers coordination—especially if rewards depend on it. Facilitating strong coupling in interdependent exchanges leads to more qualified, better-coordinated solutions. The leader should act as a boundary spanner paving the way and handling disruptions.

"Breaking down silos" between departments in larger organizations is vital to ensure seamless cross-organizational collaboration, making coordination and problem-solving fast and effective. A vital element to success is recognizing the appropriate coordination mechanisms matching the value creation in the interdependence and uncoupling the rest. It involves actively facilitating exchanges, establishing transparent processes, and securing effective handovers. It includes clarifying the collaboration commitments on both sides of the boundaries, aligning goals and priorities, and facilitating trust building between the key people on both sides. When aiming to decrease interdependence, the leader should be cognizant of reasons outside their

leadership context warranting interdependence and avoid sub-optimizing in pursuit of less interdependence. There is an effort-outcome dilemma here because often interdependence requires that someone has to do something that demands effort but yields results in another part of the organization. Sensemaking and motivation around this disparity between effort and no apparent benefit is a critical leadership task.

You can promote performance through decision-interdependence by establishing governance that obligates people to involve the relevant parties in decision-making. We know that joint decision-making supersedes the quality of individual decision-making. Hence, at least two people should make decisions in high-value or high-risk areas if time allows. One widely used practice is the four-eyes principle, where certain decisions must be approved by an assigned peer or another function in the organization. A variation is the grandfather principle, where the immediate manager must sign off on particular decisions. Some organizations have secured such decision-interdependence by implementing matrix structures to optimize decision quality, value focus, and coordination. Such structures demand a well-developed shared leadership mindset among the leaders, as remarked here by Tom Higgins. He speaks from his experience at dentsu, a brand agency that develops brands across 146 markets by teaming up and integrating the services from own and partner marketing agencies across the globe.

❝ Operating in global matrix organizations and the related stakeholder management is in itself a critical leadership competence. Leaders need to lead and collaborate differently to get the value from the matrix interdependence.

Tom Higgins, MBA, Chief Operating Officer EMEA at dentsu international, United Kingdom

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The leaders must get used to deciding together rather than relying on the organizational chart to stipulate who has the mandate to decide over the other. Matrix structures are moving away from dotted lines toward shared decision-making because herein lies the value related to the six key process features. Professor Laura Leduc, an expert in how personality and motivation influence

work behavior, joins in to highlight that making interdependence work is about structures, but, equally important, about culture:

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66 A leader can increase or decrease interdependence within the limitations given by the context. However, there are often limitations created by habits and norms. If you want to increase interdependence, you have to change the culture simultaneously, which can be difficult.

Laura Leduc, PhD, Professor at James Madison University, USA

Purposefully orchestrated interdependence promotes stronger solutions for clients because of better leveraging internal experience by setting a dependency that specific job holders must review particular case types. You can drive better resource utilization through resource dependency when committing different departments to the same resource pool and orchestrating joint prioritization of what provides the company with the best return on investment. This interdependence reduces sand-bagging budgets in different departments, hoarding resources, and suboptimization.

The leader can increase interdependence by forcing collaboration to decrease organizational vulnerability. The forced collaboration can increase organizational flexibility by spreading competencies and process knowledge, such as by organizing the sharing of best practices, cocreating solutions, rotating staff, or sharing goals. Over time, this form of facilitated interdependence can reduce organizational interdependence. This is why job rotation and internal career development are important long-term strategies for building the ability to match high external complexity. The high level of relational coupling built through the rotations makes it easier for the organization to solve complex problems. People know whom to approach across the organization, and they have built a holistic understanding contributing to handling external complexity. Any other relevant reasons for facilitating collaboration between functions also help develop the relational coupling. This increases the organizational problem-solving capacity through higher connectedness.

Another part of the awareness is learning how differences in expertise, functional background, education, and experience complement each other. Building that awareness in a team increases the capacity for handling high external complexity and dynamism.

Uncoupling matters and framing decisions by taking interdependencies out of the processes can build organizational agility. It is always a leadership task to make things simple. Especially when facing external dynamism, uncoupling to reduce dependencies becomes essential. One approach is shifting from synchronic coordination in meetings to asynchronous coordination, where people report into a shared system and seek out coordination information when needed. Taking timing out of the equation by allowing people to act on forecasts, projections, or standard decision rules rather than wait for verified information removes interdependencies. It drives up performance if the risk intensity allows imprecision in the decision-making. Suppose the consequences of allowing teams and functions to operate independently with some variations are low. In that case, uncoupling will benefit empowerment and organizational agility. Combining freedom to operate for smaller units with clear boundaries that cannot be trespassed allows agile, empowered action with the necessary coordination. This is a fundamental principle in the military battlefield, where units operate freely within their boundaries but never cross into another unit's area of operation without prior coordination.

RESOURCE CONSTRAINTS

Most leaders operate in an environment with at least some resource constraints like limited budget, staff, time, and equipment availability. Resource constraints are an operating condition, as stressed here by Caroline van Nieuwkerk, who has held senior HR roles in six different organizations over her career.

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❝ Resource constraints will always be there. The constraints can be managed by making deliberate choices of the most critical focus areas and deciding what not to do. Deselecting is a vital leadership discipline. If a leader fails in this area, employees will experience stress and perform less well.

Caroline van Nieuwkerk, Executive Board Member HR and Sustainability at Van Leeuwen Pipe and Tube Group, The Netherlands

Part of the leadership role is to analyze and justify resource requirements based on what is needed to deliver on organizational goals and intentions. There are resource boundaries that a leader needs to understand. The resource allocation process in some organizations or projects allows minimal options for the leader to reprioritize resources, such as in public organizations or tightly scoped projects. Resource constraints are evident when a lack of resources often constrains the department from making things happen. Even though it would be cheaper in the long run, budget restrictions mean that the leader cannot choose the optimal solution but must go with a temporary, less optimal solution. An example is when the right thing to do is to replace equipment, but because the investment is not in the current year's budget, the organization must make do with repairs funded from the maintenance budget. From a total value-creation perspective, this might be a suboptimal solution due to the many production stops on the old machine. Still, the resource constraint is non-addressable for the leader and must be considered an operating condition for a period.

When resources are scarce and the team seldom has the resources necessary to operate optimally, it constrains performance and leadership. When things that should be done must be postponed, making the tradeoffs of where to put the available resources becomes central to effective leadership. This includes both the currently available resources and those the leader could free up through optimization or prioritization. Knowing which resources can be freed up and reallocated through hard leadership choices is integral to securing organizational performance and engagement. Such leadership choices demand attention to what resources are addressable and non-addressable. Firstly, and most easy to reallocate, is unabsorbed slack, free resources that can be deployed without first being pulled out of other commitments. For example, when a leader chooses whether the marketing campaign or employing one more sales representative should be prioritized from a budget, he has the mandate to allocate freely.

On the other side, there is addressable but absorbed slack. These resources are dedicated to activities already but can be freed up and put to other use. Examples are moving people and accepting that their tasks are deprioritized to find resources for other tasks that are more business critical. It is lowering the standards in processes to free up time that can be reallocated or to stop

activities in order to spend the rest of the budget on something that has become more critical.

Non-addressable absorbed slack refers to the dedicated resources that cannot be reallocated because doing so will impair core value creation or because the resources that can be freed up do not match the requirements of the activities that need added resources. Maybe you can free up one person, but that person's skills do not fit the area where you need more resources, so that resource is not helpful. Such instances highlight that considering resources always includes considering task types. Here, some low-complexity tasks could be moved out of the areas that need resources, freeing up more time for the specialized staff in the squeezed area.

🔖 **DEFINITION: RESOURCE CONSTRAINTS**

> The availability of resources to operate, innovate, or change, including resources that can reallocated through optimization or prioritization.

Besides the understanding of how addressable the accessible resource pool is to the leader, the resource acquisition process is also an integral part of the leadership context. In some settings, it is not easy to access resources beyond the allocated budget, and resources are rarely invested up front to develop performance. The leader's ability to negotiate demands and resources becomes important in such settings. For others, it is an inherent approach to fuel new initiatives with resources up front, even without a business case with a calculated return on investment. In these settings, obtaining resources for investing in pilot projects or exploring new opportunities is rarely a problem. As a leader, you can get approval to hire people with new skills dedicated to developing a new area or trying new methods by specifying the investment cost and the learning outcomes. Then, the learning will be used to determine the feasibility of the second stage, taking the new initiative to a business case with a return on investment.

What Are the Effects of Resource Constraints in the Leadership Context?

Whether the organization is emphasizing purpose, efficiency, innovation, or human capital as the most significant part of its strategy, resource allocation is at the heart of any strategy. It determines which activities are considered the core of value creation, which opportunities should be progressed the most, and which threats need the most mitigative attention. Insufficient resources

hinder performance. Allocating resources, followed by proficient application of the resources, powers performance. Resource allocation guides the organizational attention to which initiatives are deemed important by the company to create future performance and win in the marketplace. Specific resource allocation combined with clear performance ambitions motivates and focuses an organization, such as when we dedicate a team to win new key accounts or when we invest in a new customer relation management system, intending to increase our share of wallets by using customer information to offer more relevant products to each customer.

There are different effects depending on the level of resource constraints in the leadership context. Within the context, there can be areas with severe resource constraints along with other initiatives fueled by a lot of resources. It is often the picture that a leader needs to optimize and reduce absorbed slack in one part of the operation to free up resources for growth initiatives.

There are several hindering effects of scarce resources. Operating very lean with scarce resources makes freeing up time to innovate challenging. All your available time, effort, and resources are tied up in meeting performance demands. A sustained low level of resources will result in running fast to solve the tasks at hand with little energy to invest in learning together, documenting, and spreading best practices. This reduces the functional performance to executing, and raising ambitions will not get much attention. High pressure drives short-termism, and long-term planning will falter. If there are no opportunities for reprioritizing resources, it can lead to delays and bottlenecks. It can result in uneven workloads where people, departments, or equipment are working to the maximum of their capacity, and any increase in demand comes on top. Such severe resource constraints can lead to stress and burnout, for example, during a hiring freeze or staff reductions, because the team must handle the same amount of work with fewer people to make things happen. If the workload is too much over too long, it severely lowers engagement. That comes with a risk of less volunteering, initiative, and actively reaching out to coordinate with others. High workload over long periods makes people withdraw from active followership and lowers supporting and playmaking behaviors. Running with a low level of slack resources, absorbed or unabsorbed, can lead to repetitive reprioritization of efforts, meaning that strategic initiatives are postponed due to the pressure from running operations. Also, the lack of critical competencies or resources can directly impact productivity, meaning that the expected throughput cannot be met, nor can opportunities in the market be exploited. However, there are also helping effects of having to make do with scarce resources, as highlighted here by

Antonio Jimenez, drawing on his more than 25 years of experience as an executive and CFO in large organizations.

❝ Resource constraints force leaders and employees to be more creative and innovative in the way they maximize them. I think a leader in this context needs to heavily promote innovative behaviors within the organization to go the extra mile. I believe fat organizations tend to innovate less.

Antonio Jimenez, EMBA, Regional Chief Financial Officer Latin America at VML, USA

As the experience referred to here highlights, facing severe resource constraints can help spur innovation, driving entrepreneurial thinking and creativity to overcome challenges. The pressure ramps up adapting and learning because it is a necessity. It forces people to find creative solutions within the current resource constraints. It spurs a solution-oriented approach to making things happen. This pressure effect resulting in creative problem-solving most often occurs when finding solutions is necessary to avoid severe consequences like losing jobs, avoiding threats, or destroying significant value.

When facing moderate resource constraints, the resources are usually absorbed already. The leader needs to reprioritize and optimize parts of the operation to find resources if she wants to put resources behind developing people and the business. In a department where the balance between resources, workload, and performance demands is in place, several effects influence performance and engagement. It can drive risk aversion and resistance toward "rocking the boat" or jeopardizing the equilibrium. Raising ambition levels demands changing ways of working to free up resources for doing more. Some people prefer stability and are motivated by facing adequate demands. Change and innovation can seem daunting because the resources we should spend on these initiatives must be identified by optimizing current operations. From some people, we face the standard reaction that innovation or change is not doable because it would come on top of an already high workload. Especially for the critical resources or bottlenecks, whether those are persons, tools, or material, there might be an unwillingness to volunteer for reengineering to innovate. Another hindering effect when operating in

moderate resource constraints with mainly absorbed slack is a propensity to use an allocated budget to ensure the budget is reassigned. The attitude is that this is the best way to secure resources and avoid more severe constraints in the future. This practice increases resource constraints and makes it harder to innovate and change in an organization because reprioritization of the resources is met with arguments to maintain current states.

In a context with a resource surplus where unabsorbed resources can be invested proactively in people, equipment, learning, analysis, and other initiatives, it can naturally promote performance. It removes the dilemma of having to free up absorbed addressable resources through optimization. The freedom to regulate work pressure with resources helps almost all types of performance behavior. It creates better conditions for spending time on active followership, supporting, and playmaking behavior. It enables concentrating on learning and development. Planning and organizing become more effortless when there are fewer resource constraints.

However, fewer worries about resource availability sometimes lead to a lower sense of urgency and less drive to innovate, change, or optimize resources. The organization can turn complacent and more casual about how resources are used. The dedication and stretch disappear, making it more difficult to drive change and make things happen fast. Ownership, initiating and taking charge, raising ambitions, and pushing for transformation toward more optimal ways of working change its character. It becomes more driven by meaning, mastery, and influence that should be created through leadership behavior. The consequence of being slightly ineffective disappears and can make it difficult to build a strong discipline culture. The absence of the challenge of succeeding with constrained resources leads to less stretch and no urge to rethink the current state. In such settings, the focus and ambition culture driven by active leadership becomes imperative to offset complacency. In particular, building purpose and direction and measuring and managing performance are important to maintain stretch. See more about stretch in chapter 8, when we investigate the focus and ambition culture.

Contextual Leadership and Resource Constraints

Stretch is created through direction setting, prioritization, and building a strong focus and ambition culture, as emphasized here by Britt Meelby Jensen. She leads Ambu, the global 4,500-employee healthcare company with a comprehensive portfolio within endoscopy, anesthesia, and patient monitoring solutions:

> 66 Resource constraints should lead the leader and the employees to focus, prioritize, and align goals and efforts to ensure that time is spent on the most value-adding activities.

Britt Meelby Jensen, MBA, Chief Executive Officer at Ambu A/S, Denmark

As highlighted by Britt Meelby Jensen, it is a leadership task to actively constrain resources to help the organization focus on priorities, create a sense of urgency, and maximize resource utilization. So, rather than allocating resources up front, the team can be challenged to find solutions with the current resource constraints. The same applies when there is a need to free up 20% of the employees' time to enable change.

Relaxing the resource constraints should be step two after the people with the most insight into the tasks, the employees, have suggested reprioritization of tasks, releasing absorbed slack. In this way, the leader should actively use resource allocation to guide efforts toward continuous efficiency improvement or innovation and change initiatives. Rather than sustaining existing resource allocation and task prioritization, the leader should constantly consider what to scope down or stop to free up resources to be invested in activities promoting the organizational goals more, such as moving resources between serving existing customers and acquiring new customers, changing administrative procedures from weekly to monthly, and spending the resources better elsewhere. It must be a constant focus for the leaders, as emphasized here by Joe Manget, who speaks from more than 25 years of consulting experience with BCG and Bain & Co., followed by more than a decade as an executive:

> 66 A good leader should constantly reallocate the available resources amongst various business units and initiatives to promote optimal performance.

Joe Manget, Chair and Chief Executive Officer at Edgewood Health Network, Canada

An essential part of active resource allocation is assessing and scoping the incoming performance requirements, purposefully increasing resources on new priorities by decreasing resources elsewhere on that basis. Aligning and clarifying your mandate with your immediate manager about addressable and non-addressable resource constraints related to the task priorities is vital to forming a solid leadership foundation. See figure 49.

Figure 49

Constrain and Allocate Resources to Frame Focus

Solution Ambition

Identify critical packages and prioritize to match resources

Impose resource constraints to drive focus on the crucial value creation

Resource constraints: Time, Timing, Hours, Equipment, Expertise
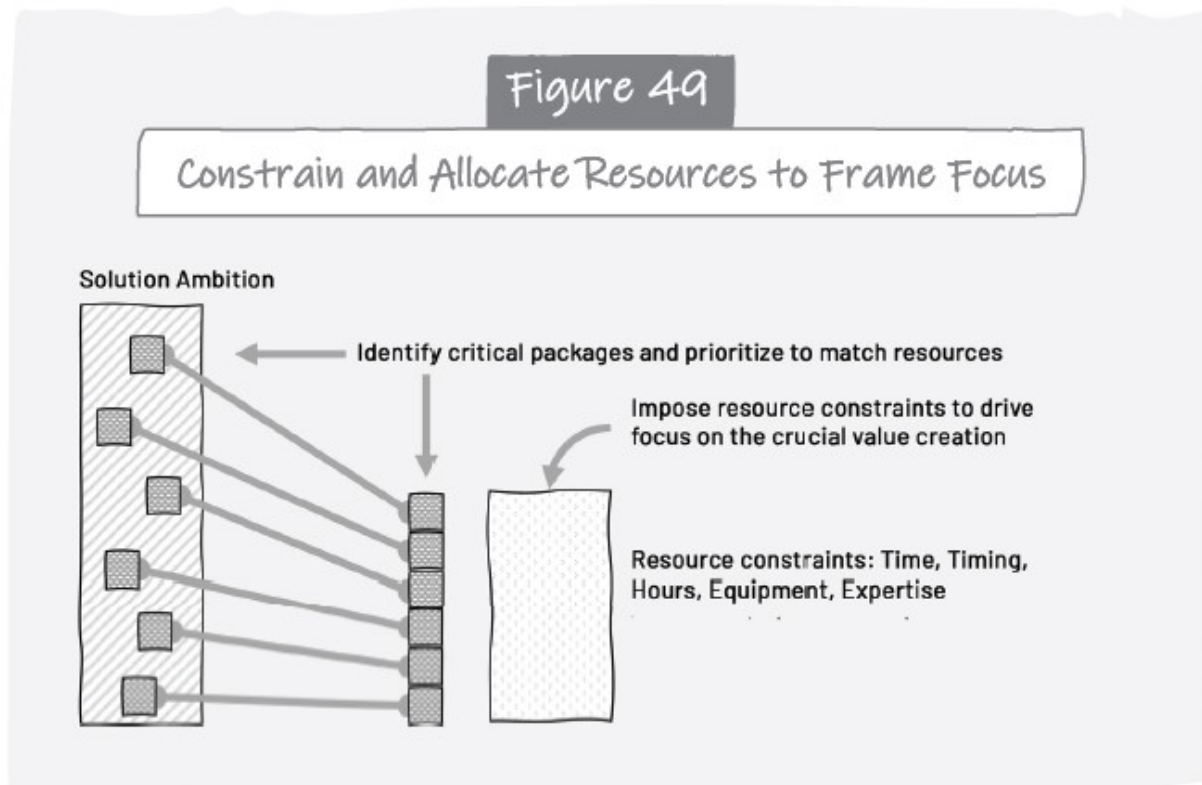
Source: Data from Noerby (2021).

A part of the discussion involves potential trade-offs. For example, external resource scarcity can limit the opportunities to increase a needed resource. When a leader has the budget to hire but cannot acquire the necessary talent in the market, you may need to consider resource tradeoffs. In this instance, that may mean reallocating the salary budget to training activities to compensate for the lack of accessible talent. Sometimes, such reallocation must be negotiated since the trade-off relates to different budgets. Building awareness of how resources can be shuffled is vital. Also, because most leaders are occasionally tasked with reducing resources, it is vital that you can prioritize based on understanding which resources you can affect directly, which you can influence through negotiation, and which are fixed.

A similar slack awareness should be built into your organization's focus and ambition culture. This promotes that the people suggest task priorities and resource allocations that will focus resources on the department priorities. The more severe the resource constraints, the more critical involvement becomes, as motivation and joint ownership are key when facing significant challenges with scarce resources. When reprioritizing resources, the leader should follow the strategy to ensure that competing resource constraints do not result in unintended suboptimal resource allocation or wrong scoping of the performance demands.

In some low-margin industries, such as in discount retail or during periods with poor performance, with scarce slack resources, a leader must be diligent in the cost follow-up. In other industries or periods of higher profitability, the leader can have more slack resources to allocate up front to drive projects. It is also the leader's task to align expectations with their manager within the given resource constraints to ensure performance and that organizational health is not threatened by excessive demands, work overload, or unrealistic targets. Besides reprioritizing, the leader can influence resource constraints by negotiating more resources or scoping performance requirements in the budgeting process or operational planning process, or develop cases for investments, projects, or transformations.

It is also a leadership task to optimize and free up resources to develop people and the business when there is no external pressure to do so. Refraining from doing so will make the organization lose its adaptability and increase its vulnerability to external dynamism. The leader should address resources to be freed up through process improvements and automation. She should be rotating tasks so everyone learns how to do the work, can cover for each other, and can stop outdated practices that are no longer needed. Challenging the status quo frees up absorbed slack. It makes it possible to front-load development by building stronger competencies or experimenting with new methods that a team can leverage to improve performance. Innovation is possible but demands hard choices, clear innovation targets, and good sensemaking from the leader.

The same mechanism applies to enabling change. It is a leadership task to address and free up absorbed slack to secure capacity for the change—a part of change leadership often overlooked in the first phases of change. Without finding resources to enable change or innovation, it is a huge challenge to succeed with either. It is vital to ambidextrous leadership to dedicate resources along with clear goals in each of the two disciplines, efficient operation or innovation and change. Ambidexterity requires emphasizing closing leadership,

such as setting detailed standards, focusing on deviations, and taking corrective and reinforcing actions to drive efficiency. At the same time, it requires more opening leadership, like challenging people to rethink assumptions about current operations, generate and explore new ideas, and experiment to drive innovation. Succeeding with innovation rests upon resource allocation and demands attention to differentiating the work modus in the two disciplines. However, making people who experience operational work pressure that is not manageable engage in innovation is very difficult unless their survival depends on it.

The more dynamic the external environment, the more critical it is to have unabsorbed resources at your disposal to enable fast responses. Dynamism comes with time pressure and unpredictability in the decision-making process and less time to initiate activities in response to external incidents. If, at the same time, the risk intensity is high, it reinforces the importance of accessible unabsorbed resources that can be deployed fast to mitigate threats and incidents in the external environment. This is why military plans almost always include holding back forces in reserve to allow rapid deployment when the plan meets reality. This relates to the need for decentralizing mandates and building an empowerment culture to mitigate high dynamism and risk intensity. These decentralized mandates must be backed by resources to take effect. The police must be able to mobilize and deploy additional officers in the case of riots. The sales vice president developing the market in a new country must have resources that can be allocated to developing bids for new potential key accounts when these opportunities are created in the sales work. The engineer leading the construction of a wind farm must have budget resources to pull in construction experts to resolve construction challenges. Resource allocation is central to effective leadership and organizational performance. The tighter the constraints, the more resource allocation needs to be led.

HIERARCHICAL PLACEMENT

The contextually effective leader must also understand the hierarchical leadership requirements placed on them and the leaders in the organization they lead. The position level of the leader in the organizational hierarchy influences leadership due to different organizational needs at each level. It is not so much about titles but about understanding the nature of the work and the requirements it puts on leadership, as noted here by Professor Bill

Pasmore, drawing on five decades of organizational behavior research and advisory experience.

❝ There are effective leadership styles at different hierarchical levels influencing what a leader should invest their energy in. Also, leaders need to grow their capacity to think, not just accumulate new skills as they rise.

Bill Pasmore, PhD, Professor of Practice at Columbia University and Senior Vice President at Center for Creative Leadership, USA

There are three levels of organizational responsibility—top, middle, and frontline. These three levels represent different organizational needs, and some large organizations have more positional levels spanning the differences in focus and influence than described here. The task is to understand the requirements of the different levels to ensure an effective leadership hierarchy. At the top level, executive leaders heading up business units or companies must focus on strategy and shaping structures and cultures. Executive positions involve strategy formulation and linking the external environment to the organizational setup to ensure the best requisite fit. It is long term, and decision-making is often ambiguous. For middle-level leaders, who have other leaders reporting to them, the focus is on making the operating model work and converting strategy into initiatives. For frontline leaders, who lead individual contributors, the demand is on leading people and tasks to ensure that the operations and new initiatives run the best possible. They supervise work and are directly involved in daily prioritization within a single team, function, or department. Their leadership is focused on near-term concrete decision-making to make things progress. Often, frontline leaders are still individual contributors while also having to understand each team member's work to lead. There is much team interaction, low ambiguity, and a short-term focus. There is a lot of guidance for the leader from the operational priorities, established processes, and ways of working. Much attention goes into addressing and solving problems disturbing the progress—paving the way.

🔖 **DEFINITION: HIERARCHICAL PLACEMENT**

Whether the leader's position is at the top, middle, or frontline of the organizational hierarchy.

Applying the same style and range of leadership when moving from one level to the next is likely to result in leadership failure. Being contextually effective related to the positional level means recognizing the demands of time horizons and boundary-spanning attention and the shift toward leading through leaders with clear directive strategic leadership. See figure 50 below.

Figure 50

Hierarchical Levels and Contextual Leadership Requirements

Focus Horizon: Long 3 - 10+ Years

Top: Executive or Business Unit Manager

Focus: Performance of a company, division, or independent business unit

Lead Organization: Link organization to the external environment, align vision about the future, set policy and strategic direction, create an organizational structure to deliver strategy, define company values underpinning organizational cultures to support strategy, secure capital resources, decide on strategy, and balance the focus between the four intentions: purpose, efficiency, innovation, and human capital.

Focus Horizon: Mid 2 - 3 Years

Middle: Manager or Functional Head

Focus: Performance of multiple functional units or a functional organization

Interpretation of Structure: Translate strategy and policies into operating plans, coordinate functional interaction, allocate resources, serve as "interpreter" of strategy throughout the organization, help employees cope with change, and align effort and structure to organizational intentions.

Focus Horizon: Short Weeks - 2 Years

Frontline: Supervisor, Team, or Frontline Leader

Performance of a small group or team within a single function

Execution Within the Structure: Assign tasks, execute operating plans, supervise and direct the day-to-day core work, anticipate and solve operational problems, distribute resources to individuals and teams, and align efforts to organizational intentions.

Source: Data from Noerby (2021).

Firstly, we should pay attention to the time horizon of direction setting at different levels. For all levels, the direction should be set by envisioning the desired end state and then backcasting the necessary actions. Backcasting or breaking down the means-end chain is about identifying desired outcome milestones and the actions most likely to deliver these outcomes. The backcasting process requires involvement for the most effective conversion to action. Setting the desired end state is a leadership task. It can be more of a direction for long-term objectives, acknowledging that strategy is setting priorities and direction rather than trying to predict an accurate picture of the future. At the operational level, the direction setting becomes more tangible with measurable targets and a focus on day-to-day priorities.

The middle-level leader must consider how to develop the organization to be in front of the curve in two to three years, and the top leader should look three to 10 years and beyond ahead—depending on the industry. At all levels, many decisions will concern relatively short time spans because they involve decisions nested within already made long-term decisions, so the horizons stated here pertain to decisions that incur changes. Also, in the medical industry, long term means something different than in retail, but moving up the hierarchy in both cases requires looking further ahead.

Understanding the time spans in focus requires recognizing the periods between action and its consequences. It is about understanding how reversible decisions are—how easily can you change things back to the way they were before the decision was made? Finally, it is about recognizing the pace of change for the area—will the technology being considered grow obsolete in a few years? A frontline leader in retail may be able to adjust the store layout in a matter of hours, while a middle manager deciding to hire five people with new skills to develop the business must consider a different horizon.

Understanding the required level of boundary-spanning attention is another essential part. At the top level, the leader leads across functions, geographies, and external parties. The number of cross-boundary interdependencies is more limited at the frontline leader level. This means that the strategic monitoring of the external environment to identify threats and opportunities is increasingly important when moving up in leadership levels.

The third understanding of level and focus is the indirect character of coordination at the higher levels of leadership. It is about making the organization coordinate effectively by shaping the context and goal alignment. The task is to build an organization that facilitates efficient operation and clarifies the desired leadership accountability for running the business. The leadership becomes intent-based to leave freedom to operate, which relies on

designing the organization for optimal performance. For the frontline leader, the coordination is direct and related to specific activities, interdependencies, and resources. All leaders will experience a mix of these demands in their roles. Still, they should strive to ensure that leaders at the different levels take care of their part and are not allowed to delegate upward. For many leaders growing up in an organization, there is a risk of keeping past responsibilities as they move up, resulting in unintended micromanagement. An essential part of empowering the organization is to ensure that the different leader roles assume responsibility for the mandates delegated so decisions and coordination take place at the lowest possible level.

What Are the Effects of Hierarchical Placement in the Leadership Context?

Frontline leaders can base their decision-making on firsthand insight, and they are often so close to the task that they can show the way with their behavior. Leaders at a higher level must rely on secondhand accounts and run a risk of not being told the ugly truth. That can be a risk to informed decision-making. It highlights the importance of developing practices for getting necessary frontline insight as a basis for decisions. The frontline leaders determine how organizational policies, rules, and guidelines convert to action. They are the primary interpreters and culture advocates setting the tone for how culture evolves. Since frontline leaders are often also individual contributors, they set professional standards for quality and work modus. They have a direct concrete influence through their example.

With higher placement usually comes more formal authority, making it easier to get things done because of the mandate to prioritize and reallocate resources. So formal power helps the position holder influence others. Still, formal power has the most impact in combination with a sufficient level of authentic leadership. The leader's authenticity is vital at all levels but for different reasons. At the frontline, the quality of the relations between the leader and the followers and leading by example matter most. The personal relation to the immediate reports remains crucial at the higher levels. Still, the influence shifts toward leading through intent. Also, the impact of positive and negative role modeling changes at the hierarchical level. The higher the position, the more exposed to the interpretation of actions and decisions viewed from the distance the leader becomes. They step onto a stage, and many people not directly involved in the interpretation with the leader observe every move. The expectations of leaders at different levels are different. While

a frontline leader can be judged negatively by not leading the way through hands-on behavior, the higher-level leader can be viewed negatively by interfering too much in operational details.

The authority orientation among the followers influences the expectations of leaders at different positional levels. In some national cultures, acting per certain leader expectations related to different hierarchical levels is important. The leader should understand the value orientations among the people she leads and should match these by letting leaders at different levels act in accordance with the role expectations. Understanding these prototypical expectations of leadership discussed in chapter 9 is part of understanding how to be contextually effective at different hierarchical levels.

Contextual Leadership and Hierarchical Placement

Frontline leaders need to provide concrete answers in the flow of operations and the ongoing operation, projects, and initiatives. They should empower people in their jobs and develop skills so that people can make their own decisions. At the same time, there is often time pressure to make decisions, so directing and leading tasks and resource prioritization is a must. They exercise leadership through direct interpersonal influence, and it is imperative to build good relations. Monitoring workload, securing engagement, and preventing stress and overload through proactive prioritization is a crucial frontline leadership task. A key deliverable is involving people in planning and organizing work to develop strong self-directed functional performance and create overviews that allow the team to have operational awareness and help each other. This is why team boards and sessions discussing ongoing tasks daily and weekly is good practice in the frontline.

Building shared operational awareness is a performance driver. Inspecting work, providing feedback, discussing solutions, and deciding together are good frontline practices. Training and coaching to ensure skill development is important to optimize individual performance and to build flexibility so people can help each other across job roles. Understanding individual motivation and work-life conditions to ensure people thrive and have optimal working conditions is part of success behavior for frontline leaders. This involves creating optimal working conditions for individuals while also being able to implement unpopular decisions.

Another part of frontline leadership is sanctioning undesired behavior and motivating challenging or non-motivating requirements. This is about directing and controlling work in a good way without accepting deviations from critical

demands. It is about making the team take over that responsibility while monitoring it and ensuring that action is taken on deviations. It is about building acceptance and understanding of the operating conditions so the team focuses on spending the energy on progressing work.

For middle-level leaders, a large part of directive leadership is still related to influencing the running of operations and ongoing projects. At the same time, a leader leading leaders should refrain from deciding on matters belonging to the decision mandate of her leader reports. It is about clarifying which decisions you expect the leader levels to take without delegating them upward. This involves developing structures and establishing mandates to solve dilemmas, resource constraints, and prioritization at the lowest possible level. For middle-level leaders, the importance of both upward and downward influence increases. This level requires a focus on developing the operating methods to secure optimal performance and implementation of new initiatives. Establishing the standards for continuous improvement, quality assurance, and project management that should be exercised in the frontline is a middle-level leader's responsibility. A middle-level leader should establish structures that enable and focus performance and set up systems that support effective decision-making, information processing, resource allocation and coordination. It is about how expenses are managed, how costs are reduced, and how resources are put to best use and involves preparing and adjusting budgets.

Establishing structures that support performance is about ensuring that the recurring leadership team meetings at the different levels are coordinated and that the timing feeds naturally into each other. It is about ensuring that the weekly and monthly business review meetings at the lowest levels produce the information that is lifted into the higher-level management team meetings and that the status meetings on strategic projects and improvements at lower levels are timed and sequenced so the reinforcing and mitigating actions can be discussed in the quarterly senior leadership team meeting. Establishing and running this bottom-to-top meeting structure is the responsibility of middle management. Securing operational planning processes, quarterly forecasting, and yearly budgeting all depends on well-coordinated planning processes that feed into each other. This must be orchestrated in an organization, and structuring this is a crucial part of the middle-management role. It demands alignment across, up, and down.

Middle-level leaders assume an important role as interpreters of strategy and operational priorities. They should recognize which frontline information is so significant that it should reach the top leadership level and should sort

out the large quantities of necessary operational information exchanged at lower levels. The middle leadership level is vital in bringing functional, organizational, and customer insight into strategy formulation, deployment, and execution. Middle-level leaders are critical in making strategy come true because they convert strategic intent into priorities that push the strategic intention. Middle managers create goals that are operational enough to commit the organization. They are the ones who should verify priorities up the hierarchy as the strategy execution evolves. Top leadership is responsible for orchestrating the strategy formulation and deployment processes. At the same time, the middle level should drive the deployment to the execution part. That demands structuring the objective breakdown processes and the conversion into quarterly sprints with concrete milestones. Middle management builds the means-end chain that converts the budget into operational priorities and the strategy into execution plans. They establish the basis for follow-through by building and orchestrating the systems for measuring KPIs backed up by the meeting structure securing the information processing.

As boundary spanners, the middle managers align across functions with peers on matters concerning working conditions, celebrations, flexibility, and other people-related frames. Aligning the role modeling so that leaders across the organization "speak with one voice" and send the same signals becomes an integrated part of contextual leadership. That applies to verifying signals and communication up and down and aligning with same-level leadership peers. Building this alignment strength is crucial to the organization's trust in leadership, and coherent role modeling from leaders across the organization is an important contributor to shaping strong cultures. Leading a business unit or function involves aligning across boundaries and negotiating and compromising with others to change ways of working, timing, or resource prioritization. It also involves supporting initiatives from other parts of the organization and committing its organization to implementation. The leadership expands to leading across and up in addition to leading the leader's own organization. The middle manager must be able to handle conflicts of interest in the organization and constructively confront same-level peers or superiors when disagreeing with their decisions.

The external role increases, and the involvement in representing the company toward strategic customers, government, unions, and industry organizations increases. The political leadership task and communication practices toward the external environment to hone the company reputation become a priority for middle managers.

Being at the middle leadership level involves leading people and overseeing the work of others with deep subject matter expertise in areas where the leader does not hold the same level of technical or professional insight. The importance of asking questions, spurring critical thinking, and orchestrating decision input becomes a crucial discipline. The practice of identifying and framing the necessary insight by mobilizing the right people in the organization becomes a success factor. Integrating the functional perspectives in clarifying competing priorities and resource allocations across boundaries highlights the importance of forming and leading a leadership team. Middle managers exercise much of their influence indirectly through their leadership team. The leadership team must develop good practices for having productive discussions and act as a team, leading the business rather than representing each function. Building the team practices of discussing, deciding, committing to action, and keeping each other accountable is imperative for the middle manager.

The leadership team is the critical lever for the middle manager to influence the organization. Here, the middle manager clarifies the focus and priorities with her leader reports, ending in concrete commitments. The leadership team is where the priorities for shaping the culture are set, and the PIA Cycles flow into the organization only to return feedback for the leadership team to agree on how to push the desired culture further. In the leadership team, the strategy is interpreted as a basis for each leader to involve their organizations in interpretation. This cascades the conversion of strategy into initiatives through PIA Cycles, bringing the plans back to the leadership team for realignment across functions and units. Realizing strategy is not merely about communicating strategy. It is about resource allocation and involving the teams in interpreting the strategy and committing to action. It is bringing these commitments back to the leadership team and committing each other to the execution between the leaders in the leadership team. The same practices and anchoring in the leadership team apply to organizational change and transformation. Building shared ownership for operational performance, innovation, and change in the leadership team is a critical middle manager practice.

The leadership focus is transformational for middle managers focusing on developing people, structures, and cultures to set the organization up for performance. Developing people to secure future performance through talent development, rotation, succession planning, and strategic acquisition of competencies that enable business development is a key priority. Middle managers must focus on leadership quality and practice to fuel organizational

performance by securing people engagement, well-being, and talent retention. That fosters solid practices around employee development and career opportunities, retention and reward, and attraction and onboarding. For the middle manager, the Human Resource processes must be central to secure a return on human capital across the organization. These practices ensuring that leaders develop their people and maintain high levels of engagement should be built into the structures along with the operational focus.

At the top leadership level, the leaders should stay out of operational decisions but rather point to the decision expectations— which roles they expect to take such decisions. The further we go up in the organization, the more the leaders must focus on building the governance system and requiring that the clarity of roles and responsibilities across leadership levels takes care of matters. They must avoid falling into the trap of answering questions or deciding on things that should reside further down in the organization. Moving up the leadership levels involves more focus on the developments in the surrounding environment influencing the organization. Partnering with strategic customers, suppliers, researchers, politicians, and other stakeholders in the external environment becomes more important. The community representatives, regulators, authorities, and other industry players increase the importance of representing the company externally. The external representation important to middle-level leaders becomes even more crucial. The executives represent the organization to the shareholders, owners, the board, strategic partners, and politicians in government institutions. External representation also involves networking with other executives across industry and company boundaries to scout for business opportunities.

External monitoring and scanning for external pressures from the market, customer trends, or competition that require internal adaptation is a centerpiece at this level. The top-level leader must focus on recognizing how the shifts in dynamism, external complexity, risk intensity, and geographical footprint should influence the organizational intentions and strategy and considering how trends in the external environment and adjustments in strategy should translate into reshaping the company's structures, cultures, and people composition. Striking an optimal requisite response requires considering if and when internal changes would optimize competitiveness or reposition for future opportunities. Top-level leadership involves considering how the organizational structure should distribute mandates and secure the optimal balance between autonomy and alignment. It demands a systemic mindset considering how the elements in the leadership context come together to form and sustain an optimal performance arena in the company and

considering how the force field that maintains the organizational functioning must evolve to be fit for the future.

Moving up the organization involves higher importance of leading through intent, backed by transparent governance and increased empowerment. Leading through intent involves creating clarity about the direction and strategic objectives backed up by clear reasoning behind the choices. It is allocating resources and defining boundaries to provide freedom to operate but leaving the specifics up to the organization. Strategic leadership involves developing shared understandings about the strategic direction, principles for operating, and leadership approach in the senior leadership team. Out of that, it requires building organizational commitment and a shared understanding of the strategy. It involves visiting business units to discuss the strategy, holding frequent town halls where the executives speak to the broader organization, and hosting roadshows to bring the messages through. Strategic role modeling is about creating ownership, purpose, and pride in the organization through authentic engagement with people throughout the organization. It inspires and stimulates organizational enthusiasm. It is strategic transformational leadership where genuine sensemaking is the key driver. Winning hearts and minds is not about being a fantastic entertainer, but authentically speaking from deeply felt beliefs. The emphasis on combining clear intent with strong empowerment is reinforced for top leaders since most of their reports would be tenured leaders expecting freedom to operate. Top-level leadership further involves higher expectations from the reports to be involved in decision-making, as they might have several levels below them.

The importance of developing high-performing leadership teams increases as we go up the hierarchy because the level of strategic, long-term, more irreversible decision-making goes up. Problems, predictions, and situations become more complex, ill-defined, and uncertain. There are fewer simple coordination decisions. More interdependence. Less repeatability. More judgment calls based on forecasting future development. The complexity of the decisions at the top level often spans several functions and expertise areas, fostering joint decision-making in the executive leadership team. For strategy development, the decision processes start from a broad framing with input from several sources to expand the strategic solution space. It includes choices reaching far into the future to get ahead of the competition and follow or beat the curve of evolving trends. Thus, the effective leadership team mechanisms that are important for the middle leadership levels are even more important for the strategic leadership team. Foreseeing the effects of decisions at the top

level is also complex, emphasizing the importance of critical thinking and involvement in judgments, as many different perspectives are needed in decision-making. Top-level leaders make consequential decisions that significantly influence organizational functioning and company competitiveness. Entering new markets, expanding the company's offerings beyond what was done before, growing through acquisition, divesting business areas, or consolidating the production footprint to fewer units are just a few examples. This type of leadership work at the top requires more time to think and develop scenarios, to consider potential alternatives and judge their feasibility. Moving up the leadership ladder involves a shift from exercising leadership prompted by requests from people and operational issues requiring leader intervention to periods of thinking about complex decision-making.

As noted, the hierarchical placement differs from the other structural factors discussed in this chapter. Centralization, formalization, internal complexity, interdependence, and resource constraints interact with the cultures in the organization, which is the focus of the following chapter. As we will learn, cultures greatly influence how our structural choices eventually play out in the organization.

CHAPTER 8

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SHAPING WORKPLACE CULTURES

Workplace culture is a mesh of the organizational habits deliberately installed by the company and the habits emerging from the members' values and beliefs. Leaders build procedures, policies, rules, control systems, organizational structures, and many other means to attain their goals efficiently. These measures and how they are brought to life significantly influence the organizational culture, setting the tone for how things are done within the organization.

🔖 **DEFINITION: ORGANIZATIONAL CULTURE**

> The sum of subcultures operating in concert. The way we act around here. Our principles, beliefs, and habits that hinder or help performance and engagement.

Each national culture holds shared value orientations, which are naturally carried into the leadership context. The organizational culture may reflect or reject the national cultural values and norms depending on what is needed to run the business effectively. Conflicts between strong national cultural orientations and business demands may be problematic. An example is time orientation, where being part of an international supply chain often demands punctuality, while some national cultures consider timing less critical. In such cases, with operations spanning multiple countries in an interdependent supply chain, shaping cultures across the organization becomes critical. See chapter 9 on value orientations and how they influence organizational culture.

The organizational culture is influenced by historical events and significant people, such as founders, who set the tone and radiate priorities. Also, it is under the influence of significant employees who educate newcomers about how things work within the organization. Newcomers learn which rules and regulations to comply with and which are more open to interpretation—the stronger the culture, the less open to individual interpretation. They learn how discussions usually run, how much initiative we expect from each other, how

we treat customers, how diligent we are with the paperwork, and a range of other formal and informal behavioral norms. The storytelling and socialization in human interaction grow into collective programming of the mind that separates the cultures of different organizations. At the observable level, collective programming is the collection of accepted customs, behaviors, and habits. It is how people interact, approach one another, solve problems, and overcome dilemmas and conflict. At the underlying level, the collective programming concerns the shared values, perceptions of who we are, beliefs, interpretations of meaning, worldviews, and attitudes. The underlying level relates to the individual-held value orientations. Still, the beliefs that guide culture most are those that have been activated through social interaction. The individual has discovered that the significant players share these norms and fundamental principles, which should guide his behavior in the workplace. Symbols, stories, rituals, and traditions carry many of these shared beliefs. Culture always evolves when a group comes together around shared activities or a mission. Culture weaves the fabric of beliefs, which the organization's members use to interpret their experiences with customers, colleagues, and leaders. In turn, they choose their course of action, behavior style, and what they choose not to do.

Culture pressures people into accepting and following the norms that have emerged. It sets the boundaries for what is considered acceptable and unacceptable. The social dynamics maintain these norms and build social predictability by creating recognizable behavioral patterns. Still, such norms continuously drift in directions influenced by the individual beliefs of significant people in the organization. Culture is continuously reproduced, and this reproduction can and should be influenced by leadership. If leadership does not stay active in the continuous reproduction of culture, it can result in barriers to performance. Unattended culture drift can cement beliefs and behaviors that are no longer fit for purpose. Significant historical events can have cemented beliefs that are maintained despite changing circumstances. Such cultural barriers can rule out certain practices that limit the opportunities to develop performance. It can be that the culture excludes specific ways of working within the organization—"that's not our style" beliefs. It could be ruling out cold-calling customers, rejecting a particular technology, discarding outsourcing options, or not collaborating with external partners. It could be refraining from making decisions without an OK from a manager or upholding attitudes about which products to include in the portfolio. In this manner, culture can limit performance by sustaining once important, now outdated, principles. Culture guides how much leeway we have in following

rules, how diligent we are, how accountable we hold each other, and how directly we address conflicts. It guides how much ownership we assume, how much initiative we can take, our level of optimism, whether we have a can-do attitude, and a range of other beliefs, assumptions, and underlying principles that guide behavior.

Culture is a complex adaptive system, with many components constantly interacting fluidly, and it is hard to get your hands around. Culture is reproduced through repeated patterns that focused interventions can shape. Shaping culture is about focusing on particular parts of the system and changing these parts, such as how we act and talk about collaboration between departments. Or the way people participate in meetings—do they actively contribute to better decisions? Do they act out what they have agreed on in the meetings? By changing specific behaviors, we shape parts of the culture. Insisting on such focused change will surface attitudes pulling in opposite directions. Leaders can influence cultures through dialogue, involving, interpreting, and aligning how beliefs should translate into behavior. Culture can also be influenced by regulating behavior and explaining why behavioral standards change. It can be influenced by requiring and motivating people to act their way into a new understanding of how things are done within the organization.

Culture is hard to change, but doing so isn't entirely out of the leader's hands. The starting point for shaping organizational culture is to stop talking about the organizational culture and start talking about specific subcultures instead. Pinpointing the cultures related to specific parts of the organization's way of functioning or core processes allows the leadership team to shape cultures specifically to support the desired performance. Many authors talk about "the organizational culture," which often refers to what the global leadership study identified as the purpose culture. The purpose culture are the beliefs and behaviors related to the value creation central to the organization. For many organizations, this is their service culture centered around the guest experience, which permeates everything they do. Examples like Disneyland and Marriott Hotels are often used. Universities and other educational institutions have their culture centered around the student learning experience. Understanding the organization's purpose and focus is central to understanding the culture and how it influences organizational performance and well-being.

Similarly, a hospital, an oil rig, an airline, or a religious organization will have a purpose culture that is immensely important to understand. However, shaping culture is about identifying the three to four subcultures that act in

concert with the purpose culture; for example, the collaboration culture, the continuous learning culture, and the ethical culture. Doing so makes it possible to shape the culture through dedicated, focused leadership interventions—what we have already come to know as the PIA Cycles. Many practitioners talk about wanting a "performance culture" in their organization. Here, the same approach applies. Building a culture promoting performance is about identifying which cultures are most important to our organization and combining these into the relevant, tailored performance culture. There are differences between a performance culture in a government office and a supermarket chain. They might encompass some of the same cultural elements, voice, discipline, and continuous learning. At the same time, they differ on other cultural elements such as focus and ambition, safety, and ethical conduct.

Research into workplace culture and the global leadership study confirms this approach and identifies 12 cultures. Each culture is related to particular organizational attitudes, habits, ways of working, and organizational outcomes that are important to company performance. The study confirmed that if fit for purpose and strong, these cultures hold guiding effects, helping employees focus their efforts and make optimal decisions. Also, these cultures can help or hinder performance depending on the fitness to the organizational intentions and the strength of the culture. For example, the discipline culture captures our beliefs and behavioral patterns around meeting expectations, delivering on commitments, holding each other accountable, and diligently complying with standards. It could be vital for a leader to strengthen this culture to increase quality, improve delivery times, stop overspending on projects, or reduce the cost to serve.

Similarly, there are cultures centered around innovation, collaboration, empowerment, and eight other themes. See table 2 below for the overview.

Table 2

Culture Groups in the Cultures Layer

Organizational Intention	Subcultures
Purpose Focus	• Purpose Culture • Fairness Culture • Ethical Culture
Efficiency & Stability Focus	• Focus & Ambition Culture • Discipline Culture • Safety Culture
Innovation & Change Focus	• Continuous Learning Culture • Innovation Culture • Change Culture
Human Capital & Relations Focus	• Collaboration Culture • Empowerment Culture • Voice Culture

Source: Data from Noerby (2021, 2023).

These cultures are included in the leadership context due to their links to the organizational intentions and significant influence on organizational performance and well-being. A leadership team discussing and deciding to shape cultures should consider these links. They should identify the relations between the organizational beliefs and behavioral patterns on one side and the desired organizational outcomes on the other.

Effective contextual leadership requires that the leadership team understands the current culture, including the relations to the heritage, founder values, influential long-lasting members of the organization, and historically grounded principles. In addition, it requires active interventions to shape the most important cultures to promote the company's strategy and ambitions. It requires deliberate engagement from all leaders in developing culture codes and shaping the culture through PIA Cycles. Consider the groups of cultures identified in the global leadership context study as a menu that should inspire you to pinpoint which cultures are most important to sustain and shape.

Before investigating the subcultures, we will look at three crucial parts in the social dynamics playing into the emergence and shaping of culture: social identity, trust and relationship quality, and openness and common ground. With that offset, this chapter ends with insights into a foundation for successfully shaping culture—the culture code and how to apply it in the PIA Cycle to shape cultures. Hereafter, each of the cultures in table 2 above will be discussed.

SOCIAL DYNAMICS IN THE WORKPLACE AND SHAPING CULTURES

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66 Working in a strong and embedded culture can make it extremely difficult to shift the needle when the culture is no longer fit for purpose. It can be done but takes time, patience, and strong leadership skills.

Valerie Khan, Vice President of Human Resources at Jones DesLauriers Insurance, Canada

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As noted here by Valerie Khan, change is a long-term process that requires deliberate leadership interventions. Doing so builds on understanding the fundamental dynamics of how culture emerges and develops. We start this chapter with insights into the social dynamics creating culture. Understanding these social dynamics is essential for successfully shaping culture because it is the collective that carries the culture.

Social Identity

The collective beliefs that are the foundation of workplace culture emerge through social interaction. People speak about what is going on, their observations and what they mean, how leaders behave and what that means, and what is OK and not OK about how colleagues from other departments communicate and act. This builds shared implicit prototypes and helps align expectations to workplace behavior. This extends from the relationship quality

and leadership authenticity discussed in chapter 3. Also, people in the workplace speak about future events, problems that need to be addressed, or conflicts that need to be resolved. These discussions about past and future events align perceptions around what we should expect from each other and how we should interpret reality. Those expectations and interpretations can and should both be influenced through leadership. Leaders should clarify expectations and have people brief back their interpretations of what the expectations mean in practical terms to their behavior. It is vital for the leader to engage in interpretations of messages from top management, customer reactions, the cross-organizational ways of working, and the competing priorities inevitably present in any organization. It stresses the importance for the leader to build language because the way we talk about customers, deadlines, other departments, corporate rules, and so forth shapes our attitudes. The leader should influence the mental maps of who we are and how we see ourselves and should understand good conduct related to the many central themes in the different cultures—for example, taking ownership, working safely, and collaborating with other departments. Together, the shared mental maps that are constantly reinforced through the dialogues in a team result in the team's social identity.

In this sense, culture can be considered an organization's personality—but in opposition to a person's personality, culture can be shaped to become something else. The mental maps drive our categorization process. We put experiences into accepted boxes that are reconfirmed and can become self-fulfilling prophecies. So, if the culture has evolved in the wrong way, certain things may have ended up in an idiot box. Consider this example from a customer care department I worked with. They had ended up with a culture of considering that "customers ask stupid questions and waste our time on issues they could solve themselves if they only read the instructions." Or consider a manufacturing team I met that had developed a culture of "personal protection equipment is for sissies," resulting in unsafe working practices— which also carried over to the newcomers, who were socialized to follow the established counterproductive habits. The social identity of an organization or a team is the sum of beliefs, attitudes, and norms forming the team's fundamental shared understanding of who they are and what they stand for. Shaping culture involves reframing parts of this identity and facilitating the emergence of new beliefs and self-conceptions that replace the old ones. In this facilitation, the leader needs to engage in sensegiving, build a language that changes perceptions, focus on the future, and understand that changing

culture starts in the leadership team. These are the dynamics discussed in the following sections.

Engage in Sensegiving to Influence Sensemaking

To shape culture, the leader must assume responsibility for sensegiving in the three steps of the PIA Cycle. Firstly, the leader must clarify priorities and principles and make it explicit which culture the organization wants with a clear culture code. Secondly, the team must interpret the culture code together, facilitating shared and individual sensemaking to build the desired collective mental maps. This is the foundation for motivating people to commit to any principles. The involvement in interpretation is necessary for keeping people accountable for acting and speaking in the desired ways. Thirdly, the leader and team must return to the culture code repeatedly over time, which molds how the organization speaks about things and acts in line with the desired beliefs. Continued discussions and commitments about the best next steps toward the future focus are the alignment part of the PIA Cycle. Aligning happens through committed actions followed by sensegiving, where shared experiences and feedback are used to discuss the interpretations of what practices and behavior should be sustained, reinforced, or corrected…and why! Involving people is a key driver because agreement about what is OK and not and how policies, procedures, messages, and priorities should be understood and converted into behavior is at the heart of a strong culture. See figure 51.
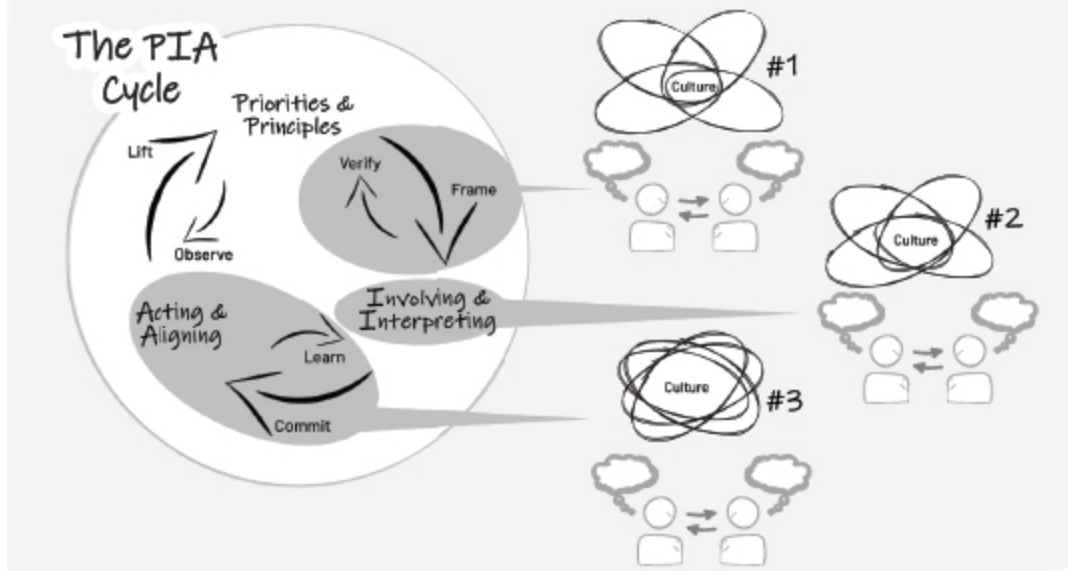
Source: Data from Noerby (2021, 2023).

The leader's engagement in sensegiving serves to ensure agreed-upon sensemaking, that everyone in the team buys into the common ground. The desired agreement has two parts: firstly, agreement about the perceptions of the *expectations* expressed in, for example, policies, procedures, rules, the culture code, or other codes of conduct. The stronger the alignment around expectations, the easier it becomes to assess how people act and speak in line with the norm. Secondly, agreement about which behavior is desired, what good looks like, what old behavior should be changed, and what behavior is not OK. The behavioral agreement needs to align with the agreement about what is expected, the norms. Otherwise, a strong behavioral agreement can sustain a wrong course, as in the example on safety behavior above. It is worth noting that sensemaking always takes place among people working together. So, poor leadership or suboptimization from people with much informal influence can lead culture in the wrong direction by developing norms that are not in line with the business intentions.

Language Plays an Important Role in Shaping Culture

Contextual leadership is about increasing the reflexivity in the teams about how to understand the requirements to beliefs and behaviors. It is developing cultural awareness—the ability to pay attention to what is going on and how that aligns with "the way we intend to do things around here." In increasing reflexivity and building cultural awareness, language assumes a central place in the influencing process.

It is about specifying a distinct language repeatedly used to address important beliefs, principles, and practices. This could be catchphrases expressing our beliefs and used, again and again, to interpret how we should act. Examples are "Safety first," "Think different," "Stronger together," or "We try harder." Such principles allow the leader to engage in a PIA Cycle to interpret how the team should act. Specifying this language involves choosing certain words we insist are used instead of previously used terms for the same thing. It reframes the understanding and triggers a need to explain the reasons behind our reframing many times during the period when people get used to the new words. This drives a repeated interpretation process, explaining what the new term means, why the term has been chosen, and what good behavior looks like.

An example is a retail company renaming its "headquarters" the "service office" to strengthen the frontline empowerment culture and increase customer satisfaction. This change was backed up by shaping other parts of the leadership context: decentralizing mandates, reducing the formalization, and changing the people composition in the service office. Another example is ISS, the global workplace experience and facility management company. They replaced the term "service employee" to call all frontline staff "Placemakers" to build a culture around the company's purpose, which is to create fantastic *places* for people to work.

The latter example highlights that redefining roles is a viable path to expressing priorities and principles that a team can use for joint interpretation of how they should act out their roles. This changes the focus and the understanding of the priorities in the job. The role approach makes it very tangible that expectations have changed and that the team must act differently. When an engineering company changed the role of their engineers from "technical experts" to "solution advisers," the change allowed them to vastly improve their behaviors and beliefs around the importance of excellent and understandable client communication. When an IT department changed the role of their IT supporters from "problem fixers" to "user educators," they brought down a range of reemerging IT user issues and raised user satisfaction significantly. The IT supporters started focusing on empowering the users to

operate the IT applications competently rather than fixing the problems themselves. In both cases, repeated PIA Cycles did the trick.

Focus on the Future When Shaping Culture

Language is value laden, and approaching the dialogue about beliefs and behaviors with a positive mindset is important. It works best to focus on specifying the desired future, pinpointing what you want to see more of and which behavior you need to reinforce. It future-frames the discussion and makes it easier for people to develop toward the new behavior. The principle is to introduce something that replaces the beliefs and behaviors you need to change. It triggers a need to explain the positive benefits of having new beliefs and assuming new behaviors. The future focus triggers a discussion about what you can commit to doing tomorrow as steps bringing you toward the desired beliefs and behaviors. Focusing on which behavior you need to stop or beliefs you find have become obsolete, or are wrong, will trigger a defense mechanism because people tend to engage in justifying past behavior. The risk is that this justification process can strengthen the old belief rather than install new beliefs and behaviors. Also, when shaping culture, do not fall into the pitfall of root cause analysis attempting to find *the one* reason for the current state. Culture is multifaceted, and there are rarely simple explanations as to why a culture is the way it is. To shape culture, it works much better to focus on where you want to go and why, supplemented with agreed-upon actions, so we can hold each other accountable.

Shaping Culture Starts in the Leadership Team

It is important to consider social identity—the understanding of who we are —as nested identities throughout the organization. Understanding who we are in a team is nested in understanding who we are as a department, which is nested in understanding who we are as a company. These dynamics are part of why it is so hard to change culture— everything hangs together. So, when it comes to shaping culture, the shared future-focused language and the process of converting it into beliefs and behaviors are two crucial sides. Strengthening or reshaping parts of culture should start with the leadership team running their own PIA Cycle. Hereafter, the leaders should engage the organization and bring back the interpretations for further discussions in the leadership team. This shaping dynamic should apply throughout the organization. These overlapping PIA Cycles where the evidence from the different group discussions flows up and down in the organization is the lifeblood of

reshaping the social identity of an organization. It breaks some of the tacit ties embedded in a given team's historically built belief systems by exposing them to rethinking in other parts of the organization. They cannot stay on their island, maintaining unfit behavioral patterns or attitudes, because these are surfaced in the leadership team, creating accountability for the leader to drive the change.

Especially when leading leaders, it is imperative to engage middle managers in the PIA Cycles, as they need to undergo the interpretation processes to install change. It is a classic pitfall to communicate from top management directly to the broader organization without securing that no leader is left off the hook. Deployment and communication are not the same. Changing an organization's behaviors and beliefs involves obligating all leaders into PIA Cycles with the leadership team they are members of and, hereafter, the leadership team they are heading up. See figure 52.
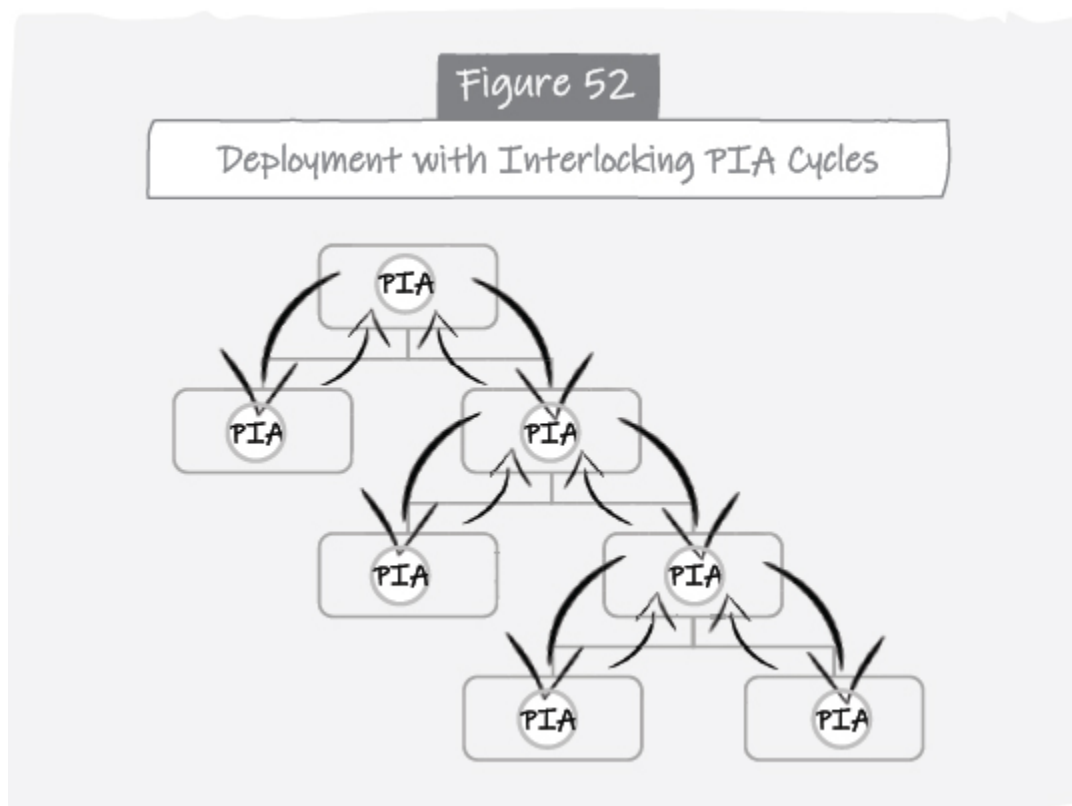
Source: Data from Noerby (2021).

This alignment up and down through interlocking PIA Cycles throughout the leadership system is a key mechanism in any shaping and alignment of the leadership context. These principles apply to any organizational change,

strategy deployment, or process change initiatives. The feedback loops with the interpretations from the underlying organizational layers flowing back up the leadership hierarchy is a key feature in organizational alignment. It surfaces the interpretations and verifies the feasibility of the priorities and principles put into the PIA Cycle. The benefits of alignment are vast. It frees up organizational capacity tied into competing priorities, conflicting processes, policies, and organizational habits—but it takes engagement from the leadership team.

CULTURE STRENGTH AND CULTURE CODES

A culture can be strong or weak. In a strong culture, there is a big overlap in shared beliefs. The shared norms are lived, and team members sanction, positively or negatively, each other to act within the behavioral norms. The strong culture maintains interpretations and attitudes, which permeate discussions, steer interpretations, and are used as fundaments in decision-making. You can hear it in the language where particular jargon, words, and sayings keep reemerging. The weaker culture has less overlap in the shared beliefs. People are fragmented in their viewpoints about what is going on, how incidents should be interpreted, and what principles should prevail in prioritization, dilemmas, and decision-making. The behavior is unaligned, and variations are not called out since the behavioral standards are fuzzy. A strong culture can help or hinder performance, depending on whether the principles maintained by the culture are fit for purpose and fit for future. See figure 53.

Figure 53

Culture Strength

Weak Culture   Stronger Culture   Strong Culture

Culture   Culture   Culture

Integration—Principles, Beliefs and Behavior Overlap—Culture Strength
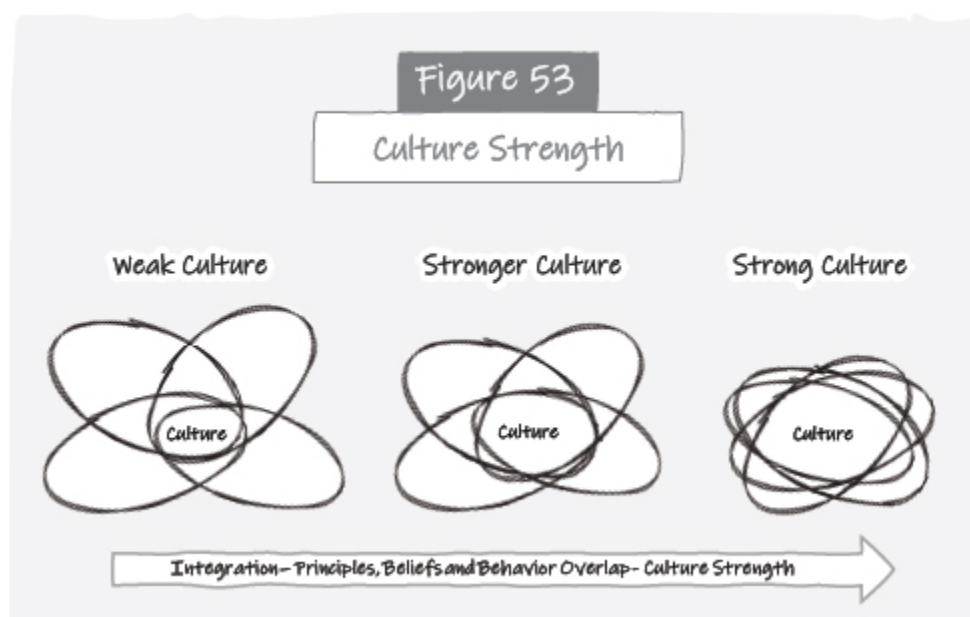
In that respect, the leader must uncover if the culture is central to performance and well-being, if it is fit for purpose and future, and then determine if the culture should be strengthened or shaped. This requires understanding which subcultures are most vital to realize the intentions and match the external environment. It involves considering which cultures should be shaped or strengthened to play in concert with the key processes for optimal performance and engagement. See figure 54.

Figure 54

Understand Which Subcultures to Strengthen

Value creation
Risk prevention and mitigation
Decision-making
Information-processing
Resource allocation and utilization
Coordination

Environment
Intentions
Process
Structures
Cultures
People

Purpose
Fairness
Ethical
Focus & Ambition
Discipline
Safety
Continuous Learning
Innovation
Change
Collaboration
Empowerment
Voice
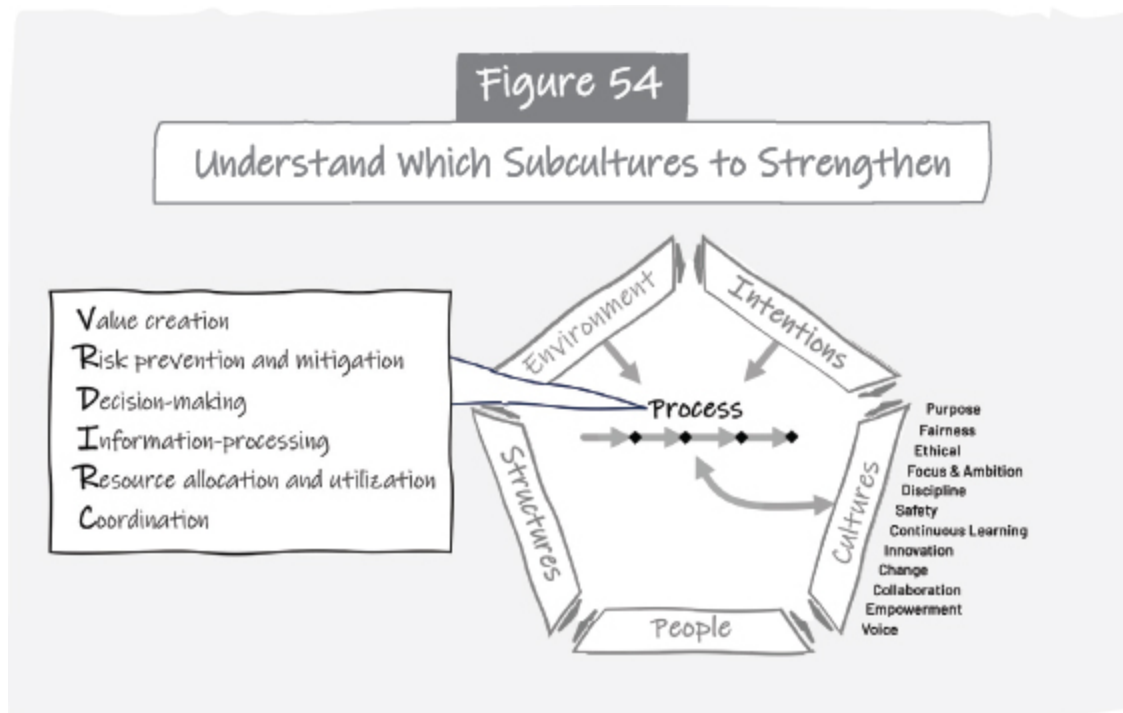
In continuation, ask which parts of the PIA Cycle should be leveraged to strengthen or shape the culture. For the subculture in focus, consider the following questions as a preparation for developing a strong cultural code as the next step.

Clarity of Priorities, Principles and Processes

- How clear are the priorities coming from the intentions, purpose, vision, strategy, and short-term plans?

- How clear are our operating principles, rules, procedures, and standards, and why do we have them?

- How mature are the processes related to the culture?

Sharedness of Interpretations

- What is the level of recent involvement in interpreting the priorities and principles?

- What is the level of agreement about the interpretations among the people in the leadership context?

Alignment

- How aligned are the priorities and principles—what is the level of competing priorities and misaligned policies, signals, and messages?

- How aligned is the behavior in our organization to the interpreted priorities and principles?

- How aligned is the behavior between the significant role models—leaders and tenured employees?

- How aligned are processes, structures, and culture?

A strong and fit-for-purpose culture promotes performance because it creates carrying waves enabling people to act with clarity and confidence. On the other hand, a weak, fragmented culture usually results in passivity, confusion, poor performance, and misaligned activities. For example, when a weak focus and ambition culture is combined with a weak discipline culture, it results in poor strategy execution and too many projects being started, delayed, off budget, and rarely meeting the initial specifications.

When a leadership team reviews the organizational performance, they should include the assessment of the cultures. They should uncover the current and coming business demands to the culture—that is, the priorities coming from the organizational intentions and the demands from the external environment, which need translation into principles in the leadership team. Do our strategy and the dynamism in the external market spur a need to strengthen our empowerment culture in the frontline to become more agile? Does an increase in quality complaints trigger a need for a stronger voice culture and a move in our continuous learning culture?

This initial framing in the leadership team is vital to secure the alignment between the organizational intentions and the cultures. Having this discussion in the leadership team aligns the interpretations. This alignment is essential in securing uniform role modeling among the leaders. In the process, the leadership team should develop a culture code that describes the desired target culture. A culture code is a simple one-pager used as a starting point in running PIA Cycles with teams throughout the organization. Documenting the culture code allows the leadership team members to make commitments to running PIA Cycles in each their part of the organization and bringing back the evidence. The evidence, in the form of feedback from the organization, allows the leadership team to keep each other accountable. The culture code approach is a focused approach to making culture development feasible—it is not a complete description of how the organization should behave. It pinpoints the few levers a leadership team decides to strengthen, and it obligates to action. See table 3 for an example of a culture code. The priorities and principles are the starting points, and the beliefs and behaviors to leave behind and do more of are the commitments created through the interpretation sessions.

TABLE 3. CULTURE CODE — HUBSPOT EXAMPLE

CULTURE CODE — PRIORITY

*We work to be **remarkably transparent***

PRINCIPLES

Everyone has open access to anyone in the company

Seek truth, face facts—no rose-colored glasses

Power is gained by sharing knowledge, not hoarding it

Debates should be won with better insights, not bigger job titles

We measure all things

Transparency is not democracy

Beliefs & Behaviors We Leave Behind	Beliefs & Behaviors We Want
[This field is left open to populate with commitments to changing habits, stopping certain practices, ways we talk about customers, or mindsets we want to develop.]	*[This field is left open for the commitments we develop through involvement—promises to assume new behavior, use other procedures, act differently, or change our language.]*

Source: Priority and Principles from culturecode.com

A part of developing a code in the leadership team is also to consider aligning rewards and sanctions. It is about identifying ways of removing reinforcements sustaining old behavior and replacing them with new ones promoting new ways of acting. It includes considering how to measure the progress on the desired organizational performance— the hard outcomes— and how to get some hard measures on the soft stuff, the behavior, the employee experience, or feedback from other departments. In the following sections, we cover the 12 cultures in the leadership context. They are all confirmed in extant research and the leadership context studies to significantly

influence leadership and work performance. In most leadership contexts, a limited number of cultures come together to create a core of the overall company culture.

CULTURES RELATED TO THE HUMAN CAPITAL AND RELATIONS QUALITY

Our discussion starts with the cultures related to the human capital intention. We start here because the collaboration, empowerment, and voice cultures aim at central elements influencing the nine other cultures. Any organization depends on their people. The leader must acquire and develop the right people to secure a solid performance foundation. This is at the heart of the intention to secure the human capital and relations quality. A well-working and thriving organization is the foundation for fulfilling the organizational intentions.

From this perspective, we can zoom in on team citizenship as a key desired outcome of leadership. It is the supporting behavior among colleagues and the playmaking behavior, which creates good relations and collaboration in the broader organization. The collaboration, empowerment, and voice cultures significantly influence team citizenship and, importantly, the engagement and empowerment drivers. Building a strong people base with high-quality relations influences autonomy, influence, and psychological safety—three of the six engagement and empowerment drivers. Also, the experience of work and life strains is positively influenced. Good relations at work and the feeling that you belong offset the negative experience of workload and competing demands. In concert, these three cultures create a strong foundation for the cultures related to purpose fulfillment, efficiency, and innovation. They are fundamental to any of the other cultures and influence all four types of work performance behavior. See figure 55.

Figure 55

The Impact of the Collaboration, Empowerment, and Voice Cultures
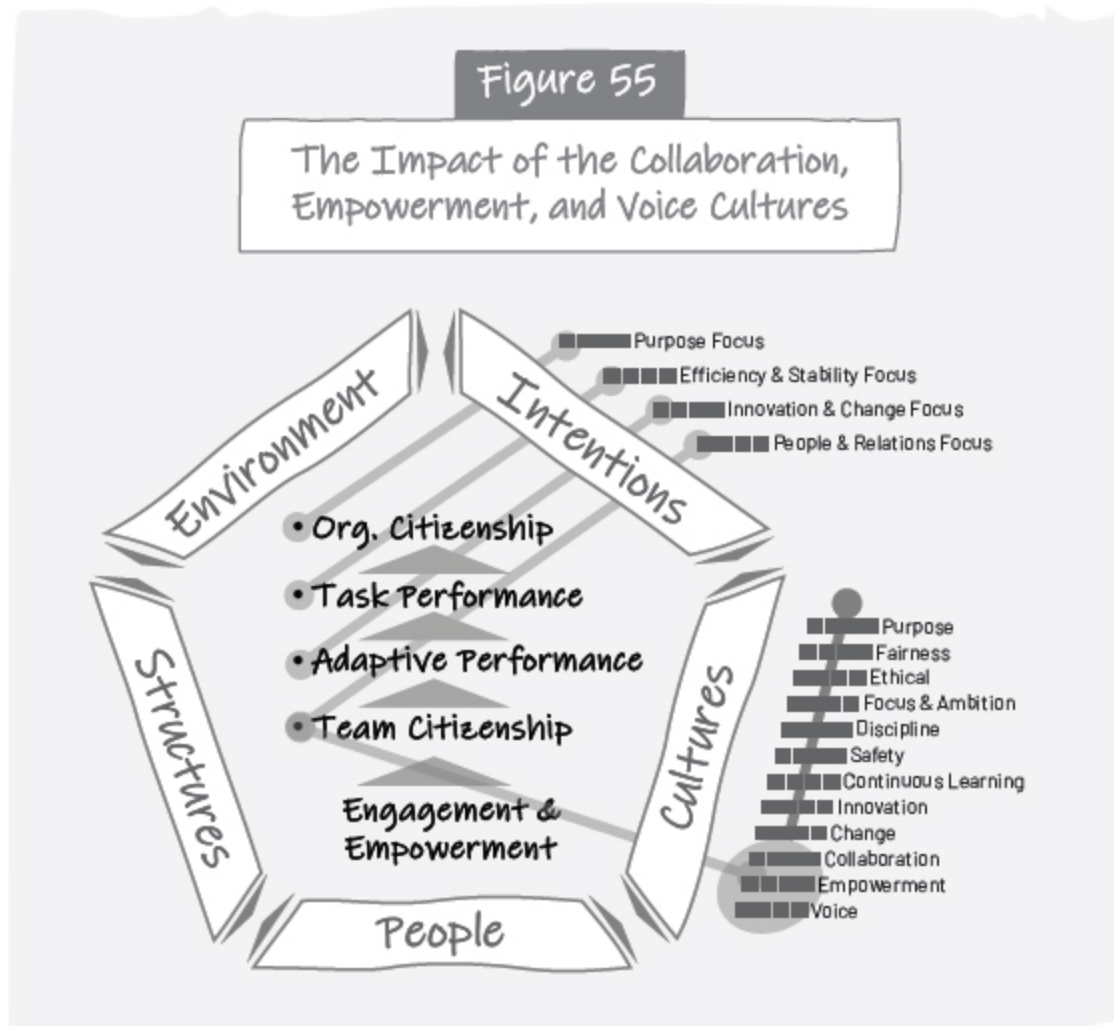
Source: Data from Noerby (2021, 2023).

Collaboration Culture

The collaboration culture sets the tone for the collaboration within each team and across organizational boundaries, functions, and business units. Even when collaborating with external partners, it pays off to shape the collaboration culture from the outset and hone it as your work evolves.

🔖 **DEFINITION: COLLABORATION CULTURE**

> The way we collaborate, act on shared principles, trust and include one another, embrace diversity, nurture good relations, help, and back each other up.

Recognizing the Strong Collaboration Culture

Four related sets of principles, beliefs, and behaviors contribute to a strong collaboration culture: cohesion, inclusion, liaison, and awareness.

Source: Data from Noerby (2021, 2023).

Cohesion is about the strength of the relations between people in the team or organization. It captures how much energy people invest in building and maintaining good relations. It involves the habits of doing something together, having lunch, getting to know each other, and ensuring small huddles, celebrations, and recognitions. It is when I take responsibility for building good relations with everyone in the team. We believe the well-being of our colleagues is essential, and we personally do things to make that come true. Cohesion is the willingness to help when people ask and offering your help if you can see someone is under pressure. We back each other up. It is about taking care of each other and newcomers. It is building an atmosphere where making mistakes is OK and opportunities for improvement are naturally discussed without anyone being ridiculed. We believe mistakes are learning opportunities. Cohesion is when I miss the others a bit when we are not together because it is joyful and rewarding to be with my colleagues.

Inclusion is when people actively draw each other into activities and dialogue and share what they believe could be of interest to one another. It is

asking people for their opinions and recognizing the value of different perspectives. It is the balance between inviting and including differences while ensuring we adhere to the necessary level of common principles. It is leeway and flexibility in the areas that are not vital to our value creation. We invite everyone to dance, not just to the party. It is making an effort to make everyone feel welcome, inviting everyone to contribute what they can without expectation or judgment of the differences in capacity, education, gender, age, abilities, or energy levels. It is meeting people with curiosity rather than rejection. We make an effort to communicate well.

Liaison is actively connecting with the relevant people outside our department or function. It is being accessible to others and inviting their requests, questions, and needs for insight. We focus on solving issues without blaming. It is when I make an effort to secure good handovers and think on behalf of the recipients. We believe that we should help foresee trouble for others outside our department. It is trusting that others do their job well and respecting their work without second-guessing their choices.

Related to liaising is **awareness** and understanding of how the task-related activities run. A foundation for effective collaboration is a joint operational awareness of how the company operates to deliver and the interdependencies to other functions and departments. Also, an awareness of how to collaborate and navigate the organization is key. This requires knowing whom to involve how and when—resulting in better coordination, faster outputs, and a system that can work smoothly. Together, operational and collaborative awareness are a foundation for liaising effectively.

Across the features of cohesion, inclusion, liaison, and awareness in a team, high-quality relations between team members and between the leader and each follower are a centerpiece. The quality of the relations has a significant positive influence on trust, motivation, cooperation, handling risk intensity, the level of initiative, and productivity, as succinctly put by here Dr. Donald Chick:

❝ Trust is a force multiplier in terms of productivity and collaboration.

Dr. Donald Chick, President & CEO at New Synergist Consulting, and Assistant Professor of Leadership & Management at Colorado Technical University, USA

When the high relationship quality acts in concert with a strong common ground, it results in cohesiveness. In turn, cohesiveness drives positive peer performance pressure and a higher propensity to participate actively in discussions and collaboration. High-quality relations heighten important behaviors in effective collaboration like offering help, suggesting better ways, learning from mistakes, and exchanging feedback and second opinions. The other way around, low-quality relations can result in withdrawal behavior and collaboration where people do not lean in and try to limit their engagement to avoid committing themselves. Bad relations and low belonging result in lower ownership for deliverables, not taking necessary actions due to fear of not being backed up, and, in many cases, higher staff turnover.

A lack of trust and weak operational and/or collaborative awareness threaten a healthy collaboration culture. This can result in internal competition, people who sub-optimize and create organizational silos, and an "us and them" attitude. Conversely, a strong collaboration culture with too much emphasis on including everyone in everything and reaching consensus is also not good. It hinders effective decision-making and performance. Together, these effects revolving around withdrawal versus participative behavior highlight that collaboration culture influences all the other cultures. It is a fundamental building block because promoting a strong culture relies on the interpersonal dynamic when involving people in the interpretation and alignment stages of the PIA Cycle. If the collaboration culture is strong, the exchanges will rest upon high-quality relations, allowing much more engagement from everyone in shaping the culture in focus.

Shaping the Collaboration Culture

The leader should uncover what type of collaboration she is aiming for. The priorities should be set by the organizational intentions and the desired work performance involved. For example, the priority could be to secure a high level of flexibility in the team so that people can cover for each other to handle workload peaks. This will set the principles for involving people in interpreting how to make that happen. These could be principles about securing all customer data into the shared systems to allow everyone to answer customer requests or principles around job rotation to build operational awareness and flexibility.

❝ Silo-thinking destroys collaboration and increases sub-optimization. It results in a lack of trust in the colleagues in the other departments, which is poison for any organization.

Lene Groth, Chief Human Resources Officer at STARK Group, Denmark

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As noted here by Lene Groth, there are apparent hindering effects if silos build in the organization. It should be a leadership priority to drive close collaboration between departments to be efficient in the planning and organizing, for example, between the maintenance team and the production or between sales and marketing. In such cases, the principles could concern when to involve each other, response times, or how to make decisions influencing the other party. The collaboration culture grows from the practices turning into habits, and it is the leader's job to clarify the priorities and set the principles.

Creating a strong collaboration culture includes involving the people who participate in the collaboration to discuss, understand, and commit to how we should act toward each other. It is the leader's responsibility to make sense of the demands, adding the why by explaining why there are principles like job rotation, joint decision-making, or a particular data discipline. It involves discussing and documenting the commitments to build shared understandings. It encompasses revisiting these when new people arrive, but also revisiting the collaboration performance regularly and not only when there is a problem.

During these revisits, the leader should engage people in identifying processes, procedures, standards, behaviors, tools, or other conditions that are not optimally supporting effective collaboration. This is about aligning behavior and context based on the experience built in the collaboration. It is celebrating good collaboration examples and reinforcing them, promoting good role models, and investigating what makes it work. It is a leader's obligation to positively reinforce what works and connect it to the intentions and reasons we emphasize this type of collaboration.

Besides running recurring PIA Cycles described above, the leader can promote a strong collaboration culture through daily leadership. When it concerns building trust, tolerance, high-quality relations, and belonging in the team, *how* the leader acts matters a lot. The leader needs to set direction, follow up, give feedback, and so forth—which is very much *what* a leader needs to do. However, it is very much the leadership style that influences the drivers behind

strong collaboration, trust, psychological safety, and psychological empowerment. This is why much cross-cultural leadership research is so focused on the style—the expectations of how leaders should act vary greatly across national cultures. It highlights why the leader needs to build sensitivity to the value orientations discussion in the chapter 9—because different value settings expect different leadership styles.

However, no matter the style expectation, there are two fundamental drivers of trust in a leader, which strongly promote the emergence of a strong collaboration culture: frequency and consistency in the way leadership is enacted. Building trust requires leadership routines that followers can rely on, such as having recurring meetings so that everyone knows that during those meetings, they have access to the leader and can get things clarified. Trust building is supported by following meeting standards, securing sustained focus on a known set of KPIs, and sustaining a planned rhythm in the management team meetings. It is also supported by setting standards for your own leadership behavior so the leadership responses become predictable for the organization. Examples are always getting back on phone calls, responding to emails within a workday, having the monthly town hall briefing, and sharing the newsletter every Friday. Essentially, a part of building trust is building routines that act as scaffolds for the organization to lean on. The frequency needs to be consistent. It is important to align expectations with the organization as to what they can expect and then adhere to it. For many leaders, it is not always possible to meet the organization's requests for presence and participation. In these instances, it becomes more critical to set a frequency and consistently adhere to these leadership standards.

In addition, consistency in making decisions is vital in building trust and psychological safety. This relates to the fairness culture, and there are clear findings that inconsistency triggers higher dissatisfaction than decisions you do not agree on or dislike, as long as they are consistent with what else is being decided. It is about acting as you say you will and communicating directly when asked. It is displaying that you live up to what is communicated with your behavior, not bending the rules that apply to everyone else. It is finding and clarifying your values as a leader and repeatedly referring back to these so people get used to clear and consistent leadership attitudes. For example, Eduardo, who leads a large production company, is known to adhere to his principle "Speak the ugly truth, and we will solve it together." This attitude is consistently converted into action where Eduardo insists on making everyone participate with suggestions and has them collaborate on the issue as a shared problem. The consistent principles underpinning your leadership should be

actively displayed and explained repeatedly. Clarity and predictability in what the leader "stands for" form the basis for organizational trust.

The emergence of a strong collaboration culture also depends on concrete initiatives relating to the liaison and awareness discussed above. The leader should develop task and activity awareness so that people can foresee how to collaborate best. This can be a challenge in a busy day to day, so the leader needs to set principles that make it a recurring part of the way the organization works, rather than infrequent experience-sharing events. Some leaders have successfully strengthened the collaboration culture by rotating tasks and having people participate in other departments' weekly meetings. Other options include letting peers sign off on each other's work rather than the leader or creating transparency so everyone can follow the progress in the same system. Both strengthen the collaboration culture.

Furthermore, the leader's role modeling in soliciting and supporting minority views in meetings, discussions, and problem-solving promotes a collaboration culture. Collaboration culture is also promoted by ensuring that diversity is appreciated and that inclusion is about gaining value from getting different perspectives rather than ridiculing different opinions. The leader needs to set the standard and not accept that tenured employees set another tone.

There are positive effects when a leader invites diverse perspectives, listens actively, and uses the input for deciding along with setting the inclusive tone to promote psychological safety. It results in people daring to call out misbehavior or performance issues, speak truth, investigate errors without blame, and experiment and innovate. As Professor Jay Brand explains here, it starts with role modeling from the leader:

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66 Leaders must model the importance of collaboration through their choice of consensus-based decision-making. Seek input on decisions that impact the members of their teams.

Jay Brand, PhD, Professor of Leadership & Organizational Studies, and Director of the Leadership PhD program, at School of Leadership, Andrews University, USA

In continuation, the common ground necessary for strong collaboration is built when a leader brings people together and establishes, interprets, and obligates mutual collaboration principles or ground rules. Involving the ones who are going to collaborate in deciding how and explaining why is vital for people to accept and invest the extra effort it can take when "having to collaborate." It is not always the case that the team or an individual sees the benefits of collaboration. This is particularly true regarding playmaking—reaching out, coordinating, and collaborating across organizational boundaries. Here, it can be challenging for an employee to see the immediate and individual benefits. Herein lies a vital leadership task, as emphasized here by Serdar Ulger, who draws on executive experience from both the European and Asian-Pacific regions. It often fosters repeated PIA Cycles with people on both sides of organizational boundaries to build a strong collaboration culture that prevents the silos from building up.

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66 All organizations create silos that hinder collaboration because of functional and local focus—that is natural. Leaders should ensure that silos do not build up and that people from different parts of the organization commit to common objectives across the silos.

Serdar Ulger, International Top Management Executive, Turkey

The collaboration culture is also strengthened by communicating a shared vision and sensitizing teams and team members to how collaboration enables the organization to reach the vision. This is the *why* effect. And, of course, the leader can strengthen the collaboration culture by considering the people composition where the influence and steadiness dispositions strongly support that collaboration naturally emerges. See table 4 below for an example of a code prepared and used by George and Nathalie, two leaders I have worked with, to strengthen the collaboration culture across their two departments. The departments had a history of finger-pointing, miscommunication, and delays in answering client requests. They involved people on both sides, and together they interpreted and committed to the behaviors. Over six months, they met monthly and discussed how to make the collaboration even stronger. They

tore down the silos and succeeded in turning collaboration into an organizational habit—through the involvement, they had shaped a new culture.

TABLE 4. CULTURE CODE — COLLABORATION CULTURE EXAMPLE

CULTURE CODE — PRIORITY	
We collaborate as one department	
PRINCIPLES	
Client requests are handed over personally	
We are transparent, and transparency obligates us to stay informed	
We proactively make each other's jobs easier	
When problems arise, we involve each other from the outset	
Beliefs & Behaviors We Leave Behind	**Beliefs & Behaviors We Want**
• "Building the case"—collecting evidence of our innocence before involving each other • Forwarding problems • Sending long emails • Talking about the "others"	• Calling each other—suggesting solutions • Updating CRM as soon as we have the data • Using the CRM as "one truth" • Talking to each other

Source: Client case

Empowerment Culture

❝ There's nothing more powerful than empowering people and letting them deliver. This is when leaders truly find the sweet spot of developing professionals. This context can be promoted from the top and need to be broadly supported by leadership in the company.

Antonio Jimenez, EMBA, Regional Chief Financial Officer Latin America at VML, USA

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As addressed here by Antonio Jimenez, the empowerment culture is about the level of self-directed initiative driven by expertise in the organization. It can be considered an extension of leadership. It is when employees influence each other to establish the foundation for acting rather than rely on being directed by the leader. The empowerment culture has a massive influence on organizational speed and agility. For many companies, the culture is vital in the frontline enablement driving customer loyalty.

🔖 **DEFINITION: EMPOWERMENT CULTURE**

The way we actively engage when being led, take charge, and act out responsibilities, including when having to guide and influence peers.

Recognizing the Strong Empowerment Culture

There are two sets of principles, beliefs, and behaviors fueling a strong empowerment culture: mandate and enablement.

Figure 57

Building a Strong Empowerment Culture
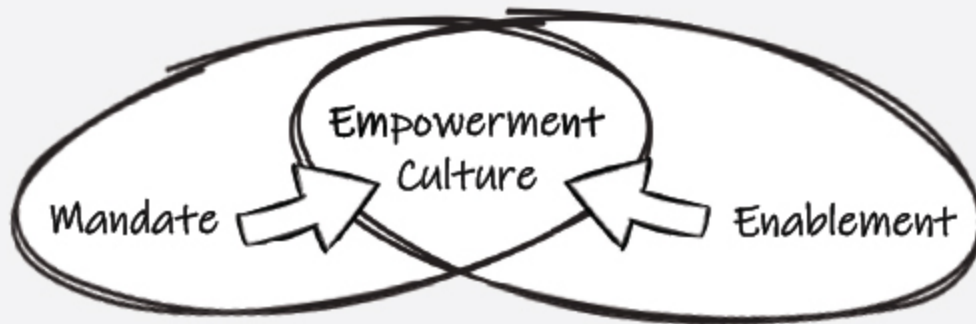
Source: Data from Noerby (2021, 2023).

Mandate is about role clarity when it comes to the decision rights in the job. It's being clear about which trade-offs the team or employee is authorized to decide upon and which resource allocation choices are allowed. It's having clarity about which requests can be approved and initiated, having the right to reject requests, and having leeway in reprioritizing, rescheduling, and changing sequences. Also, it's understanding coordination demands related to the interdependence with other departments, processes, or activities. Thus, operational awareness is one of the preconditions for effective empowerment. Mandating also involves clarifying which decisions the job holder must take. It is not only about what they are allowed to do. Empowerment aims to increase organizational agility by facilitating that decisions are taken at the lowest appropriate level in the organization. So, mandating encompasses clarifying the "Can decide" and, importantly, "Must decide." Without the latter, accountability can falter, and the empowerment culture will not grow to full effect.

Mandate can be delegated permanently by establishing decision-making principles and thresholds clarifying when a matter needs to be escalated. Mandating is related to the governance structure and the level of centralization. Still, it can also be established for particular processes, cases, or situations. Examples of mandating particular situations are widespread when it comes to emergency services. The first responder is the person facing the

situation, which mandates the person to decide and lead her colleagues, no matter their rank outside the situation. Other examples are when quality assurance employees are mandated to halt production if specific metrics are hit or certain situations occur. In hospitality, the same type of situational empowerment is often related to handling customer complaints. Any leader should consider which cases or situations warrant this type of mandate based on the potential value creation or destruction and the risk severity. The same goes for job mandates related to core practices in the job and process mandates, which are often related to gates or handovers in the process. Projects should be mandated similarly by clarifying the leeway of shuffling resources and timing and scoping decisions.

It's important to make it clear and accepted among peers that the mandate to take the lead and decide over others should be distributed into the team and organization. By sharing leadership through the deliberate distribution of mandates, the leader lays the foundation for a strong empowerment culture that can significantly improve performance. A mandate should be formalized to a certain level since the clarity of the principles drives up psychological safety and supports job autonomy. Both are essential drivers of engagement and psychological empowerment. Besides mandating the organization, the leader needs to work on the enablement that will make people act out their mandates to the full extent.

Enablement has a practical and psychological side. The practical side is that, for people to enact the mandate, they need access to the information needed to make good decisions. That means access to the right data in systems and being part of the information flow necessary to be sufficiently operational aware. They need to be included in the right meetings and receive the reports and minutes of meetings that power informed decision-making. That comes with an obligation for the empowered people to stay informed and apply the knowledge to the actions taken.

There is no leadership without followership. A vital component in a strong empowerment culture is the cocreation of leadership. It involves promoting followership and ownership behaviors. These behaviors should be addressed as clear expectations to the employees and good examples used as peer role models. The leader should ask for and reinforce proactive behaviors like taking charge, seeking feedback, and influencing work processes and procedures. These demands should be backed up by the leader paving the way and removing practical obstacles to enacting the empowerment. The leader must secure the access to the necessary tools and resources for empowerment to unfold.

Enablement also relates to the experience and expertise levels in the empowered teams. The leader should mandate people to the level the business needs while considering that their experience and skills must be strong enough to carry the demands. It relates to psychological empowerment, where the individual's self-efficacy influences the experience of mastery. Suppose I experience the job demands exceeding my perception of my skills and capabilities. In that case, I will withdraw, and the leader will not get the intended empowerment effect. Building a strong empowerment culture requires that mandates match mastery. Skill development and facilitating learning are crucial in successfully empowering an organization. Empowering followers must evolve with the maturity in acting out the delegated mandates and the competencies to lift the accountabilities. Increased psychological empowerment encompasses a higher sense of meaning because I believe I am making a difference. That results in higher organizational commitment, which usually converts into stronger followership and ownership behavior. You get more extra-role efforts where people act beyond their formal job descriptions in pursuit of their understanding of what we are trying to achieve together. There is more initiative, higher levels of concentration, and more energy to perform, and it builds the resiliency to endure hardship. A strong empowerment culture shifts the group dynamics in a team toward an active orientation to influencing work conditions, peers, and the leader. This active orientation to work and peer-to-peer influencing is a cornerstone in high-performing teams. A strong empowerment culture has a significant positive influence on performance. Joe Manget emphasizes the positive business effects and stresses the importance of accountability when developing empowerment.

> **❝** Empowerment is key to accelerating innovation and performance by placing decision-making in the hands of those with the most information to make the right decisions. But accountability must also follow.
>
> **Joe Manget, Chair and Chief Executive Officer at Edgewood Health Network, Canada**

As Joe Manget explains, empowerment is about widening people's control over their jobs and increasing accountability for taking autonomous initiative in appropriate steps that people can follow. Building a strong empowerment culture involves mobilizing the team to leverage the sum of expertise along with the necessary strength of the collaboration culture. The collaboration culture should establish habits around helping each other, backing each other up, and feeling safe in making mistakes. On top, that allows the development of a strong empowerment culture. The empowerment culture makes people decide and initiate by checking in with relevant peers as a natural means of verifying and improving choices. You can only build an empowerment culture to the first level by mandating individuals. To reach stronger levels, you should build obligations to consult your peers into the decision processes. The principle of joint decision-making should mandate certain decisions. A strong culture emerges when accountability is shared and the sense of joint obligation to get things done moves into the organization.

It is key for a leader to build a strong empowerment culture as distributed informed decision-making and self-directed informed action are important performance levers in most companies, as noted here by Christian Steen Larsen. He leads an organization delivering their catering, cleaning, facility management, security, and workplace services on site across hundreds of customer sites spread across Germany.

❝ Building a culture rich in empowerment is the essence of releasing the combined leadership power of an organization.

Christian Steen Larsen, CEO at ISS Deutschland, Germany

A strong empowerment culture helps informed decision-making close to the root causes and information sources, increasing response speed and accountability.

A strong empowerment culture where peers engage each other in critical thinking and decision-making reduces vulnerability by building distributed competencies. The empowerment culture ramps up the return on highly skilled employees. Distributed mandates that are acted out help performance

in teams with high expertise as their ability to take informed action and expectations to be allowed goes hand in hand.

A weak empowerment culture can hinder performance and make people withdraw. It can result in capable people leaving because they do not experience the necessary levels of mastery, autonomy, and influence, resulting in diminishing engagement. Narrow jobs, micromanagement, and a weak empowerment culture can demotivate people because they are not given a chance to use their competencies and take responsibility. It can make reports sit back waiting for decisions because they are used to not being obligated to take responsibility.

An empowerment culture is different depending on the freedom to operate created by the levels of centralization and formalization. The empowerment culture must align with the chosen operating model. For instance, in a highly standardized business model with discipline and low variation in the execution as the key value drivers, empowerment will have to play out within the SOPs. Working in a highly automated and temperature-controlled food processing facility is an example. Here, empowered action on deviations is essential, but the actions initiated must follow the documented procedures to maintain quality control. This highlights that the empowerment culture must align with the value creation and any constraints in the operating model influencing the degrees of freedom. Empowering an architect to develop novel solutions in an urban regeneration project differs from empowering a frontline employee in a chain of highly conceptualized retail stores. In the retail chain, value comes from standardized workflows, consistent layouts, high workforce utilization, and competitive salaries. A certain level of empowerment related to customer service is a priority. At the same time, the discipline culture will be a stronger value driver for the rest of the operation. Keeping salaries low also means that the staff expertise levels only enable limited, decentralized, empowered decisions. It is another story with the architect, where it will be more her expertise, the urban space, the budget, and the requirements put forward by the city that constrain the action zone.

Shaping the Empowerment Culture

Understanding the reasons for shaping the culture toward empowerment is imperative. These priorities derived from the organizational intentions set the tone for the principles that should go into the PIA work.

Consider this example from an organization I worked with as a consultant. The organization is project-based, delivering across dispersed geographies with a workforce of engineers, whereof some are leading experts in their fields combined with a larger number of less-specialized and less-tenured engineers. The external complexity is high since the large infrastructure projects they engage in demand multiple functional disciplines. These functional differences, rotating in and out of projects, and the novelty of solutions forms a high-complexity leadership context. At the same time the company strategy is focused on accelerated organic growth through the acquisition of large-scale, highly complex projects anywhere in Europe, the Middle East, Africa, and the Americas. Resource allocation, prioritization, and coordination is difficult and needs to be distributed into a highly empowered organization. The priorities are to ensure optimal project delivery and utilization of the scarce expertise across the projects and leveraging the learning from the projects to develop the people base to fuel further growth. These priorities are clear for all leaders across the organization. They are converted into principles that form a basis for a PIA Cycle every time a new project starts and when new experts enter the project from stage to stage. Also, it has become an integrated part of the recurring project evaluations.

One of the core principles that a project team interprets how to convert into action is "We optimize the return on expertise across projects." A project team normally comprises three to four experts with highly specialized and deep knowledge along with several less-tenured engineers and technical staff. During the involvement of the project team, the project leader requests that the experts in each of their fields account for the following two questions. Firstly, how will you ensure and enable that you are not solving parts of this project that can be handled by some of our less-tenured colleagues on the team? Secondly, which barriers will keep us from making that happen? This results in joint discussions that raise the operational and collaborative awareness. It engages the team and lets the less-tenured engineers step up with a very positive effect on mastery and influence. Peer accountability becomes part of the empowerment equation and establishes the peer-to-peer influence between the experts and the less tenured. It identifies contextual factors that can hinder the empowerment of less-tenured employees. Typically, barriers like customer expectations to who is doing what, the expert's own need for control and technical curiosity, the lack of skills to be empowered among the less tenured, and interdependence between projects are discussed. The deliberate focus on empowerment increases the return on expertise because the experts are freed up to participate in more projects. It distributes

competences and increases the organization's ability to deliver on future projects.

In continuation, the repeated PIA Cycles with every project status meeting highlight the behaviors that need to be sustained or strengthened. They identify need for adjustments in the project setup and resource allocation as project demands evolve. The realignment secures that the experts are dedicated to the most appropriate tasks and that the organizations keeps building competences through the stretched enablement of the less tenured.

As all cultures, the empowerment culture must be grown over time. The successful development just discussed required courage from the leader to engage in these PIA Cycles. It rests upon a strong collaboration culture, where psychological safety is a cornerstone. Also, it acts in concert with a strong voice culture, where especially the role modeling from experts in the organization combined with a strong onboarding and integration effort of newcomers are the keys to success.

The balance between expertise and mandates makes the step-by-step buildup immensely important when it comes to empowerment. The functional expertise is one side, but it needs to be backed up by operational and collaborative awareness. It highlights that in a strong empowerment culture, the culturalization of newcomers becomes a key performance driver. Accelerating the peer-to-peer interaction in empowered decision-making is crucial since it drives the contextual learning necessary for empowerment to unfold—as illustrated in the example above.

The leader can strengthen the empowerment culture by involving the team in decision-making and productive discussions, thereby educating them and over time enabling delegation of mandates.

To promote empowerment, the leader must make herself available for clarification and troubleshooting so people experience that they can get on with their matters. Over time, the leader can shift the consultation toward a peer-consultation principle, obligating the team to step up to a joint responsibility for driving empowered action. The leader can hire people who thrive in taking responsibility and who are not reluctant to decide and act—securing that the dominance and influence dispositions are strong enough in the teams.

The leader should oblige employees to fulfill the mandates delegated and build their ability to do so over time. This is the dynamic of driving empowerment by developing competencies and using strength-based feedback to build the self-efficacy converting these skills into actions. During the journey, the leader must work actively to create psychological safety around

making mistakes and insist on shifting criticism to learning, as underlined here by Professor Jordi Escartín, building on more than 15 years as an executive coach.

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66 To build a strong empowerment culture, the leader must accept short-term failures that will lead to mid- and long-term wins. So, it needs to be understood as a process that needs time to unfold and collect its fruits.

Jordi Escartín, PhD, Professor of Organizational Behavior at the University of Barcelona, Spain, and Visiting Professor at King's College London, United Kingdom

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Some factors intensify the importance of distributed informed initiative; for example, when a team collaborates over a distance or when high external complexity or dynamism makes it imperative that decisions are made locally and fast. Considering this, there can be critical areas or situations where the leader should maintain control and mandate to secure fast, coordinated response, such as cases where local answers or initiatives can have severe ripple effects across the company, like complicated product warranty cases or cases of misconduct that has drawn public attention. Also, certain decisions can be centralized to empower the organization by giving them an avenue for fast, clear answers. This is usually because the information to make these decisions can only be collated and evaluated centrally.

The empowerment culture is reinforced by a strong focus and ambition culture, giving the organizational members a better foundation for informed actions. Strong focus and ambition provide the clarity of direction and scope the desired outcomes. Clear goals allow the organization to coordinate through output alignment, while leaving the empowered freedom about the "how" to the organization. This mechanism highlights that strong alignment around the goals is not in opposition to a strong empowerment culture and that a leader should promote empowerment out of a clear understanding of what is in and out of the mandates.

The strength with which a leader can create an empowerment culture is influenced by the national culture among the members of the particular part of the organization. A higher authority orientation makes it harder, while a

low authority orientation drives a participation orientation and makes it easier to develop a strong empowerment culture.

See table 5 below for excerpts of a code used in a large trading company with a history of accepting that changing circumstances are a valid explanation for not reaching your targets. Operating in a very season-dependent industry, it had become the norm that goal realization is outside the influence of the leaders and the organization— the prevailing beliefs were "we rise and fall with the market." The strategic intent was to change that mindset and build an empowerment culture that would make the organization engage in corrective and reinforcing actions per default rather than wait and see. They engaged in strengthening the focus and ambition culture and the empowerment culture. Below are one of the priorities and several of the principles. The beliefs and behaviors are from the interpretation in sales and marketing. Their leaders used the PIA Cycles to legitimize, motivate, and commit to changing beliefs and behaviors sustained by a core of seasoned salespeople.

TABLE 5. CULTURE CODE — EMPOWERMENT CULTURE EXAMPLE

CULTURE CODE — PRIORITY	
We take empowered action early	
PRINCIPLES	
I do everything within my power to make us succeed	
If we are not ahead, we are behind and act on it	
We do something different to change the outlook	
Beliefs & Behaviors We Leave Behind	**Beliefs & Behaviors We Want**
• Wait and see • The market determines our destiny • Complacency and settling for "good enough"	• Nothing comes out of nothing—act • Pursue new initiatives when the outlook is low • Joint transparent performance follow-up • Get out of our comfort zone

Source: Client case

Voice Culture

66 Getting the voice culture right will help deal with complexity and external dynamism. It should be considered a base competence of the organization, and the leader can promote it by structuring team meetings where everyone is given the opportunity to participate.

Ernest Mast, EMBA, President and Chief Executive Officer at Doré Copper Mining Corporation, Canada

As emphasized here by Ernest Mast, you can influence structures to support the development of a strong voice culture. Still, it takes leadership to drive the voice culture home. The voice culture addresses exchanging viewpoints, listening to each other, and engaging in constructive discussions. The communication centers around goal attainment, methods, actions, priorities, how we treat each other, or other relevant subjects—it is voicing with an aim. A strong voice culture is when conflicting views are considered positive since we understand that it promotes our thinking. Voice is more than just speaking up. It is the habit and ability to focus on promoting viable solutions rather than arguing for one's own positions during discussions. The belief is that asking for feedback and sharing considerations promotes our decisions. It is the willingness to leave our assumptions and renegotiate our cognitive maps of the world to build common ground.

🔖 **DEFINITION: VOICE CULTURE**

> The way we express concerns, speak up, and engage in discussions to align, promote problem-solving, and arrive at good decisions.

Recognizing the Strong Voice Culture

Voice culture stands on two pillars of behaviors, beliefs, and principles: initiate and feedback.

Figure 58

Building a Strong Voice Culture

Feedback → Voice Culture ← Initiate
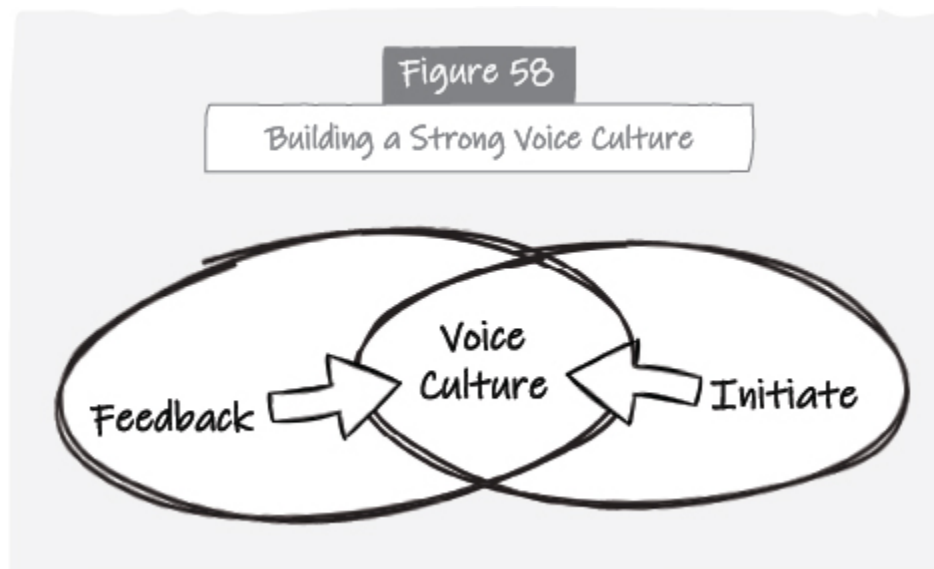
Source: Data from Noerby (2021, 2023).

When the **initiate** dimension of voice culture is strong, people do not hold back their opinions, observations, and reflections to avoid conflict. There is an atmosphere of "sharing is caring," meaning that people do not try to pick a fight or criticize without suggesting alternatives. A voice culture can be counterproductive and dysfunctional when people are constantly criticizing and second-guessing what others have decided or done. In a strong voice culture, people will try to change the context that is not supportive of operating and collaborating effectively. They will oppose policies, rules, and procedures that do not come with a clear why and are not thought through so that the policies are unnecessarily cumbersome. The intent behind speaking up is to make things better, and that is a key feature in the strong voice culture—there is a joint expectation that people engage in improving. Also, the initiation of such discussion is not only leader-led or orchestrated. People will, by default, engage with their colleagues to discuss observations, incidents, and considerations about how to improve. In a strong voice culture, people will call central functions to investigate why new procedures are designed the way they are. The intent is to make the procedures work better in real life and provide feedback to improve them. There is an innate desire to address how things are working and how they can be improved.

The other part of the voice culture is **feedback**. Initiating and feedback interact. In a culture where feedback is strong but initiating is weak, you can get feedback if you ask for it, but people do not deliver it automatically. In a culture where both feedback and initiating are strong, you get feedback by default because it is natural to speak up to improve, which is welcomed. There is a high level of "discussability" so people know that issues, dilemmas, paradoxes, misconduct, trade-offs, ethics, and leader decisions can be addressed and questioned to promote joint performance. There is a strong sense of openness combined with an underlying understanding of the relevance. It is not about challenging everything or reserving the right to act out of line with the company's, team's, or leader's intentions. It is a deeply felt obligation to contribute your insights and thinking to make things run better. When feedback is strong, people ask many questions to bring everyone on the same page, and questions are a natural part of investigating to ensure mutual understanding. You ask questions to secure your understanding but also to facilitate that others will respond if they see things differently. People read back their understanding of what they are being told as a natural part of listening actively. They go beyond merely repeating what they are told—moving toward thinking along and sharing their considerations about what they are told. They feed back on how they will act out what they are asked to

do. Importantly, voice includes speaking up about doubts and things you do not understand. A strong voice culture stands on the shoulders of the psychological safety in the collaboration culture—I dare to expose my insecurity and lack of competence to understand. I do not engage in saving face or concern myself with "looking good." I focus on making sure we have common ground to work from.

Besides the feedback on how communication is understood, it is a habit to solicit feedback to help others perform even better. Positive and negative experiences are shared, along with suggestions for sustaining good and improving bad practices. There is a shared tradition for feedback. Like in a well-functioning professional sports team, the players solicit feedback immediately to improve the collective performance but also have after-action reviews at halftime and after the match.

Voice requires willingness to disagree as a means of supporting good and insightful decisions, learning, and creativity. It naturally flows from the role modeling of the leaders. To promote performance and build a strong voice culture, the leader should encourage that demands are negotiated based on the insights held by people in operation. The intent is to optimize the return on the available resources and identify resource constraints and slack that can be reallocated. It is about active consulting where team members take it upon themselves to solicit advice to qualify decisions, improve plans, or optimize priorities.

The leader should open the decision-making process by inviting adjustments and including the assumptions behind the initial suggestion for what and how to get things done. The leader should facilitate that decisions are challenged. When the team recurringly engage in healthy case-focused discussion about problems and opportunities to improve, it builds a strong voice culture. Participating in such productive discussions builds critical thinking competencies. It educates the team toward shared understandings that forms a solid common ground. The common ground is vital, as it allows including differing views and attaching them to the decision-making. The more you engage in productive discussions, the better you get at it. The practice of having relevant discussions permeates the organization, and critical thinking becomes the norm. The leader-led development of being good at deciding together enables employees to do more self-directed qualified decision-making. When people bring that into the organization, it increases the organizational decision speed, improves conflict resolution, and promotes learning. The improved learning ability flowing from a strong voice culture provides a strong

foundation for both the continuous learning and innovation cultures—and the opposite hinders learning, as noted here by Lene Groth.

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66 You will kill all efforts to come up with ideas to improve processes, meetings with customers, internal guidelines etc., if you do not create a culture where inputs are welcomed, the input is used, and you acknowledge people for it.

Lene Groth, Chief Human Resources Officer at STARK Group, Denmark

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Besides improving operational and collaboration decisions influencing the organization's efficiency, the voice culture also significantly impacts innovation. Divergent thinking is a vital component in promoting creativity in a team. The sharing, investigating, comparing and contrasting ideas, viewpoints, and approaches are fundamental to innovation. Differences in functional backgrounds, experience, personalities, and problem-solving approaches can result in higher originality and quality of plans and solutions given that the exchange is effective. Strong voice culture is about getting used to communicating and understanding different ways of expressing oneself, framing problems, and unpacking built-in assumptions. It is the discipline of building a team's ability to have productive discussions where the team disagrees, uses the disagreements to improve solutions, and then commits to decisions no matter the individual starting points. It is the leader's ability to facilitate constructive conflict resolution so differences become strengths. It is closely related to developing high-quality relations that are a centerpiece in a strong collaboration culture. In particular, the quality of the relationships between the leader and the high-ability team members and between the senior leader and the leaders reporting to him is crucial. This synergy between collaboration and voice culture is critical. It is tough to convert diversity into a high performance without common ground, shared principles, and high-quality relations resulting in team cohesion. Diversity in thinking, attitudes, value orientations, personality, and functional backgrounds often results in poor performance if the collaboration and voice cultures are not strong.

A strong voice culture positively influences almost all engagement and empowerment drivers. Experiencing that your perspectives are asked for and

that your contributions influence decisions makes you feel valuable. It adds meaning and the experience of influencing matters beyond your job boundaries, which are both strong engagement and empowerment drivers. The voice culture can only exist if there is psychological safety, one of the cornerstones of the collaboration culture. The repeated participation in meaningful discussion reconfirms psychological safety. It contributes to workplace attachment and fuels followership, ownership, supporting, and playmaking behaviors. Lastly, handling work and life strains becomes more straightforward in a strong voice culture. It is natural to talk about work and life strains and how to cope with them and to involve your leader when you feel overloaded. For this to build, the leader's role modeling will set the tone, as noted here by Professor Jim Weese:

❝ When it comes to creating a strong voice culture, leaders facilitate it or shut it down through their words and actions.

W. James (Jim) Weese, PhD, Author of *The 5C Leader* **and Professor of Leadership at Western University, Canada**

A part of role modeling is that the leader invests herself in intellectual stimulation and insists on active followership from the employees. It is showing the way to questioning assumptions and nontraditional thinking and seeking differing perspectives. It is to motivate and commit people to think along and suggest how matters could be even better than they currently are. The leader should establish these as underpinning principles permeating the way we problem-solve and discuss opportunities. Doing so has a direct performance effect, especially when the organizational intention is to innovate and when the people in the organization hold high expertise levels. When the leader builds a strong voice culture, you get more creativity and novel solutions. Facilitating productive discussions is also one of the strongest drivers in developing high-quality relations and team cohesion, making joint decision-making one of the most potent team-building practices in the leader's toolbox. It directly influences the quality of collaboration and performance. Do not allow people to opt out of contributing their best ideas for better solutions and sharing their thinking on what can go wrong and how to overcome the risks.

Promoting voice in the organization involves considering the value orientations in the team. With a high authority and unity orientation, it can be difficult for team members to criticize the leader's suggestions, so voice culture will look different. Instead of asking for direct feedback from individuals in a team session, the leader can hand over the plan, decision, or problem to the group to suggest improvements. The leader can leave it to the group to discuss and provide feedback in a format where no one is held individually accountable for the suggestions. This could be on a team board or by having a senior team member act as a spokesperson. The voice culture aims to benefit from different perspectives, divergent thinking, and the accumulated sum of competence and experience. How to make people speak up and provide feedback per default will differ depending on the authority and unity value orientations heavily influenced by the national culture you operate in.

A strong voice culture increases the ability to handle external risk, complexity, and dynamism due to the habits of joint sensemaking. It ramps organizational agility up, as it is natural to discuss what is going on, make sense of it, and include these perspectives in decisions and responses. On the other side, a weak voice culture can hinder performance because of dynamics like complacency, groupthink, or excessive politeness that occur because nobody constructively challenges each other. These dynamics incur a risk of unqualified decisions and path dependency where the organizations maintain a less optimal way of operating because nobody dares or cares to initiate feedback. Relatedly, a company can have an unhealthy voice culture with unproductive discussions challenging everything. This leads to slow reactions or even paralysis, path dependency, and conflict-seeking behavior. Such an unhealthy culture results in people leaving and subpar performance. The weak and unhealthy voice culture have high consequences, as the voice culture plays into all the other cultures in the leadership context.

Shaping the Voice Culture

The voice culture, along with the collaboration and empowerment cultures, influences the fundamental patterns underpinning the other cultures. The leader should shape the voice culture, considering the hindering and helping effects to the organizational intentions and the cultures central to performance —for example, the safety, purpose, discipline, continuous learning, or innovation culture.

Understanding what effects the voice culture should promote is the starting point for the repeated PIA Cycles necessary for strong voice habits to

emerge. The leader should consider what she is out to get. Is the intention to get more robust risk assessments and better preventive and mitigating decisions, which could be imperative to the safety culture? Is the aim faster decisions to make sure we exploit opportunities in markets encountering high dynamism, which could be central to the empowerment culture? Are we out to get more idea generation, which can turn into business as part of strengthening the innovation culture?

The clarification of how the voice culture should support performance relates to two important principles underpinning the development of a strong voice culture: relevance and openness. Pinpointing the relevance legitimizes the demands for active followership. It makes people understand why they cannot opt out of thinking along and why the leader obligates them to get involved in decision-making. The leader needs to explain how the insight into practical conditions improves solutions, how competencies improve the choices we make, and how differences in how we think mitigate risk. The relevance guides the other principle of openness. The relevance creates a safe zone that will be narrow at the beginning of building a voice culture. You feel safe bringing relevant input to the table. Psychological safety grows as people experience positive and constructive responses to ideas, challenges, differing perspectives, and criticism. That opens the solution space where more radical ideas, doubts, and challenges to fundamental assumptions are readily shared. It requires a leader who shows the way, as framed here by Erik Roesen Larsen, speaking from 30 years of making people contribute their views in risk-intensive environments.

❝ Leaders need to be brave enough to spark and allow for productive discussions. Be comfortable with discussions and create a culture where disagreements are good. Consensus without productive discussions creates stupidity!

Erik Roesen Larsen, Head of Health, Safety, Security, and Environment at Innargi, Denmark

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An example of shaping a purposeful voice culture comes from Henri, a senior leader I have worked with as a consultant for more than a decade.

When Henri took over as a leader of an organization of 5,000 people, he soon realized that the voice culture was a "Mind your own business and if asked, pay lip service" culture. The company has production plants in six different countries producing customer-specific electric-mechanical solutions in a highly complex industry. Henri identified that strengthening the voice culture would help address three business pains: (1) The service business struggled with recurring maintenance issues for several years, and the solution development did not integrate maintenance optimization. (2) The injury frequency in the production plants was way above the industry standard. (3) The variation in production cycle time and solution quality across the production plants was alarmingly high.

Henri gathered his senior leadership team and made the priorities clear: integrate optimal maintenance into the solution design, make the plants safe, and reduce the variation in the plants to increase quality. He showed the way and involved his senior leadership team in interpreting the current state and possibilities for improvement in each of the three areas. He insisted on openness and demonstrated and demanded constructive curious responses during the dialogue. Over two months, the senior leadership team held three two-day seminars working on the issues while being educated on how to participate in and facilitate productive discussions. They developed a plan for engaging the organization in PIA Cycles led by the leaders, layer by layer down throughout the organization. Henri insisted on the same relevance, openness, and psychological safety in the PIA discussions built in the senior leadership team. This was a hard shift for some senior leaders, and Henri had to change two of his senior people. The evident relevance of solving the problems along with the education and mindset shift among the senior leaders allowed the organization to change the voice culture in the whole organization. It took them two years but was not communicated and framed as a culture project.

The interventions resulted in significant improvements in all three areas. The after sales service departments and the production plants built a strong integrated collaboration culture and have made ease of maintenance a key value proposition. The plants successfully shaped a strong discipline culture, reducing the variations and quality issues. At the same time, they built a strong commitment-based safety culture, bringing them to the industry injury benchmarks. The journey continues, and the leaders now consider shaping our culture to be pivotal to their success.

A foundation for a strong voice culture is clarifying the priorities, making it relevant to seek differing perspectives, question assumptions, challenge the status quo, or apply nontraditional thinking. Having relevant priorities to

engage around provides the platform for developing the voice culture, which aims to tap into the collective wisdom of the team and organization, resulting in more and better coordination, problem-solving, and solutions.

A key note is that the leader must role model a practice of constructive and respectful courageous conversations to surface and benefit from divergent thinking. If Henri had not walked the talk and insisted on the new line of openness, involvement, and productive discussions without finger-pointing, the improvements would have been difficult. Educating team members in preparing, participating in, and facilitating productive discussions is a significant enabler. It is best driven by the relevance of issues affecting the people participating, so there is a reason for people to contribute. Voicing emerges when there is skin in the game, the psychological safety is high, and the leader role models courageous conversations. The importance of role modeling is concisely captured here by Erwan Guiziou, who speaks from 20 years of leading people in IT and digital transformation:

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66 The reaction to employees suggesting ideas by leaders is key for suggestions to keep coming.

Erwan Guiziou, MBA, Manager for Germany, Austria, and Switzerland (DACH) at Jalios, Germany

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See table 6 for the voice code used by Henri and his senior leadership team to move the PIA discussion into each of their leadership teams at the plants, in the supply chain leadership team, the finance leadership team, and so forth. Throughout the organization, the beliefs and behaviors were interpreted differently. The team boards became pivotal in many of the plants, where the national culture meant that many people were not used to speaking up to their boss. The leader shares a problem or something that needs to be decided, and the team can write their suggestions on the team board until the next team board meeting. After having experienced positive responses from the leader, many teams have slowly moved toward speaking up in team meetings. They also implemented a discipline of "everyone must have a question," getting used to posing questions. The after sales service and product development had their PIA Cycles together and built a buddy system where everyone got a designated colleague in the other department. The buddies (in some instances,

small groups) briefly check in every other week in a team call, sharing a log with one case to celebrate and one suggestion to "make things even better." These logs are discussed in each department leadership team and allow continuous alignment and a lot of storytelling, creating positive vibes.

TABLE 6. CULTURE CODE — VOICE CULTURE EXAMPLE

CULTURE CODE — PRIORITY	
We communicate to improve	
PRINCIPLES	
We make it safe to raise issues	
Dare and care to speak up	
We ask for feedback before making decisions	
Beliefs & Behaviors We Leave Behind	**Beliefs & Behaviors We Want**
• Shoot the messenger • When in doubt, shut up • Don't share too much information	• Positive and curious responses to criticism • Ask questions to understand and to help others • I go to the person—I don't wait

Source: Client case

CULTURES RELATED TO PURPOSE FULFILLMENT

In some organizations, a clear core purpose permeates everything the organization engages in. In other organizations, the core value creation does not carry much purpose-power. Still, the organization could have several add-on purposes. The first culture related to purpose fulfillment is the purpose

culture—directly related to a core purpose. This culture is closely related to organizational citizenship, the followership and ownership behaviors we strive to create through leadership. The purpose culture fuels meaningfulness, one of the key engagement and empowerment drivers, because of the experience that you make a difference. There is also a positive effect on influence from strong purpose cultures. When everyone engages in followership and ownership guided by purpose, it creates the experience of influencing beyond my job, which is highly motivating for most people. Another critical driver of ownership and followership is experiencing that your workplace is fair and predictable in treating people and that dilemmas are resolved based on sound values. These beliefs and behaviors are captured in the fairness and the ethical cultures. Both cultures will have varying importance depending on the type of organization and external environment. Nonetheless, both hold the negative potential to reduce organizational citizenship, subtract from the experience of meaning, and undermine psychological safety if the culture is not strong enough. Therefore, any leadership team should consider if the purpose culture holds the potential to ramp up performance and engagement. Also, consider if the fairness and the ethical culture are up to par and do not hinder releasing the organization's full potential. See figure 59.

Figure 59

The Impact of Purpose, Fairness and Ethical Cultures
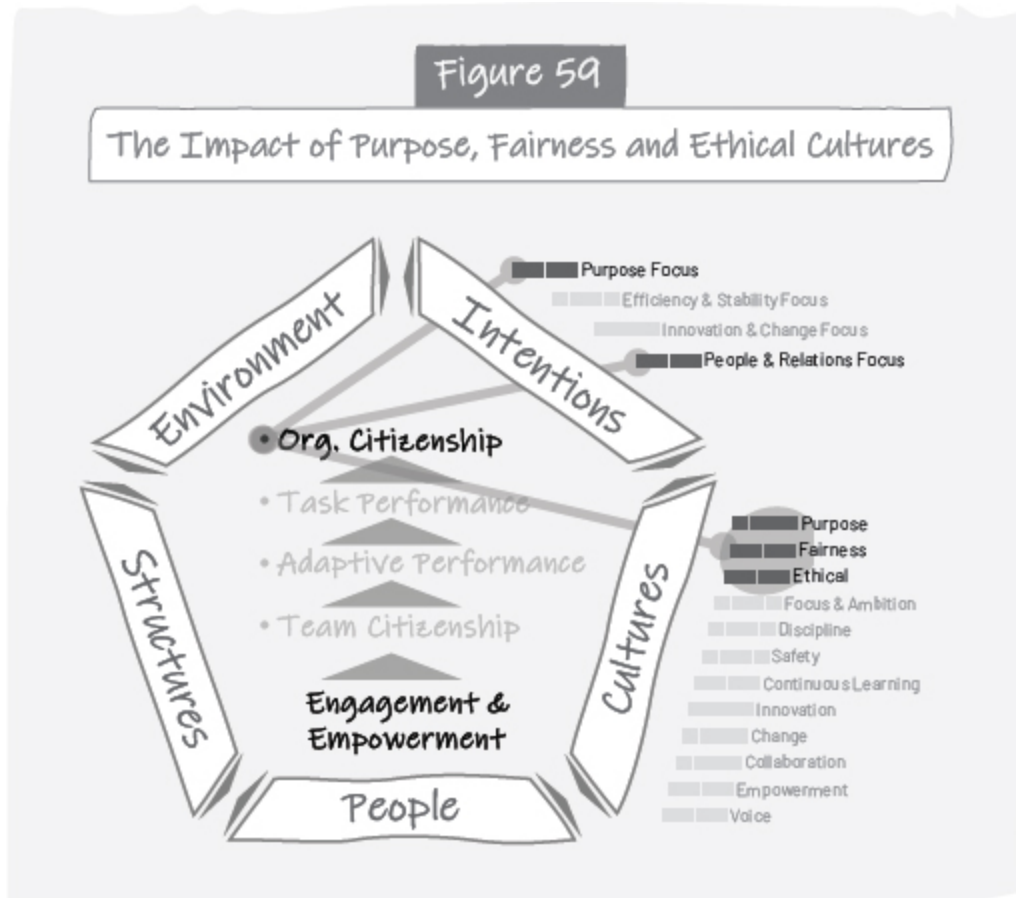
Source: Data from Noerby (2021, 2023).

Purpose Culture

The positive effect on particular people, parts of society, and the environment is a centerpiece in the purpose culture. These receivers of the purpose benefits are called beneficiaries. They can be pupils in an elementary school who benefit from the learning purpose permeating everything the school does. They can be the people of a society who benefit from the positive effects of a greener and cleaner world, the core purpose for many companies in the sustainable energy sector. Many nongovernmental organizations (NGOs) are founded and operate around the core purpose of improving people's lives. The United Nations aims to maintain international peace and security, develop friendly relations among states, and collaborate to solve economic, social, cultural, and humanitarian problems.[48] Greenpeace exists to pave the way toward a greener, more peaceful world and to confront the systems that threaten our environment.[49]

Many organizations have central purposes that provide a basis for building a strong purpose culture. A hospital has a central purpose of healing patients, a school facilitates the learning and development of its pupils, and the police force maintains public order and safety to protect the citizens. In the health science division of Nestlé, they aim to promote healthy eating and lifestyle habits for children aged three to 12 years.[50] The examples are many, and this shows us that at the center of purpose culture, there is always a beneficiary—a pupil, a patient, a child, a citizen, or, very often, a customer.

In this manner, the purpose culture is about making positive effects for the beneficiaries guide the shaping of all other cultures in the company. It becomes the overriding guiding principle influencing everything else we do. It means that in companies with a clear core purpose, there are a lot of positive engagement and empowerment effects to harvest from building a strong purpose culture.

🔖 **DEFINITION: PURPOSE CULTURE**

The way we prioritize our company's purpose in our decision-making and actions.

Recognizing the Strong Purpose Culture

There are two interacting sets of beliefs, behaviors, and principles in the purpose culture: championing and passion.

Figure 60

Building a Strong Purpose Culture
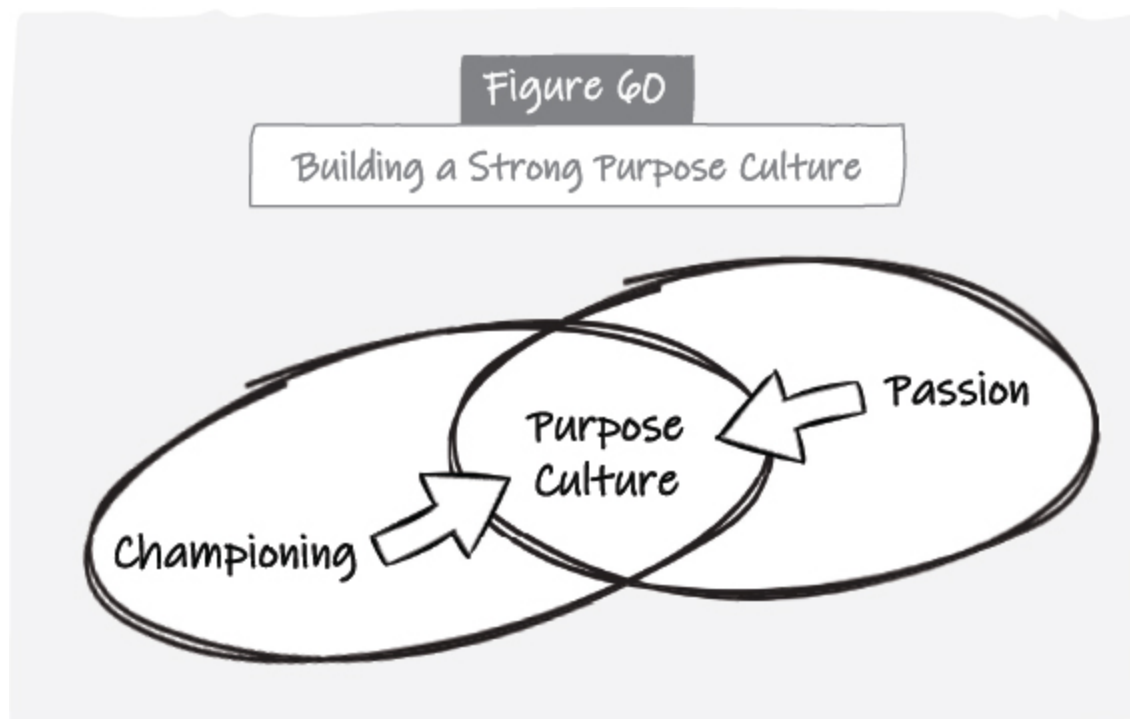
Championing is actively including the customer or patient perspective in all our discussions and decisions. When we allocate resources, prioritize activities, decide on trade-offs, and resolve conflicting views, there is always a clear line back to the beneficiary. We consider what is best for the client, patient, or citizen as a bedrock in our way of operating. There is an embedded understanding of why we exist and operate related to the good we do for the users, pupils, or members. This sense of purpose is championed whenever new initiatives, procedures, and ways of working are introduced. It is always held against the helping and hindering effects on the purpose fulfillment. Newcomers are integrated and educated by colleagues about how we think about the citizen, the customer, or the end user. You hear people advocating that this is "the reason we exist" when actions, decisions, or discussions pull us away from serving the best interests of our beneficiaries. The stories of actions taken to fulfill the purpose are shared, praised, and rewarded in the organization to celebrate purposeful efforts. These might include stories about going the extra mile to resolve customer problems, how innovative breakthroughs give new opportunities for making our purpose come through, and how new technology and solutions serve our purpose. Patient feedback, client recommendations, and personal stories about how our activities help individuals are championed to build a collective sense of purpose and passion.

Passion is the fuel that makes people go the extra mile and go out of their way to serve our purpose. It results in increased organizational citizenship and comes from the positive effects of meaningfulness. People share a clear sense of making the world a better place through superior customer experiences, reducing the negative environmental impact, or preparing pupils to meet and handle the world. I feel the importance of doing good for others, making my job much more than "just a job." I feel a positive obligation to impact our beneficiaries positively. I take it upon myself to champion this among my colleagues and outside our company—I stand up for our company's purpose. I feel pride in serving our purpose. I am proud to tell my surroundings about the good we do for the citizens, patients, or members we aim to serve. Passion fuels reactions when we make mistakes or someone acts out of line with our purpose. People expect leadership to step in and align beliefs and behaviors to purpose. We expect championing and role modeling from the leaders. Any decisions perceived as a threat to purpose fulfillment will detract from the passion in the organization.

A strong purpose culture is positively related to performance. For example, a strong service culture positively relates to higher customer satisfaction and financial performance. The customer experience is central to hotels, retail stores, theme parks, restaurants, and everyone else in hospitality. It also applies to many other companies that show that it is possible to build a strong purpose culture around customer value creation and experience.

The performance effects of such a customer-centric purpose culture are more substantial when there is a high system openness. The frequent and widespread contact between staff and customers, end users, or patients drives the effects of a strong purpose culture up, as echoed here by Dorthe Rønnau:

❝ As part of a health care organization, I strongly agree that the purpose positively impacts work performance—specifically the quality of customer interactions.

Dorthe Rønnau, Senior Vice President, People & Culture at Coloplast, Denmark

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The more intangible the service is, the more the experience created through a strong culture matters. The behavior in the moment of truth while the customer is serviced becomes central, and the experience becomes the product. When that is the case, each police officer, caretaker, or front desk employee will act out of an understanding of the priorities, principles, and desired behaviors we stand for in our company. The moment of truth occurs every time an employee and the customer interact to cocreate the service. There is no rewind button, and the leader is not present, so the employee is guided by his interpretations of the principles, beliefs, and behaviors desired by the company.

The customer-centric purpose culture needs to be backed up by strong collaboration, empowerment, and voice cultures to take effect. When these act in concert, it results in high performance measured in customer satisfaction and loyalty, staff engagement, and tangible outcomes.

There is extensive research on the positive effects of the customer-centric purpose culture in service organizations, known as the service-profit chain.[51] The service-profit chain connects job design, rewards, employee satisfaction, and performance to the quality of external service delivery. It also highlights

its positive effects on customer satisfaction, loyalty, revenue growth, and profitability.

A strong purpose culture, where a positive effect on the environment forms the core, also has strong performance effects. Examples of such purposes fueling meaning for the company employees and value to society are widespread. Advansor (www.advansor.com), which produces sustainable CO_2 combined heating and cooling solutions, significantly contributes to bringing down energy consumption. The sustainability agenda is the basis of a strong purpose culture permeating the company, reaching into every aspect of the business. It guides the choices of materials, production methods, building design, recycling, and every other aspect of how the company is run. The passion and championing are combined with a highly empowered organization where deep expertise among the technical staff drives innovation toward even more sustainable solutions.

Another example of a strong purpose culture is Grundfos (www.grundfos.com), which produces solutions ensuring water access for more people worldwide. Its mission is to safeguard our precious water resources and make a positive and lasting impact on the global climate challenges. Such a clear purpose with a significant positive impact fuels passion. The positive impact for people worldwide becomes very evident in the many good cases of improving water access and quality of life.

In other purpose-driven industries, such as healthcare or education, the purpose culture helps performance through "obsession" with understanding customer/patient/user expectations. This passion drives a user-centricity vital in designing services and ways of operating. It involves balancing the user expectations and the intended value creation. An example is an elementary school. The school leadership needs to balance how the pupils prefer to attend school with the professional knowledge about teaching and learning methods and the curriculum that must be taught. This shows us that the purpose culture needs to be balanced toward the efficiency intentions. An overly strong focus on serving the clients or accommodating the pupils can hinder performance by "stealing" time and attention from core tasks to respond to all client requests. Also, there is the drawback that the purpose can become an excuse to prioritize things, which makes it essential to balance the purpose-driven requests with strategic efficiency intentions.

Shaping the Purpose Culture

The purpose culture is rooted in the company mission. When the company operates from a core purpose, like Advansor and Grundfos do, the priorities and principles can become very clear. This forms a solid basis for repeated and deeply integrated PIA Cycles throughout the company. In these examples, there is a continued leadership task involving the organization to commit to the sustainability principles. The organization must interpret how to integrate sustainability into all of their choices, such as how they run the canteen, save light and energy in the buildings, reduce waste, and drive sustainability into the sub-supplier collaboration. There is a continued alignment of organizational behavior and ensuring that all choices of new equipment, materials, and methods support the sustainability principle. The PIA Cycles are not separate events, but leadership should insist on integration into every decision, investment, and partnership. It can be challenging to create a strong purpose culture if the context is not aligned to help the emergence, as Lene Groth explains here:

> **❝** It can be very difficult to strengthen any part of the culture if the whole system is not working in that direction. You can do something by inspiring people to fulfill the company's purpose, but if the system is not able to live up to the purpose's promises, it isn't easy.

Lene Groth, Chief Human Resources Officer at STARK Group, Denmark

The more purpose fulfillment depends on delivering products or material solutions, the more tangible choices of materials, sub-suppliers, and production methods will frame the perception of the purpose culture, especially if the purpose is not given a central place in the decision-making, if other parts of the system counterbalance the purpose fulfillment (such as procedures, rules, regulations, legislation, or leader attitudes disregarding sustainability), or when sustainability is not factored into resource allocation, investments, or when choosing external partners. The strong purpose culture depends on these tangible choices that are difficult to offset through leadership and PIA Cycles. Such hard choices pulling away from the purpose carry a lot of sensemaking influence, instilling doubt about the strength of the

purpose. There will be trade-offs in any journey, and being clear about these is necessary for the leaders to promote the purpose culture. It is particularly imperative to be clear about the alignment of priorities between the purpose fulfillment and efficiency and profitability demands. The purpose culture is getting more and more attention to the younger generations when considering where to work, and Mauricio Menasche draws on 20 years of experience leading industrial organizations in Europe, Americas, and Asia when speaking to this challenge:

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66 Companies need to incorporate more and more a sense of "purpose" if wanting to attract young talented people and build solid relationships within their communities everywhere in the world. Purpose is already one of the main drivers for the young generations to choose where to work.

Mauricio Menasche, Founder at M2 Consulting, Portugal

In service organizations, leaders must clarify the ambition level of customer-centricity before converting these into customer service principles. The efficiency intentions, the service levels, the cost to serve, and the service principles need to align up, down, and across the company. The service principles should define how the organization wants customers to be treated, align methods and practices to support the service ambition, and train employees in the why, what, and how. The larger and more open the organization, the clearer the service values and principles need to be. The involvement and interpretation need to encompass two parts: Firstly, robust basic training addressing the customer service principles and interpreting multiple service cases ensures that newcomers understand how the principles should guide behavior. Secondly, repeated PIA events relate customer cases, good and bad, to the customer service principles to build solid understandings that empower initiative in the frontline. These PIA events should not only run ad hoc when bad cases occur but be an integrated part of a continuous learning culture.

In ISS, the global integrated facility services company, mandatory service training programs secure the first PIA for all newcomers. On all sites, the

leaders run recurring team board meetings where customer cases are reinterpreted and expectations about future handling are aligned—PIA every week. Also, they have service awards where great service cases are nominated and awarded throughout the year. This builds passion and champions the desired service behavior. On top of those things, they even choose the greatest service examples for the yearly global service award, with a winner announced at their global leadership conference. In service organizations with a lot of people servicing many users daily, the need to keep reinforcing the desired culture is often even more critical due to high industry staff turnover. These people-intensive organizations, like hotels, retail stores, and facility services, are very open, with many touchpoints between the users, customers, patients, visitors, and staff. Getting the culture right ensures optimal service in all the micro-encounters. The experiences in the micro-encounters drive employee engagement, customer loyalty, and performance outcomes like profitability, efficiency, and quality. The customer-centric purpose culture, together with strong collaboration, empowerment, and voice cultures, has a significant and direct impact on the performance. How we treat each other will reflect itself in how we treat customers. In these contexts, shaping and strengthening the purpose culture is a key leadership task and the crucial performance driver.

In a service organization, the leaders should model how to service customers and set the standard for the team and the organization. Following the examples is a strong driver for newcomers taking over the desired approach and behavior. The same applies to complaint handling, where the leader's behavior is put into the spotlight. She must find the right approach to back up employees on decisions taken in the moment of truth and not "sacrifice" the employees to a dissatisfied customer. She must protect employees from disgruntled customers. Also, she sets the tone for service recovery efforts where the leader steps in to restore bad service experiences. The leader's behavior speaks louder than words, and explaining the examples in one of the regular PIA follow-ups is a very strong culture-builder.

The leader should care about employees' encounters with customers, have her finger on the pulse, and display a sense of urgency in reacting to customer requests and complaints. There is also significant learning in many service organizations, which is to hire for service attitude and educate in service behavior. Suppose the influence and steadiness dispositions are underrepresented among the service staff. In that case, it becomes more difficult to reach superior service levels. The leader should secure a voice of

the customer in all discussions and engage customers and employees in lessons learned to drive continuous improvement.

See table 7 for an example of a culture code used by a hospital to rebalance specific parts of their purpose culture. The hospital experienced high patient satisfaction and employee engagement but struggled to reach the patient throughput necessary to meet the community demands. The rebalancing involved moving the focus from the individual patient to the patient population, named "our community." They identified three guiding principles, "safely," "swiftly" and "humanely," to underpin the PIA discussion. The principles were discussed in the different departments running PIA meetings in each staff group.

Importantly, PIA meetings were also run with the different staff groups on the wards, centers, and departments. The joint interpretation built a new shared commitment about what to do more and less to turn the principles into behavioral changes. It installed a healthy sense of urgency to ensure that the community could get the most out of the hospital while still taking care of and being fully attentive to each patient undergoing treatment. Everyone contributed their suggestions to increase speed while maintaining safety, and the compassion for patients and relatives captured by the principle "humanely." This led to a shift in an engrained belief that doing things fast was in opposition to safety and compassion. A range of efficiency improvements was identified and implemented in close collaboration across the different staff groups. The belief in doing good for the entire community rather than only focusing on the current patient changed the anchor point for the staff's meaningfulness. The leaders ensured that the good stories were shared actively and that the relatives visiting were involved in mobilizing their participation and support. The engagement remained high, the efficiency went up, and patient satisfaction was maintained. The purpose culture was strong and more community directed. The collaboration culture across doctors, nurses, clinical assistants, porters, clerks, and facility services improved due to the cross-functional PIA Cycles, which have now turned into quarterly continuous improvement meetings.

TABLE 7. CULTURE CODE — PURPOSE CULTURE EXAMPLE
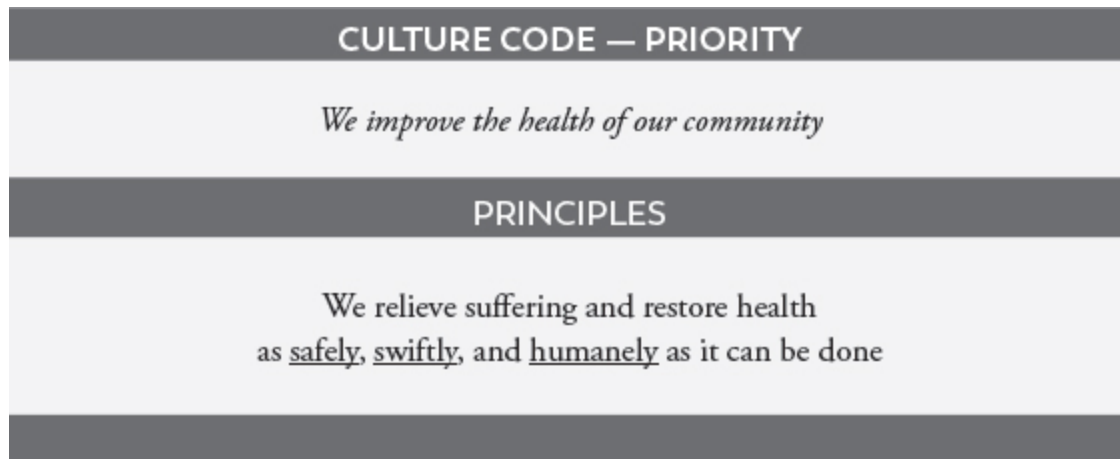
Source: Client case

Fairness Culture

❝ I have seen a lot of people leaving organizations for perceived or real unfairness of the organization. Specifically, when it comes to how HR policies are and how the organization recruits, promotes, compensates, and dismisses. An organization needs a clear and adopted set of values and principles along with transparent, understandable processes.

Federico Balzola, Chief HR Officer at DIM Brands International, France

As highlighted here by Federico Balzola, there are concrete consequences of getting the fairness culture wrong. The fairness culture captures the group's perception of fairness accumulated from the individual and shared experiences of justice in the organization. It relates to the experience of the way rewards, benefits, and opportunities are awarded to different people. Is it fair that she got that promotion? Also, was the process or procedure transparent and fair? Did everyone who was interested get an equal chance to apply? And are we treated fairly by our leaders, or does it vary depending on who we are?

Three things shape our fairness beliefs over time: (1) the experiences with the distribution of any resource, opportunity, restriction, or sanction that

impacts us positively or negatively, (2), the transparency and predictability of the way things are processed, and (3) the consistency of the leaders' judgments. A strong fairness culture is not the ticket to winning by itself, but a weak fairness culture can for sure be the ticket to losing. Suppose the perception of fairness in an organization is low. In that case, it has a significant negative impact on psychological safety. It undermines attempts to build strong collaboration, empowerment, and voice. People will safeguard themselves and hoard resources, and staff retention drops. Although fairness is not the only ticket needed to win, getting it right absolutely has positive effects. A strong fairness culture strengthens organizational trust and reduces uncertainty, resulting in more effort to perform. The leadership in an organization need to secure a sufficiently strong fairness culture by having clear justice principles they follow to create an acceptance of distribution, procedures, and judgments.

🚩 **DEFINITION: FAIRNESS CULTURE**

> The way we act and react to the fairness of rules and policies, leader decisions, and the distribution of resources, rewards, and sanctions.

Recognizing Strong Fairness Culture

There are three interacting sets of beliefs, behaviors, and principles in the fairness culture: distribution, procedure, and judgment.

Figure 61

Building a Strong Fairness Culture
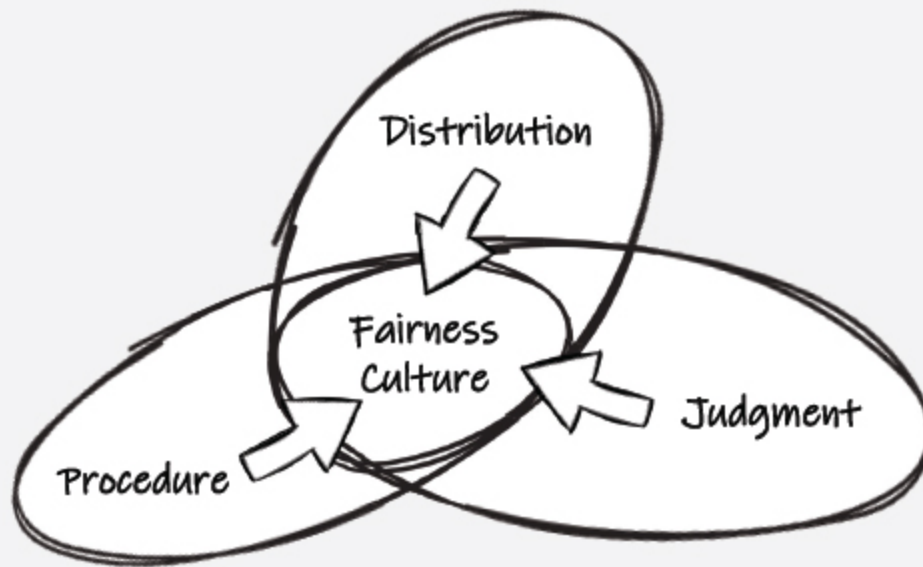
Distribution is about the perceived fairness of who gets which resources, rewards, working facilities, flexibility, conditions, and anything else valuable to the individual, the team, or the department. It also involves how saving demands are allocated and who gets to continue their projects when financial pressure forces an organization to halt and discontinue exciting projects. It is about understanding the criteria behind allocation decisions and understanding the reasoning. I can accept that rewards and resources are allocated to someone else if I understand how the criteria led to the decision. I might not like it, and I might find it demotivating, but I can come to accept it since the distribution logic is clear. When people are rewarded, it is related to performance, and the principles applied in setting up the rewards are known. I do not know the specifics of the various agreements. Still, we have a collective understanding of the principles regulating such agreements. The same applies to salary adjustments and access to other privileges. We understand who is eligible to get an MBA from the company and how this connects to merits and performance. We consider the workload distributed across the organization and in the team fair, and we do not experience freewheeling being accepted while I feel overburdened. Also, we find the allocation of demanding, non-motivating tasks fair and they do not always end up on the same table.

Procedure refers to the perceptions of the rules, regulations, policies, and procedures and how they are applied. Are the policies and rules themselves fair, objective, and bias-free? Do the policies skew the benefits to certain staff groups? Are procedures made very difficult for certain parts of the organization? Are procedures designed for those sitting in the office daily and not for the sales force? Must the salespeople who spend most of their time traveling live with the same procedures, which is almost impossible to do? We pay attention to the way policies, standards, and procedures are enforced. Is it the same compliance standard demanded by different departments, leaders and employees, HQ employees, and frontline staff?

Are jobs designed justly, or have some employees earned the privilege to root out all mundane tasks to others? Does the leader have a genuine dialogue before changing job designs, roles, and responsibilities? These experiences come together in perceptions of how fair things are processed and if the rules are fair by design.

Judgment relates to how leaders are perceived as consistent in their decisions and responses to similar cases and the leeway they give different people to deviate from procedures. Do leaders apply consistent principles when deciding on personnel matters, or do they vary depending on who is involved? Can some people close to influential stakeholders get preferential treatment, bend the rules, or avoid certain procedures? Does it matter who are friends in the organization because friendship comes before procedures? Do leaders sanction people based on the same criteria? Are they predictable in how they police rules, regulations, and other compliance demands? Is there consistency in the compliance standards across people and teams? How easy is it to predict how leaders will resolve dilemmas, respond to resource scarcity, and handle conflict?

A weak fairness culture detracts from the willingness to engage in followership and ownership behaviors—the level of organizational citizenship drops. That influences team performance negatively, absenteeism increases, and the willingness to engage in extra-role efforts drops. Your employees will turn in sick more often, put in less effort at work, and their motivation to get another job will increase. It becomes harder to motivate compliance if procedures and judgments are not perceived as fair, transparent, and predictable. A weak fairness culture will make it very difficult to develop a strong discipline culture.

If the fairness culture is strong, it lays a good foundation for building psychological safety because people can rely on what to expect. It also contributes to the satisfaction with your leader because the consistency and

transparency that is central to the emergence of a strong fairness culture also make it easier to trust your leader. When leader judgments on how to solve dilemmas, clarify resource conflicts, and handle problems are consistent and perceived as fair, it directly influences team citizenship. The supporting behavior goes up, guarding behavior is reduced, and it becomes easier for the leader to exercise influence. People are more receptive to leadership when the fairness culture is strong. Henrik Tams Gildberg, an Army Major with more than 30 years of service and a master's in the psychology of organizations, frames it clearly:

❝ Fair processes and treatment are foundations for trust in the organization!

Henrik Tams Gildberg, Army Major, Military Assistant to the Commanding General at the Danish Home Guard, Denmark

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There is a subjectivity challenge built into fairness culture because we are all influenced by our subjective value system. What is fair for one person might seem unfair for another. That highlights the importance of the leader interpreting policies with his people to secure aligned expectations. We must understand performance assessment criteria, reward procedures, position evaluations and related benefits, titles, and privileges. We should understand the processes for internal job application, career development, and access to education and employee privileges. The team must understand how and why interesting tasks, projects, job rotations, and stationing opportunities are announced, decided upon, and allocated the way they are. I need to understand how to qualify for the opportunities I desire as an employee. Many of the distributions or procedures that can be experienced as unfair get attention when the consequences hit one of my close colleagues or me. An essential driver of perceived fairness is that decisions of the above characteristics are based on recognized merits and performance. People compare people and assess who is most eligible for opportunities.

The budgeting process, decisions on opening and closing sites, redesigning jobs, reorganization, or outsourcing will also get attention as to whether the process and the decisions themselves are considered fair. Any business decisions that influence the work life of people in the organization will be

scrutinized for fairness. Fairness is a comparison of what I expected to what happened and how well that aligns with my sense of what is fair. That means aligning expectations, information about the process, and decision criteria will contribute to a more robust fairness perception. Or, as put here by Caroline van Nieuwkerk, considerate process design and leadership sensemaking must go hand in hand:

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66 The whole design in the use of resources and rewards should be aimed at achieving the defined goals and focus and support this in a transparent way. However, there is always room for interpretation, and that is where the leader comes in. The leader should explain choices and the reasons behind them in a fair way.

Caroline van Nieuwkerk, Executive Board Member HR and Sustainability at Van Leeuwen Pipe and Tube Group, The Netherlands

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There is an influence from the value orientations, especially the rule orientation. A high rule orientation comes with a profound expectation of a diligent approach to following procedures in decision-making and distributing awards, opportunities, and resources based on overt and accepted principles. There will also be an expectation that rules apply equally to everyone and that leaders do not pragmatically differentiate how rules apply to different people. Variation is considered bad. We need to be objective, logical, systematic, and transparent in the way we operate. Anything else is an injustice. The opposite will be the case in the low rule orientation, where the autonomy beliefs drive an inherent acceptance of variations in leaders' decision-making, procedure-following, and access to resources and opportunities. Relations matter, and that is accepted. Variation is not bad, and it is a natural part of making things work. Justice is, to some degree, subjective, and the situation needs to be factored in.

A weak fairness culture impairs the collaboration culture, as it destroys trust and makes people spend energy on perceived unfairness, as identified here by Professor Jordi Escartín:

> **❝** If employees do not perceive fairness, they will waste the energy and focus that they should spend on the relevant tasks and goals. With fairness, psychological safety can blossom as well as creativity and engagement. Fair, consistent, and coherent leaders will foster a strong fairness culture—and the opposite if the leader is inconsistent.

Jordi Escartín, PhD, Professor of Organizational Behavior at the University of Barcelona, Spain, and Visiting Professor at King's College London, United Kingdom

The collective perception of unfairness leads to cynicism, negativism, and individual suboptimization. The organization becomes fragmented since it is difficult to rely on anything other than the people close to you. You need to bring the fairness culture above the threshold where people question fairness and justice. Failing to do so will make building strong collaboration, empowerment, and voice cultures challenging.

There is also a pitfall. In pursuit of equitable access to opportunities and benefits, the fairness culture can become so strong that it stifles decisions that might support performance, such as not being able to reward high performers or promote talent because of a misguided perception of what it means to treat people equally. Emphasizing fairness too far can divert focus to the following procedure rather than deviating as necessary to produce results. It becomes more important to follow protocol than to ensure the intention behind the process or policy. The fairness culture is not about ensuring everyone gets a trophy. It is about creating clear policies, criteria, and principles and adhering to them. There is a higher fairness effect of understanding criteria and the reasoning behind hard decisions than agreeing to the decision. I must understand, but I do not have to like it. If the fairness culture has become "trophy for all" and is not based on merits and performance, there is a serious challenge. If underperformance is not sanctioned and performance is not the ticket to opportunities, you cannot keep your talented employees. Talents rarely stay in an organization with a weak fairness culture.

Shaping the Fairness Culture

Often policies are introduced when people enter the organization, and their interpretation is left to "do not hesitate to ask questions." It does part of the trick, but the foundation for a strong fairness culture goes beyond that. A leader should deliberate on which policies, procedures, principles, and decision governance are most central to his organization. Then he should find the relevant timing to run them through a PIA Cycle to add the sensegiving that builds acceptance. He should exemplify how the standards are converted into actions and how decision criteria apply. By using guidelines as a means of communication, speaking to them, and exemplifying and discussing how they should convert into action, the leader builds the foundation for procedure and judgment fairness.

Take this example from a leader I coached. We will call him Yann. He is a leader who learned the importance of laying the foundation for perceived fairness the hard way. He took over a department with 22 finance and business controllers organized in four teams serving the four divisions. The four team leads had plenty of experience. They held the role of the divisional business controller, sitting in with the divisional management team. Five months after entering the organization, Yann and his department went into the yearly people review and development dialogue process. Yann read the policy and recognized the principles from his previous workplace. Each employee was to be performance-rated on a scale from 1 to 5, with 3 indicating that they were meeting the expected performance level. Also, their development potential to take on more responsibility should be assessed, with 3 indicating "stay at current level." A rating of 4 would indicate the potential to assume broader responsibility. Typically, a 4 would mean that an employee could step up to a team lead/divisional controller position within a year. Subsequently, these ratings would form input to the development dialogue between the employee and the team lead. After that, the performance rating, and the assessment of the development potential for each employee, should form the input for the annual salary adjustment.

Yann asked his team leads about the process. They reported that it had been running like that for the past three years, so they felt at ease with the process. They kicked off the process and, after the team leads had finalized their individual dialogues, Yann got them together to follow up. He asked them to share their ratings. He soon realized that the preparation had not been good enough. The team leads had all rated most of their people 4–4, and they started picking on each other, disagreeing with the evaluations.

Yann realized his mistakes. He had not unpacked the policy with the team leads and forced them to interpret what it took to get a rating of 4. He had not aligned the ratings before the individual talks between the team leads and with the business leaders their employees served. He had assumed they would have asked. He also realized that he had not clarified the two intentions behind the ratings. Firstly, to support experienced fairness among

his people when they got their salary adjustments. Secondly, to ensure that job development expectations were aligned in a motivating manner so they would not lose any talents even though they could not offer promotions. Nor had he secured that the ambition of making business controlling better at converting financial reporting into forward-looking decision support had been factored into assessments. When Yann took over, this move from being passive financial controllers reporting numbers to active business partners suggesting actions based on the numbers was required from the business. The team leads and Yann also found that they had gone into the process without clarifying and communicating these role expectations before their people did their self-assessments preparing for the dialogues.

Yann gathered the whole department. He had the four division senior vice presidents join in and communicate their expectations regarding the role shift from passive controlling to active business partnering. Yann shared that these priorities had become evident through the process, and he apologized for not foreseeing this running into the development dialogues. They discussed how their practices should change, which skills should be enhanced, and how to fulfill the expectations. They also agreed that this joint development agenda should be revisited and rediscussed to secure progress in the coming four quarters. He asked everyone to assess themselves toward these updated "business partnering" criteria. The team leads and Yann had a meeting and aligned their evaluations of everyone in the department. The team leads repeated the development dialogues to come up with a plan for the development. And the involvement in the interpretation had led almost all employees to reevaluate their self-assessments. They committed to the development aspirations and understood the reward of being upskilled from "finance" to "business partner." The salary adjustments ran without pushback on any misalignment between performance evaluations and adjustments.

Since then, Yann has followed the path of clarifying the business priorities and making these clear as the starting point in his organization. He insists on involving his team leads and discussing to make sure they build a shared understanding of how the priorities and principles should convert into action and how not. Yann also implemented planning the follow-up sessions from the beginning to secure the commitment to act. Since he learned this, Yann has applied the PIA principles in implementing policies for company cars, traveling, and relocations. Also, Yann and his business controllers headed up the implementation of IPE position evaluation and title alignment throughout the four divisions (read more about IPE here: www.mercer.com). A clear policy and process, along with the involvement and interpretation, laid the foundation for aligning the organizational behavior in these areas fueled by experienced fairness of the policies and how they were rolled out through involvement. Of course, some have found the distribution unfair because they lost privileges. However, due to precise criteria and principles, they have come to accept the lay of the land.

For the leader, it is essential to make the reasoning behind judgments and decisions known to her people. If followers experience that their leader

rewards or sanctions contingently rather than non-contingently, they perceive this to be fairer. If the leader has not made the expectations clear or established clear principles that have been interpreted together, it is more challenging to be considered fair. On the importance of aligning expectations, Anette Papuga speaks from 20 years of experience with leaders across three large-scale organizations:

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66 Perceived fairness is about aligning expectations of clear principles to drive the same perception of what is right and fair in the workplace. Also, I believe it is a matter of leaders leading with integrity and showing what the principles mean in words and actions.

Anette Papuga, EMBA, Chief People Officer at Maersk Tankers, Denmark

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Suppose people know the expectations, the compliance demands, and the principles behind decisions. In that case, accepting decisions they do not like is much easier. It is also easier to understand why resources, rewards, and opportunities are allocated to someone else, and they can better accept sanctions when the rules of the game are known beforehand. Sanctions are judged on the fairness of the decision procedure, the correspondence between violation and punishment, and the way the leader explains the reasoning.

The leader needs to be explicit around expectations and explain decisions and judgment calls. If the leader is not explicit, all decisions can be perceived as unjust since what happens will be compared to my personal perception of how things should be. We need to know the performance demands, the measurements, and the follow-up. The leader must ensure understanding of these demands upfront. Aligning expectations is a key leadership discipline and the bedrock for experiencing my leader as fair.

Credibility is a core attribute of authentic leadership. One side of that is ensuring that your actions match your words as a leader— you must walk the talk. When building a strong fairness culture, that obligation expands beyond your own talk as a leader. You need to match the expectations expressed by the organization through its priorities, rules, regulations, procedures, policies, and codes of conduct. To effectively do that, you need to ensure a collective

understanding of your area's essential procedures and policies. That is done through PIA Cycles, where the joint interpretation of how the principles should be turned into OK and not-OK behavior will clarify the expectations. This allows alignment in the team, but it also lays the foundation for acting trustworthy as a leader. You get clarity on how things should run. Adhering to these creates predictability and transparency— fundamental building blocks for being considered authentic.

Fairness culture is built through the way that the policies and guidelines regulating distribution, procedure, and judgment are implemented and lived. The fairness culture comes from how we handle resource allocation, opportunities, restrictions, and sanctions influencing our people. We strengthen the fairness culture with clearly communicated guidelines about who is eligible for what privileges and who has which rights. Clarity about how decision processes run and which criteria for distributing resources and perceived benefits apply. The fairness perception is strengthened by exercising transparent decision-making and repeatedly investing leadership in sensegiving around choices and decisions. We build fairness in our collective mind when leaders consistently act according to our principles about allocation decisions and how people acquire access to resources, benefits, and opportunities. There is no example of a code to build a fairness culture because building a fairness culture is not the aim in itself. Instead, it is a vital means to an end—that the organization spends energy on progressing rather than on perceived injustice.

Ethical Culture

The first anchor for the ethical culture is acting in line with the company's code of conduct (CoC) when collaborating with suppliers and external partners. Underpinning a company's CoC are the company's ethical, social, and environmental obligations. Often, CoC encompasses global principles from initiatives aiming to promote sound corporate governance, legal compliance, human rights, equality and social conditions, working environment and health, environmental responsibility, and anti-corruption. Examples of such global initiatives are the UN Global Compact and the 17 Global Goals (www.unglobalcompact.org), the OECD Guidelines for multinational enterprises (www.oecd.org), the UN International Labour Standards (www.ilo.org), or the Social Accountability International Standard (www.sa-intl.org).

The ethical culture is also anchored in the beliefs about how we should treat each other in the workplace to ensure a harassment-free and respectful

work environment. Often, these principles are captured in a CoC comprising policies addressing appropriate workplace behavior, diversity, and inclusion. A mature example of such a CoC is that of General Electric, whose CoC The Spirit & The Letter clearly lays out the desired and acceptable internal and external ethical behavior.[52] On the inner side, GE commits to providing a safe, fair, and respectful work environment and not tolerating any form of harassment, discrimination, or bullying. GE drives a range of internal training initiatives for leaders and employees to ensure the involvement, interpretation, and alignment necessary for these principles to convert into a strong ethical culture.

A third anchor for the ethical culture relates to principles guiding leaders and employees through moral-intense situations. Moral intensity occurs when facing dilemmas where ethics must guide the decisions. Moral intensity has two drivers: the potential harm the decision can cause and the social consensus and norms around such decisions. If a decision with no objective and obvious right choice holds the potential to harm people, it becomes more difficult. If a social consensus around what is normally done exists, it can become tough to choose otherwise due to social pressure. The social pressure refers to how likely it is that my peers, managers, customers, or the public at large will subscribe to the decision. Together, this ramps up the moral intensity. A situation like placing production with a supplier in an area of poverty to support social development is an example with ethical dimensions. Is it the local pollution standards or the pollution thresholds in your home country that you should adhere to? In the local area, they will not be able to meet the higher pollution thresholds with their technology. Choosing not to place production there will be environmentally sound. But it will not help raise the living standard locally and support sustainability investments locally.

The stakes of moral intensity are raised even more when human consequences are very directly related to the decisions. Medical staff face choices where their judgments about treatment involve high potential consequences for the patients, and often, there is no clear "best decision." The fire chief faces the choice of protecting the firefighters while putting them in harm's way to put out fires. Social workers must make hard choices with social consequences for the families they are helping. Moral intensity also surfaces in business decisions that do not entail harm to people but where there is a gray area between right and wrong. Leaders and employees must rely on ethical judgment in all such situations to navigate the moral intensity.

🔖 **DEFINITION: ETHICAL CULTURE**

The way we act and react to behave ethically, promote ethical conduct, and make ethical decisions.

Recognizing the Strong Ethical Culture

Two sets of principles, beliefs, and behaviors form pillars in the ethical culture: morality and discussability.

Figure 62

Building a Strong Ethical Culture

Discussability → Ethical Culture ← Morality
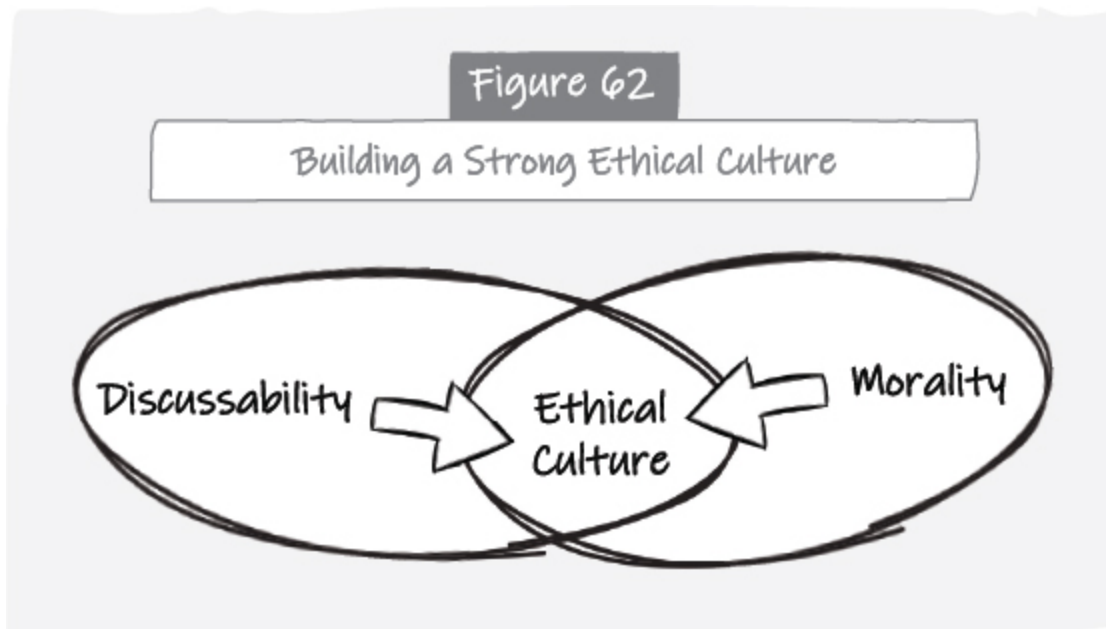
Source: Data from Noerby (2021, 2023).

Morality is the prevalence of ethical considerations and awareness in any organizational conduct, peer-to-peer or with externals. It refers to how clear and present it is for the organization that management never accepts unethical or illegal behavior to meet business goals. As GE states, *"We do not cheat to compete."*[53] There are no deviations from the ethical CoC in pursuit of business goals. Leadership is aligned around the interpretations of the ethical line in doing business.

Morality is the consistency of living up to the ethical principles and experiencing that they guide how people interact and operate. It is attention to upholding appropriate conduct and ensuring everyone treats one another respectfully. There is no discrimination or harassment based on national or ethnic origin, race, color, religion, sexual orientation, gender, age, or disability. There is no tolerance from leadership or colleagues for misconduct to the inclusion and mutual respect in the workplace. There is an absence of bullying and harassment in the organization. There is a commitment-based compliance

acceptance. In moral-intense settings, there is an acceptance that hard choices sometimes have unforeseen adverse consequences. There is no blame, but there is a recognition of the difficulty of navigating dilemmas and a joint aspiration to learn from mistakes to do good going forward. The moral compass guiding interactions and decisions is embedded in how people speak and act. Ethics is a natural part of the daily dialogue. It can be related to any or all anchors: external parties, peer-to-peer, and moral-intense situations.

Discussability is the level of openness around OK and not-OK behavior between peers. It is how often we discuss moral dilemmas and the habits of addressing misconduct in the organization. It is approaching violators to correct bad, abusive, or harsh language. It involves debating when there are subtle signs that someone is not included. Experiencing colleagues not treating each other with respect results in bringing these observations to the attention of the leader or the people involved. It is not walking by and accepting unethical behavior. It is when issues that emerge in the gray areas between what is clearly out of line with the CoC and what is perhaps OK are naturally and, per default, raised for discussion. Such issues occur because suppliers, partners, or customers from other industries or geographies have other traditions and belief systems. They are discussed and shared to help others navigate similar situations.

Naturally, discussability is tightly related to the strength of the voice culture. On top of voicing, discussability adds the "courageous" to conversations. The hard stuff is talked about, and the moral dilemmas and difficult choices with severe consequences and misconduct of close colleagues are raised for debate with respect. It is daring to be in difficult conversations where emotions are in play. Discussability also has a more instrumental side. The processes and procedures for safe whistleblowing allow everyone to address any misconduct without fear of retaliation. Discussability involves ensuring adequate opportunity to report unethical behavior. It is setting and following standards for handling such escalations respectfully and consequentially, to ensure that matters are investigated objectively and adequately, to act on misconduct and stay true to the company's morality and CoC. Together, discussability requires ethical leadership, as highlighted here by Professor Jordi Escartín:

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> **❝** Leaders set the line for ethics by doing right as role models. And making the necessary decisions when others do not follow the standard.

Jordi Escartín, PhD, Professor of Organizational Behavior at the University of Barcelona, Spain, and Visiting Professor at King's College London, United Kingdom

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There can be different reasons behind misconduct, and understanding these is helpful. Actions are based on judgments, and at the heart of ethical culture lies moral judgments. When seeking an understanding of how people arrive at their judgments, it is helpful to consider three motives driving decisions about how to behave: (1) principles I subscribe to, (2) helping other people because it feels right to do right, and (3) doing something for egoistic reasons and personal gains.

Acting by principles I subscribe to is what we want to achieve with CoC supported by the PIA Cycles. We want people to apply the expressed norms, rules, standards, and principles as their criteria in moral judgments. This can be compliance-based, where I adhere to rules because it is part of my job or due to the risk of being sanctioned. It can also be commitment-based, where I feel that this is the right way of doing things and the reasons behind it make sense to me. That is when principles become internalized and an engagement driver due to the meaning it brings.

The second motive that makes people assume ethical or unethical behavior comes from doing something good for others. It relates to the same beneficiary effect that is a driver behind the purpose culture. The main criteria in my judgments and my moral compass are a concern for others and making sure that decisions and actions are good for them and ourselves. Doing good for others can also be aimed at helping the company by accepting unethical decisions in pursuit of results that might help save the company.

The third motive is about the maximization of self-interest and satisfying your own needs. It is when decisions and judgments are made with an agenda of promoting yourself and gaining advantages you would not have gotten otherwise. It is when someone takes a bribe or moves into the gray areas to gain personal benefits. It is sometimes sheer greed. It can also come from egoistic needs to feel superior or in power or to get even, which results in harassing colleagues, excluding them, or other bad colleagueship. The second

and third motives are often behind misconduct, sometimes in a mix. Naturally, the leader should be attentive to the motives driving the ethical behavior.

The importance of a strong ethical culture increases in environments with more ethical dilemmas and moral intensity. It is vital when collaborating with many external suppliers and partners who bring their moral compasses to the mix. Also, the ethical culture becomes vital in more loosely structured contexts where the conduct is not supported by more robust governance. For example, it is difficult to sanction misconduct in volunteer organizations or communities. For most organizations, a strong ethical culture has considerable positive effects internally as well as toward external partners and customers. This is underlined here by Ales Jazbec, based on 25 years of leadership experience across research and development, supply chain, marketing, and sales:

❝ Strong ethical conduct and culture build trust in the organization and its leaders.

Ales Jazbec, MBA, Senior Director Product Portfolio and Business Development at Danfoss, Slovenia

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It positively influences work engagement, well-being, and trust, resulting in more organizational citizenship. It increases rule compliance and the quality of ethical decision-making, resulting in a higher ability to perform in ambiguity. Strong morality and discussability increase relationship quality and bring down turnover intentions. A strong ethical culture improves psychological safety and supports risk-taking and willingness to learn and change. Also—often the reason for focusing on the ethical culture in the first place—it reduces misconduct. You get less unethical behavior, bullying, lying, stealing, falsifying, and misreporting.

There are significant drawbacks of a weak ethical culture. The risk of fraud, abuse, corruption, harassment, and other unethical behavior increases. There will likely be significant differences in perception of what constitutes misconduct. A weaker culture means that individual moral standards prevail, and such misalignment results in disbelief and lower attachment and performance. Also, the lack of clarity around CoC threatens the company's image and lowers the possibility of acquiring the necessary talent. A weak

ethical culture comes with adverse effects on leadership as well. High variability in an organization's ethical conduct impairs the leaders' trust. The misalignment translates to a perception of inconsistency in the leader's principles and behaviors—the acceptance of misconduct rubs off on the leader. On the other hand, when a leader makes decisions and acts following accepted ethical principles, it lays the foundation for trustworthiness.

Shaping the Ethical Culture

An interesting example of how the ethical culture influences business comes from a client case where the ethical culture turned out to be vital to success. Company names have been anonymized. Promtas is a textile company producing workwear that acquired the smaller Batemy, which also produced workwear. The outlook to product portfolio synergies were good since assortments supplemented each other and their production approaches were very similar. The Batemy production and staff were relocated to the Promtas facilities, and everyone seemed optimistic about the acquisition. The former CEO of Batemy retired, and the CEO of Promtas, Liza, heading the merged company. She soon observed a distinct difference in the work cultures, and clashes soon came about. These were mainly related to the beliefs and behaviors toward suppliers. An essential part of the business case for the acquisition (officially termed "merger") was the potential of consolidating the supplier bases —the calculations were promising.

There were two sets of beliefs guiding the approach to the suppliers. In the acquired company, Batemy, the belief was that suppliers should adhere to the standards for working conditions and environmental responsibility set out in the Batemy supplier-CoC. It was taken very seriously and was approached with a mindset of assuming a chain liability requiring transparency, on-site audits, and reporting on the measures securing the supplier-CoC demands.

The belief in Promtas, the acquiring company, was that suppliers are responsible for their business, and the company trusts them to behave appropriately. Promtas believed that they should not care about how suppliers ran their businesses. It was not their responsibility. The two beliefs clashed. How should the supplier negotiations be organized? Which criteria should apply in the consolidation of suppliers?

Liza took the discussion to the board to arrive at a clear priority aligned with the strategic intent. After discussing how the industry mostly adhered to the "let the suppliers take care of it" approach, they arrived at a decision. This was their best opportunity to set a new standard by pursuing a close partnership with a few suppliers. The board asked Liza to go the Batemy way and change the beliefs and behaviors toward the suppliers. This would involve a severe shaping of the ethical culture so profoundly engrained in the fabric of Promtas.

The change took three years of deliberate work based on two principles, true supplier partnerships, and chain liability. They started with the management team, who spent time understanding the Batemy approach. They involved the purchasing, quality, production, and logistics departments in the first rounds of PIA meetings. Then they took the PIA dialogues to the chosen suppliers to ensure a shared understanding of what the updated supplier-CoC meant to the collaboration. The dialogues were spread to the rest of Promtas, including customer service, warehousing, and resellers. Along the way, there were several examples of very experienced Promtas employees who found it problematic that they were to "babysit," "police," or "distrust" the suppliers and "overcomplicate" the collaboration. Over time, they built the discussability that ensured this language was rooted out. It took time and required persistence to change mindsets, including among the leaders. Liza insisted on partnership meetings as a significant driver of the culture change. These were sessions where the suppliers were invited to brief back their interpretation of how they would bring the CoC alive and which value it brought to their business. Over time, that changed the beliefs in Promtas. Many suppliers talked about new customers they had accessed because of the documentation and processes implemented due to the Promtas partnership and chain liability principles. The ethical culture is now a central pillar in the way Promtas does business. See the ethical code used by Liza at the end of this section.

Leader authenticity is closely related to ethical conduct, and there is increasing attention to the ethical, moral, and value-based content of leadership. Any leader needs to uncover the value compass at the base of her integrity. The inner value compass comprises the personal beliefs, values, and moral standards a leader uses to guide choices and behaviors. The leader's personal value compass needs to be congruent with the company's ethical stance. A leader needs to buy in to how the company does business and views human beings and lead the company. There are two sides that needs to be in balance for a leader to form a strong leadership foundation: the buy-in to the company's way of doing things, and the felt alignment to the personal values accumulated through upbringing and adult life. A leader cannot agree to every approach of the company, but the company's ethical stance cannot violate the leader's personal beliefs if she is to be an authentic leader. On the other hand, the ability to be pragmatic about the range of company beliefs that deviate from—without violating—the personal values is a necessity for leaders in most large organizations.

Role modeling is very important when it comes to ethical conduct since judgment is best learned through action learning and sensegiving from more experienced people. The leader should demonstrate care and consideration to the hardship of dilemma choices. She should establish and communicate

moral principles that are active through PIA discussions on typical dilemmas to sensitize newcomers and on actual cases as they occur to build the strong ethical culture. The leader must hold people accountable for ethical conduct and be very attentive to her own acting in accordance with ethical standards. The leaders should actively use the dilemmas for principled decision-making. Principled decision-making involves using the cases for demonstrating and highlighting the moral principles, setting clear standards, expectations, and judgment practices. It is when the leader shares the story to educate others in the organization. It is about making people recognize the premises for the decision and understanding how these conditions translate into the principled judgments. Also, when the judgments turned out to be less optimal, the dialogue to ensure sensemaking is imperative. This also allows the leader to role model how we should be treating each other with dignity and respect. Support each other in difficult decisions, where some will be wrong. Success with such leadership behavior building strong culture rests upon establishing clear principles and norms for ethical conduct. It also relies heavily on leadership and handling deviations, as Greg Daniel explains here:

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66 Ethics is a factor that is very influenced by the role modeling of the leader's behavior rather than the written rules. I think this is because it is an area where a leader's authenticity gets tested. The leader's conduct in gray-area cases tests the ethical culture. Poor conduct that goes unchallenged signals that the rules can be overlooked. It sets a bad standard and creates a weak ethical culture.

Greg Daniel, MBA, EMEA Alliance Director at CBRE Global Workplace Solutions (GWS), Ireland

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Strong culture emerges when role models, leaders, or significant peers uphold the ethical principles and do not cut corners or bend the ethical code in pursuit of results. This involves standing the test in difficult dilemmas and moral-intense situations followed by explaining the decisions and ethical considerations. Importantly, the dialogues should not only be reactive,

responding to upcoming cases. Engaging in proactive sensemaking with the teams who can face moral intensity builds the interpretation-strength imperative when it comes to ethical choices.

Equally important is the leader's reactions to violations since a perceived violation to the ethical principles that is not addressed undermines the beliefs in the ethical standard. The leader needs to react, and it is important to build pathways for safe escalation of observations and experienced violations. People need to be and feel safe without fear of retaliation when reporting potential violations. The risk of retaliation is an important reason to establish whistleblowing opportunities where anyone can report observations in confidentiality. Such reports are then investigated by Human Resources or another designated function as a third party, ensuring safe and ethical handling of violations. It is a leadership responsibility to establish such safe reporting pathways to ensure that no bad apple, colleague or leader, can act unethically. Whistleblowing has matured a lot over the past decade, and most larger organizations have established policies, principles, and procedures that must be known and communicated by their leaders.

There is, however, a dilemma in leadership because often, leaders must navigate and make decisions in gray areas or moral dilemmas, where the perceptions from employees observing what is going on come into play. The truth is in the eye of the beholder, and it requires attention from the leader, as brought out here by Professor Melodena Stephens, speaking from three decades of global experience:

❝ Often leaders work in gray areas, so the transparency behind decisions and the ability to acknowledge shortcomings and rectify them is key.

Melodena Stephens, PhD, Professor of Innovation Management at Mohammed Bin Rashid School of Government, UAE

Being inattentive comes with the risk of undermining the leader's authenticity. Unintended ethical questionable acts and decisions will make it very difficult to establish the psychological safety necessary for a strong ethical culture. Consistent moral conduct is imperative because one bad case can

undermine the leader's credibility, as ethics is a "table stakes" issue in leadership. The leader is "on stage" and everyone is watching in anticipation of the judgments and the subsequent sensegiving. Hence, repeated PIA sessions with a strong emphasis on sensegiving are a key feature in moral-intense contexts and when dilemmas pop up.

See table 8 below for the two guiding principles used by Liza in her development of Promtas's ethical culture. The example is from a supplier workshop. The beliefs and behaviors were supported by changing from yearly supplier negotiations to frequent partnership meetings involving multiple levels and functions on each side.

TABLE 8. CULTURE CODE — PROMTAS SUPPLIER CODE OF CONDUCT

CULTURE CODE — PRIORITY
Partner to Prosper

PRINCIPLES
We foster true supplier partnerships
We act with transparency and assume chain liability

Beliefs & Behaviors We Leave Behind	Beliefs & Behaviors We Want
• Item-price negotiations, focus on the contract • Each party minds their business • Buyer-supplier mindset	• Focus on maximizing value in both businesses • Sharing end-to-end insights to improve together • Shared full chain ethical standards

CULTURES RELATED TO EFFICIENCY AND STABILITY

Almost all organizations intend to run efficient and stable operations as part of their activities. Efficiency is closely related to task performance, comprising functional performance and planning and organizing. Whether the organizational intention is efficient repetitive operations or innovating, the three cultures in this group are relevant. These are the focus and ambition, the discipline, and the safety cultures.

The focus and ambition culture significantly influences functional performance because it relates to driving ambitions and understanding which efforts deliver the goals. On the one hand, a strong focus and ambition culture contributes to role clarity, and this alignment of expectations lowers the experience of work strains. On the other hand, the stretch and ambitions can lead to higher job demands, ramping up the experienced work strains. A strong discipline culture helps functional performance by strengthening the adherence to quality norms. It positively influences planning and organizing by enforcing diligence and precision. Both cultures enhance meaning and mastery by encouraging you to put your skills to work and through clear job goals that you can see fulfilled. Lastly, the safety culture influences the psychological safety necessary for performance to unfold. Safety culture encompasses the attitudes and behaviors around preventing and taking risks. Hence, a weak safety culture has a significant impact in some settings. The leadership team should consider if there is enough focus and ambition and discipline for optimal performance. Then consider the strength and fitness of the safety culture compared to the risk intensity faced by the team. See figure 63.

Figure 63

The Impact of Focus & Ambition, Discipline and Safety Cultures
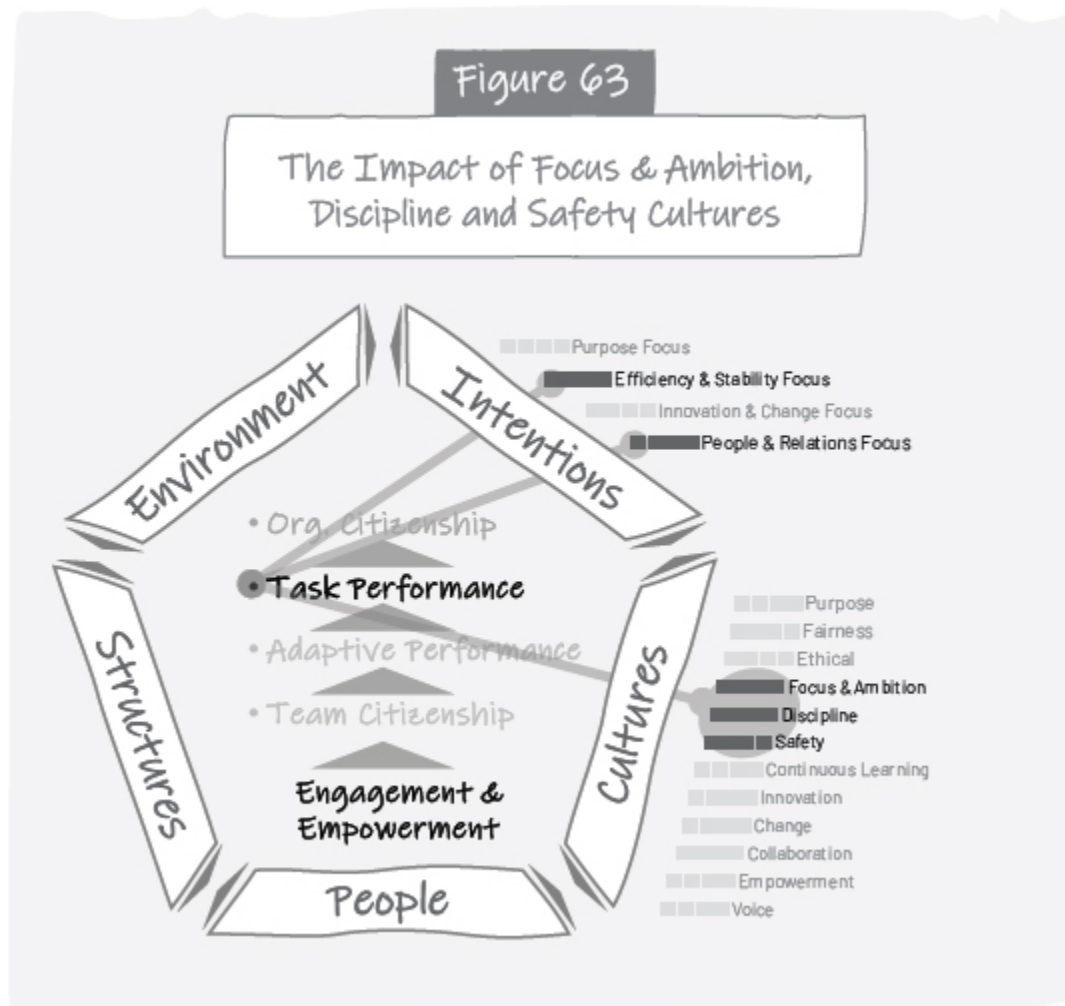
Source: Data from Noerby (2021, 2023).

Focus & Ambition Culture

The focus and ambition culture significantly influences how an organization spends its energy. The focus relates to goal orientation and understanding how different efforts contribute to goal attainment. A focused organization constantly aligns how the energy is invested in the goals. Goals are prioritized, and there is an understanding of value creation that permeates all discussions. There is transparency in which activities provide the pathways to high performance toward the goals. This means that people in a strong focus and ambition culture have a line of sight from their contributions to the goals and the overarching vision or purpose. They understand the goal-path connections. This allows them to prioritize where to put their efforts so there is the most bang for their buck. This practice should flow from the top of the organization. However, as noted here by Valerie Khan, high-performing

leaders establish goals for their organization, even if none are delegated. She speaks from 20 years of experience assessing leaders in five different large organizations:

❝ In the absence of goal-path clarity, strong leaders and strong performers will create their own goals.

Valerie Khan, Vice President of Human Resources at Jones DesLauriers Insurance, Canada

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When the culture is strong, activities are coordinated out of an understanding of how to best support getting to the goals. Progress is measured on activities and results. KPIs are part of the lifeblood of the organization. Metrics are a natural part of the ongoing conversation and the idea of "what gets measured gets done" prevails. Within these frames, the ambition part is about how much ignited drive the organization displays. Do they ramp up performance ambitions and push the limits of how much they commit? Complacency and accepting the status quo are absent, and there is a sense of competitiveness and urgency. The focus and ambition culture is a ticket to win, and a central leadership task is to maximize the return on the organization's resources and people. This culture is central to business leaders with its evident and direct effect on company results.

🔖 **DEFINITION: FOCUS AND AMBITION CULTURE**

> The way we set direction and goals, translate goals into actions, and always stretch our ambitions to perform better.

Recognizing the Strong Focus & Ambition Culture

Two interlocking sets of principles, beliefs, and behaviors are coming together in the focus and ambition culture: goal-path clarity and stretch.

Source: Data from Noerby (2021, 2023).

Goal-path clarity is about the clarity of goals and how the goals connect. It is the clarity of the top-to-bottom cascade of goals and how the department goals contribute to the overall organizational intentions. We understand how our deliverables add up to the overall ambitions. We experience only a few competing priorities where goals for different departments contradict each other. We understand that we can have goals that need to be balanced toward each other, cycle time versus quality standards, or cost savings toward increasing customer satisfaction. Clear goals and the absence of unhealthy or unresolved competing priorities are hallmarks of high-performing organizations. Unclear goals and shifting or competing priorities hinder performance and lead to confusion about resource allocation. This increases time spent clarifying goals and results in less trust in higher-level leaders.

Our leadership has explained the long-term vision and how that relates to our weekly, monthly, and yearly goals. Also, shared goals and accountabilities in teams and across functions are deliberately used to drive coordinated actions and synergies. We know the long-term plans and understand what our organization is trying to do with its strategy. Against this backdrop, we have been involved in breaking down the goals into activities, projects, tasks, and processes. We understand how the activities and getting to the goals connect. We measure progress and constantly try to shape our efforts to push toward the goals with maximum power. I understand how my tasks fit into the

coordinated activities leading to our targeted success in my job. I also understand how the others in the team contribute—my operational and collaboration awareness is high. My contributions relate to goals that I know, and I can follow the performance. The constant feedback on how well I am doing is built into my job so I can assume responsibility for constantly trying to improve. When goal-path clarity is high, there are significant and direct positive effects on performance. This fuels meaning, mastery, and autonomy, three of the engagement and empowerment drivers. It results in higher task and adaptive performance. Hence, whether the organization is pursuing efficiency or innovation, there is a direct positive performance effect of goal-path clarity.

What is more, when pursuing innovation, understanding purpose and long-term goals becomes increasingly essential. A central leadership discipline is creating clarity around goals, how they connect, and goal-path clarity. It pays off big time!

Stretch is embedded in the way we approach our work. We are always ready to make a special effort and put in extra to do a good job. There is a sense of urgency to get things done so that we and others can move on. The ambitions also apply when it comes to quality, where the pursuit of improving standards is part of the stretch. This also applies to honing our skills to keep getting better at our jobs. The desire to always do better and to have a competitive mindset comes out in discussions and decisions. We compete against yesterday's performance as well as against our competitors. The focus is on getting things done and making them happen rather than fitting the tasks into tight timeboxes. We understand that extraordinary results demand extra effort. The pace of work is high because people are always trying to squeeze a bit more in. Organizations with a stretch mindset help performance through constantly raising targets and challenging themselves to deliver, as "shooting for the stars makes you try harder."

Being in a job where the stretch allows me to action my skills so I experience mastery is highly engaging. It raises performance and fuels empowerment. The stretch factor can be recognized by members voluntarily pushing for more ambitious goals. They keep stretching their expectations of each other and challenging each other to go further. When the team builds a collective identity of pursuing a shared ambition and connects the organization's purpose to personal meaning, the stretch is related to the line of sight created by the goal-path clarity.

The strength of the focus and ambition culture is a key building block in the organization's ability to navigate the contradictions of pursuing efficiency

and innovation in an integrated balance. Recognizing and applying different problem-solving, decision-making, and resource allocation approaches depending on whether efficiency or innovation is the target requires clarity about the goals and success criteria. When the goal-path clarity is high, it supports that members choose practices and allocate resources based on their continuous goal and contribution analysis.

The emergence of a strong focus and ambition culture is helped when there is a dominance disposition in the team. The dominance disposition supports striving to outperform others and demonstrating abilities by taking on challenges. There is a preference for measuring and evaluating performance, focusing on achieving goals, keeping deadlines, delivering profits, saving time, and meeting quantitative or qualitative requirements.

Another element helping the emergence of a strong focus and ambition culture is the mastery orientation among team members. When many on a team constantly focus on improving their unique craftsmanship, it raises self-efficacy. Higher self-efficacy, the belief in being able to succeed with the challenges given to you, results in more stretch. The team will lean more into daring tasks, raise ambitions higher, and be more willing to take on tasks where the solution is not evident from the outset. By fostering this kind of craftsmanship and mastery-stretch, the positive effects of experiencing mastery bolster the feelings of competence and confidence, resulting in more stretch. This is a key reason that craftsman's competitions and honoring good work positively affect productivity and the quality of working life. Experiencing mastery is a key stretch driver. People tend to stay in jobs with a good mastery fit, where becoming better in the profession is valued alongside performance.

Shaping the Focus & Ambition Culture

Shaping the context to support goal-path clarity and stretch is very tangible, and a range of performance management approaches support it. The management-by-objectives thinking emphasizes how the means-end chain from top to bottom should connect, as discussed in the section "Organizational Intentions #2: Efficiency & Stability" in chapter 5. Underlying objectives should be nested in the overlying objectives. As an example, the balanced scorecard approach assists in mapping out the goal-activity linkages supported by establishing the metrics to manage efforts and goal attainment.[54] The approach chosen and formalized by the company institutes a starting point by laying out the priorities and principles for

developing the focus and ambition culture. The leader must set the goals in a combination of the goals delegated and her interpretation of the business priorities. This mix of goals concerning sustaining the running business and goals that incur change and development from the strategy should be aligned up the hierarchy and across to the interdependent departments. The alignment allows the leader to create clarity in her organization, and, as emphasized here by Serdar Ulger, this is key to performance:

❝ To cope with external complexity is the job of leadership, and it should be absorbed by leaders gradually from top to bottom. Clarity should go up as you go down in the organization. As long as the priorities, messages, and direction are clear, the organization can still perform very well.

Serdar Ulger, International Top Management Executive, Turkey

Goal clarity allows involving people in breaking down goals into actions, laying the foundation for optimal return on available resources. The focus and ambition culture is built through PIA-like practices for distributing goals, involving the teams in converting them into action plans and the recurring follow-up performance meetings. It is supported by the metrics, which should address both efforts and results, and how the metrics are used to discuss corrective and reinforcing actions.

When the leader sets goals and stretches ambitions, there is a balance to strike. Overly aggressive goal setting can result in stress, burnout, and disbelief if the team's beliefs in its own mastery are overpowered. Overly unaggressive goal setting can be demotivating because it does not allow me to experience the mastery of being adequately challenged. It is about striking a motivating stretch with ambitious yet realistic goals relevant to the organizational purpose and matching the team/ individual efficacy. To promote a strong focus and ambition culture, the leader should invest time and energy in close attention to performance. The team should build practices of feedback, including a comparison to others. The leader should actively use the high performers as role models and recognize praise and reward performance.

The interpretation of the goal-path links is a critical feature in the strong focus and ambition culture. The understanding of the linkages is what empowers job autonomy, which is related to high performance. When teams and individuals constantly organize and reorganize their work to promote performance out of a strong understanding of the broader goal-path links in the area, it results in high performance. Freedom to decide over your work should be framed by a strong focus and ambition culture to take maximum effect.

There is a recurring PIA sequence in establishing a strong focus and ambition culture. Firstly, priorities and goals need to be clearly set and interpreted together with the ones who are to deliver. The goals must be jointly understood as tangible, measurable, and time-bound "desired results," "future state," or "clear tangible outcomes." The "future state" approach drives performance. Secondly, mobilize the team into an interpretation of which efforts are needed for delivering on the goals. The team should be involved in establishing a clear and understood line of sight between the goals, the related team and individual efforts, actions, practices, and processes. Thirdly, the team should come together recurringly to review the performance and align the prioritization of efforts to the experienced progress on goal attainment. Throughout, it is a vital leadership task to ensure that team and individual goals are linked to the organization's vision and purpose. Understanding your contributions and why you are being held accountable in the bigger picture is a solid motivating factor tapping into the individual need to have a meaningful job.

At times, the KPIs decided by the company are no longer fit for the purpose, resulting in energy and focus spent on things that hinder optimal performance. It is imperative to ensure that when goals change, the goal interpretation process is repeated and the metrics adjusted. This is an ongoing important task for leaders, as stressed here by Professor Melodena Stephens:

❝ One of the challenges is that the goalpost is moving, making it key that efforts are realigned. So, it is critical that leaders are transparent about the changes, acknowledge work done, and realize how to use that base to pivot forward.

This alignment underpins the relevance of "what gets measured gets done," as the leader needs to ensure an optimal performance focus. Also, the leader should set direction and goals in his leadership context, whether or not direction and goals are provided from above. If the immediate manager provides no clear goals, any leader needs to seize the initiative and suggest the goals and priorities, securing a solid basis for his effective leadership. When cascading goals, the individual goals should be nested in overriding team goals supplemented by a clear joint understanding of the team goals to serve as a coordination and prioritization mechanism. Also, it is critical to clarify competing priorities and conflicting objectives outside the team, influencing the team's goals. It is the leader's responsibility to clarify priorities and goals for his organization.

See the example following the next section on the discipline culture. The example concerns developing a performance culture comprising both the focus and ambition and discipline cultures.

Discipline Culture

Discipline is about repeatability, consistency, and unwavering attention to doing things as intended. Discipline does not equal directive leadership, nor does it require a high level of formalization. The discipline culture is strong when the team relies on each other with a profound belief that things will be done with predictability and precision, matching known expectations. It involves the strength of the principles woven into how things are done. It is about how things are done and the interplay between plans and actions. Strong discipline means that protocols are followed, but it does not guarantee that these protocols are optimal. In this way, combining a strong discipline culture and innovation or continuous learning culture is necessary to secure continued performance over time. Discipline helps an organization stay on course, reduces variation, and mitigates risk.

On the other hand, discipline can create path dependence and make it more difficult to change beliefs and behaviors. In a strong discipline culture, we keep agreements and deadlines. We follow standards diligently and expect from each other that we comply with the norms. Control, predictability, and

systematic approaches are hallmarks in the organization. Discipline is expected, and we discipline each other as part of our DNA.

Recognizing the Strong Discipline Culture

Planning, accountability, and compliance are the three sets of principles, beliefs, and behaviors that form the discipline culture.
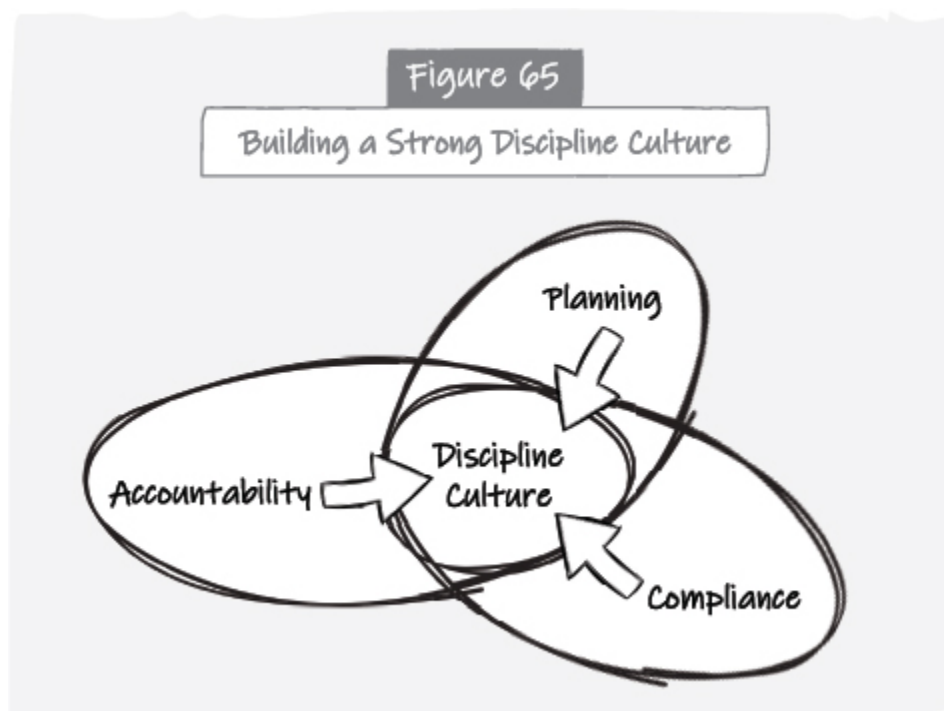
Source: Data from Noerby (2021, 2023).

Planning is a primary means of creating predictability and foreseeing activities' timing, sequencing, and coordination. We look ahead to ensure adequate resource allocation and free up critical people and equipment. We are proactive in balancing the timing, time consumption, scoping of tasks, and output quality of the value-creating activities. We like recurring planning standards and meet to adjust the plans as a primary means of coordinating activities, goals, and resources. We take planning very seriously and uphold several long-term and short-term planning cycles. We have forecasts that we adjust and subplans to ensure control over the different parts of our

operation. The plans are central to discussing potential deviations, preventive, corrective, reinforcing or mitigative actions. Being disciplined about planning is not the same as being detailed. The discipline culture can hinder efficient performance if discipline per default is equaled to detail focus. The strong discipline culture hits the mark with planning habits that are fit for purpose and followed as clockwork. This creates a planning rhythm in the organization so that everyone knows who provides which input and when. The expectations for contributions from the different departments are clear, and the consolidation of input to a joint plan is seamless. The planning process is transparent, so people know how and when they can influence the budget, forecast, strategy, resource allocation plan, or any other recurring planning cycle. The same goes when new initiatives are announced—the opportunities to influence the planning are part of the process. There is a clear road map and outline for project rollouts. We use plans as the central means of coordinating and expect this homework from each other.

Accountability is the habit of specifying commitments and keeping each other to them. We prefer to become concrete on who promises to do what. We hold ourselves and others accountable for the performance expectations. Accountability relies on a strong focus and ambition culture to fully support the company's best interest. We must ensure that the accountability rests upon the fit-for-purpose commitments aligned with the organizational intentions. The commitments behind accountability range from making and keeping agreements over fulfilling the expectations embedded in the job or functional descriptions to delivering on the performance demands on the outcome side. Accountability is about meeting the sales budget, delivering the productivity, keeping the cost budget, delivering the specified quality, making the customer satisfied, and meeting any other commitments on what to deliver. Accountability is also following the processes, living up to our values, doing preventive maintenance, informing the stakeholders, and fulfilling other commitments on how things are done. Accountability is about both the what and the how. We hold each other accountable—peer-to-peer. We follow up when commitments are not met, schedules are overrun, and the results fail to meet our expectations.

Compliance pinpoints our beliefs and behaviors around the importance of operating by the instructions, procedures, policies, and processes as laid out in their descriptions. It involves finding it crucial to know the written standards, rules, regulations, and responsibilities that follow. We diligently comply with these standards. We find it vital to do it by the book. There is a risk if the focus on complying with rules is not balanced by a voice culture

where ineffective and outdated instructions or rules are challenged. The relevance and the continued fitness of instructions, ways of working, and procedures need to be assessed as part of a continuous learning culture assisting compliance. Without revisiting relevance and fitness, the focus on compliance risks hindering performance rather than supporting it. We find it natural to audit our levels of compliance in different processes and use it as a basis for aligning behavior to the book.

Audits are a naturally integrated part of our mindsets. We view self-controlling procedures, peer review, and internal and external checks toward formalized standards as natural. Compliance can exist in a culture due to sanctions and evident adverse consequences that make people follow protocol. When sanction-based compliance is combined with a profound understanding of why the procedures we must adhere to exist, it becomes more commitment-based. In turn, this move drives a stronger discipline culture when the team members internalize the intentions behind the compliance demands.

In a team with a strong conscientiousness disposition, the planning, accountability, and compliance preferences come naturally. Control is a profound desire, resulting in the propensity to be data-driven, systematic, and risk attentive. All of these behavioral preferences help the emergence of the discipline culture. It needs to be balanced with the relevance and fitness criteria securing that planning and procedures are not overengineered in pursuit of detailed control. It is relevant for the leader to consider how well the people composition and the desired discipline culture align. Adding conscientious people is a strong driver of a discipline culture when combined with PIA Cycles securing that the culture evolves in line with the organizational priorities and principles.

When the organizational intentions are to pursue value from efficient operations, diligently following standardized routines, high compliance, and coordinating via predetermined mechanisms are strong value drivers. Such compliance with proven routines allows the optimal utilization of resources and continuous optimization. It supports best practice sharing due to the low variability in how people operate. Another key value driver related to the discipline culture is the desire for control, which drives more attention to avoiding failure. Discipline influences the awareness to detect errors and deter future mistakes. We prefer playing safe when allocating tasks to team members. We have close attention to mistakes, deviations, and substandard performance. Continuous evaluation and sanctions are expected, and together, these beliefs and behaviors support the efficiency intention. However, there are also

potential hindering effects at play, especially in the cases where the intentions shift toward innovation and change, as explained here by Dr. Candice Chow:

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66 Diligence and discipline can impact performance outcomes for sure. It can also have an adverse effect if an innovative capability is key and the voice culture is not strong enough.

Dr. Candice Chow, Assistant Professor of Strategic Management at DeGroote School of Business, McMaster University, Canada

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In a strong discipline culture, mutual performance monitoring and soliciting feedback among peers to correct mistakes is part of the daily behavior. There are practices driven by the individual where checking compliance to prescribed work methods and facilitating self-correction are expected and lived. Performance management is integrated through these behaviors and further strengthened if the focus and ambition culture is equally strong. There is a significant positive effect on task performance when the discipline culture is strong. You get more functional performance—people are better at executing the core tasks of the job and raising their performance ambitions. Also, the planning and organizing behavior is strongly enhanced by the mutual obligations embedded in the discipline culture. A sign of a strong discipline culture is how accountability emerges in the organization, as noted here by Mike Frausing. He speaks from insight into making global organizations and companies anchored in Scandinavia, the Philippines, and Singapore perform and grow:

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66 The best way is always when the organization holds each other accountable rather than when accountability depends on the leader alone.

Mike Frausing, CEO & Owner at Andvari Holdings, Singapore

A strong discipline culture involves peers correcting each other and pointing out mistakes. It fosters enough common ground to engage in peer-to-peer accountability. The team needs operational and collaborative awareness built through a strong collaboration culture. A team with an open, cohesive, trusting, and inclusive collaboration culture will do much better with keeping tabs on each other to drive discipline.

There are positive effects from having a strong discipline culture when the workload, task complexity, or time pressure increases the stress. It helps overcome the challenges when team members are overloaded. It mitigates the risk if one or more team members are unaware of their deficiencies. Discipline also mitigates the stress from high risk intensity where the presence of threats can hinder effectively taking action. The reasons lie in the ability to specify, align, and commit to activities and priorities that are acted out in line with the coordination. It lies in having operational standards that can be activated. The discipline culture cannot fully offset these external pressures. Nonetheless, the positive effects are significant and worth considering for any leader seeking to increase organizational resilience.

Discipline embedded as habits and beliefs result in consistency, predictability, control, and alignment, and these features all contribute highly to efficiency performance. Role clarity and clear accountabilities throughout the organization and a culture where accountability is enforced increase the precision and speed in the organizational functioning, making it play like an orchestra together. Hence, a strong discipline culture also contributes to organizational trust because expectations are clear and agreements are held.

On the drawback side, a strong discipline culture can undermine self-directed initiative and bring down engagement. Competent employees can perceive distrust if the culture is enforced in an overly directive and non-involving style. Other negative consequences can include less divergent thinking, less creativity and innovation, and less speed due to strictness in following protocols not fully fit for purpose. This highlights a core dynamic in shaping cultures. The combination of three to four cultures often forms the right mix. The discipline culture should be combined with other cultures that offset these potential drawbacks. The collaboration, voice, empowerment, innovation, and continuous learning cultures are worth considering in that respect. The key to success is promoting the discipline culture in balance with the other relevant subcultures as emphasized here by Morten Bechmann, who

shares insights from deep understanding in sales and general management across very different national cultures in the Eastern European region:

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66 Discipline may not always be a great way to boost performance, but it is part of the answer. Discipline is a nice tangible thing that is relatively easily managed. If you walk the talk as a manager, your self-discipline will change the organization. On top, if you focus on areas with a logical need for high discipline so the why is clear, you can make a great difference.

Morten Bechmann, MBA, Global Sales Director at Peter Justesen Company, Denmark

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Shaping the Discipline Culture

An integral part of strengthening this culture is consistent, routinized, disciplined leadership follow-up, reinforcing, and corrective actions— the leader must set and enact the standard. The focus can be on ensuring accountability to the "how" of doing things, as well as being disciplined in holding each other accountable to agreed-upon outcomes, leaving the "how" unregulated. Shaping a strong discipline culture encompasses clarity on whether following protocol, delivering as committed, or both is in focus. Also, the leader must ensure that standardized disciplined practices, commitments, and holding people accountable are clearly and frequently linked to "why" and overall purpose.

The leader should approach deviations or lack of accountability with a constructive approach, sanction misalignment, outline the desired behavior, explain why, and follow through. Leading through clear commitments and holding each other accountable to these commitments are the keys to the last step in the PIA process, acting and aligning, and results in increased performance. The leader should consider the discipline culture and empowerment culture together to clarify where disciplined alignment is needed and where autonomy should rule to promote performance best. Discipline and empowerment are not in opposition but are sometimes

confused for being so. There are strong examples of this, as noted here by Professor Bill Pasmore:

❝ Having done research with the military, there is little doubt that diligence and discipline can be instilled and significantly impact performance, especially in adverse conditions.

Bill Pasmore, PhD, Professor of Practice at Columbia University and Senior Vice President at Center for Creative Leadership, USA

This highlights that autonomy and alignment are not in opposition but support each other when standardized procedures and clear intent provide the team members with common ground. This allows them to take initiative and empowered action from a deep understanding of the intent and operate effectively together due to their shared practices. A military unit is a good example, and this understanding was a leadership bedrock in my ten years as an army officer. A military unit operates by a range of standardized procedures with high discipline while taking empowered action as the situations evolve in dynamic conditions. The integration of discipline and empowerment is the foundation for leading through intent. It has been refined by the mission command approach in the North Atlantic Treaty Organization (NATO) over the past many decades and well-described by Stephen Bungay in his book *The Art of Action*.[55] Alignment and autonomy supplement each other well when the leader shapes a discipline culture along with the focus and ambition culture. The key is to achieve full alignment around the intent, goals, and objectives. Set the boundaries for the playfield and empower people to plan and execute with high freedom to operate within these boundaries. While they operate and decide on how to adapt to the situation, they still adhere to the shared execution standards. Creating clarity around the strategy and defining boundaries to allow freedom to operate while executing by applying solid standards is the key to success in military operations. In any other business, it is equally important to strike the optimal balance between alignment and autonomy by shaping the most fit-for-purpose processes and cultures.

Turning to an example of shaping specific elements from the focus and ambition, discipline and empowerment cultures, we meet BHM, an international production and trading company in the food industry. The company grew through acquisition during the '90s and '00s. The acquisitions had resulted in an unaligned management structure across the entities, which operated under delegated business responsibility. The alignment was low, and each entity ran its show. The board decided to consolidate the entities into three divisions to maintain the local initiative and business acumen, which had been the keys to success for many years. At the same time, the board wanted to gain more scale benefits by consolidating and aligning IT, HR, supply chain, finance & accounting, and procurement. The organizational redesign was a good first move in the first strategy period. Still, only a few centralized functions succeeded in aligning processes across the entities. The old autonomous culture still prevailed, including among many of the senior leaders, who felt empowered to make any decision in their respective business units. They were still organized differently in the ten business units across the three new divisions. Entering the second strategy period, the board and executive group management (EGM) collaborated closely to lay the foundation for the second move. They wanted to shape the culture to enable the new operating model to come alive. They went ahead under the headline "The BHM Performance Culture" and outlined four principles as pillars of the desired culture. See the code they developed at the end of this section.

They developed a blueprint for two key components to prioritize managing through the decided governance structure: Firstly, the design of the management teams in each business unit with roles and responsibilities. Secondly, appointing participants in each functional board that should craft the yearly plan for the corporate functions, IT, HR, supply chain, finance, and procurement. The business unit management teams were involved in workshops where the roles and expectations of how a business unit management team should operate were discussed with EGM. This joint interpretation committed everyone to the group governance. It also allowed discussing the "no-go" part of unaligned autonomous decision-making.

Along with these PIA meetings, the heads of group functions like IT and HR got their designated managers from the business unit management teams together and ran similar PIA discussions. They laid down the principles for deciding the group priorities in the functional area. They agreed on how the designated representatives would have time to loop back in with their business unit management team in the decision process and agreed that the plan would be closed and not reopened until the next year. They also laid clear principles around the commitment it entailed if the decision in the HR board was not as any one business unit argued for. It was difficult for many of the tenured senior managers to accept and fully commit to the new decision process. They were used to second-guessing and opting out of group initiatives they did not want to prioritize. Now, one of their management team members was empowered to commit the business unit on their behalf in the supply chain

board. This led to some discussion and escalation, where EGM needed to role model the new culture. Shaping culture is no walk in the park.

In the second yearly decision cycle, the functional boards did better. BHM has moved a long way toward gaining large-scale efficiency through joint processes.

The business unit management teams and the middle manager leadership teams reporting to them were trained in the strategic execution process. It encompassed clear principles and methods and a set rhythm. In the middle of every quarter, every middle manager would present the status of the progress on the strategic initiatives while also presenting a plan for the next quarterly sprint on the strategic initiative. In these meetings, the middle manager leadership team exchanged commitments, held each other accountable for progress, discussed the priorities for the coming quarter, and stretched their ambitions. For this to be possible, goal-path clarity was built through activity planning, where each middle manager worked with her leaders in her organization. This drove the focus and ambition culture. The fact that the middle manager needed to hand in the quarterly plan and present the coming quarter's priorities to the other middle managers drove commitment. Giving the status on the progress in the ongoing quarter, hereunder explaining how any delays would be mitigated before the quarter ends, drove up accountability. The rhythm of the strategy execution process, the repeated involvement of the leaders in the organization, and the reinterpretation of plans drove a significant culture change.

The newly installed planning discipline was further enhanced by strengthening the follow-up processes on the running business. The business reviews and team board meetings served the same purpose, to ensure corrective actions before anything falls behind the budgeted outcomes or planned progress. The finance business partners, middle managers, and frontline leaders were trained in the business reviews. The finance business partners facilitated several experience-sharing meetings across business units to drive alignment, learn from each other, and commit through positive peer pressure. The same PIA approach was followed for the middle managers and frontline leaders, who were trained in having team board meetings. The frontline leaders were obligated to participate in meetings run by other leaders and provide feedback on the principles they were trained in. The frontline leaders participated in the business review and team board training. That drove an alignment between the two formats by allowing the learning to be carried back and forth. It also meant that the frontline leaders were the bottleneck in the transformation, and a few of the leaders thought it was a big mouthful. The transparent reporting was scaffolded by the KPIs included in the business reviews, team boards, and quarterly planning format.

They shaped the BHM performance culture, comprising a much stronger focus and ambition, discipline, and empowerment culture. The rhythm created by the three recurring performance management cycles created the platform for culture change. The leaders were trained in the PIA process and the content of each discipline—how to develop a quarterly plan and run business reviews and team board meetings. These provided BHM leadership

platforms with fixed frequencies when the leaders could engage in the PIA process. The leaders did a great job aligning local metrics and follow-up practices to fit the new practices of business reviews and team board meetings.

Two years later, the rhythm and practices had turned into habits— it is now the way they do things in BHM. See table 9 for the code used in BHM.

TABLE 9. CULTURE CODE — THE BHM PERFORMANCE CULTURE

CULTURE CODE — PRIORITY

Leaders: craft a performance culture that brings home the BHM One Group Strategy

PRINCIPLES

Manage through the group governance structure
Drive the strategic execution through leadership
Transparent reporting
Proactive performance management

Beliefs & Behaviors We Leave Behind	Beliefs & Behaviors We Want
- Renegotiating strategic goals within the current horizon - Accepting sustained underperformance - Unaligned decision-making in the business units - Noncompliance to decided-upon corporate processes - Delaying implementation of corporate standards	- Alignment to the management blueprint in all management and leadership teams - Drive execution on the strategic initiatives through active leadership of our quarterly planning process—top to bottom - Transparent and aligned reporting in the Group KPI framework - Full compliance to our business review cycle for all middle managers and frontline leaders - Weekly team board meetings for all frontline leaders

Source: BHM case

Safety Culture

The safety culture flows from an organizational intention to protect its people and maintain performance capacity. It is fundamental, as stressed here by Jesper Uldbjerg, sharing insights from one of the leading feeder and container operators in the world:

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66 If the safety culture is weak, then the basic foundation for performance is not there.

Jesper Uldbjerg, Group COO at Unifeeder Group, and Co-CEO at P&O Ferrymasters, Denmark

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The attention goes up when it is dangerous to operate. The organization must balance the protection of people involved and critical equipment with acceptable risk to reach organizational goals. The safety culture relates to physical and emotional threats, the avoidance of threat manifestation, and the responses when incidents occur. The operating conditions emphasizing the need for a strong safety culture are exposure to physical hazards, dangerous machinery, risky work situations, fluids, or materials. Also, high-risk situations that include the risk of physical assault, emotional violence, threats, and verbal abuse from clients, patients, citizens, demonstrators, or even combatants.

Safety culture is a stable predictor of safety behavior, compliance, and outcomes across geographies and industries. Safety refers to the idea that jobs should be designed to protect the "least capable worker," the "patient or citizen," and protect the system's performance by avoiding accidents, errors, and loss of performance capacity. Safety is focused on the physical and emotional safety of doing the job. The focus includes the interactions with users, citizens, or other people that come with the risk of being hurt while trying to do your job. Safety also includes a focus on the risks of operating equipment and the other hazards of doing the work. A related area is the psychological safety between colleagues, which can be threatened by emotional conflict, moral intensity, role overload, or procedural hassles. Such dynamics can have long-term health impairing effects like stress and burnout. A low level of psychological safety in the workplace, bullying, harassment,

discrimination, or retaliation is critical and acute problems that any leader should address. These between-peer counterproductive behaviors highlight that the safety culture depends on a strong collaboration culture. Cohesion and inclusion are vital to building resilience to meet the safety culture's external threats. The empowerment culture also plays a role. Enablement, training, and skills to handle dangers also contribute to resilience, fueling more coping capacity that can translate into handling a high-risk environment.

🔖 **DEFINITION: SAFETY CULTURE**

> The way we approach physical and emotional safety, evaluate, prevent, and mitigate threats, accept necessary risks, and respond to incidents.

Recognizing the Strong Safety Culture

Two sets of principles, beliefs, and behaviors are essential centerpieces in the safety culture: priority and feasibility. Yet they are not in themselves sufficient for a strong safety culture. These two components must be backed up by accountability and compliance from the discipline culture to result in a strong lived safety culture.

Figure 66

Building a Strong Safety Culture

Priority relates to the balance between executing the operation and protecting people. It starts at the top when the management considers personal health and protecting people as important as productivity. There are clear priorities on when to withdraw from risk to protect people. There is a recognition of risks versus goal attainment. Preventing dangerous ways of working is embedded in discussing how to solve tasks and achieve goals, including when ambitions or pressure to perform increases. The safety of our people is a priority, which everyone takes over. We feel personally committed to identifying, assessing, and mitigating risk. We insist that taking risks is done with open eyes and that everyone is aware of the risks they take. We warn each other when we identify risks and do not accept risky or unsafe work behavior among peers. We accept the necessary risks, but protecting people is always maximized—including when completing a task requires someone to be put in harm's way.

Feasibility relates to the perception and attitude toward the practical doability of safety measures. When feasibility is high, there is a shared perception that all rules and procedures for personal safety really work. It is possible to achieve our goals by operating within the accepted risk levels. There is no imbalance between goal ambitions and the opportunity to work safely. That also means that safe practices are maintained even when we are very busy. The attitude that "this is how we do things also when no one is watching" prevails. We consider safety behavior and measures embedded in our work methods, not as "bolton" cumbersome, delaying, and unnecessary precautions.

Compliance, part of the discipline culture, is a foundation for creating and maintaining a strong safety culture. The move from sanction-based to commitment-based safety compliance is a hallmark of a strong safety culture. Sanction-based safety culture drives adherence to established and communicated safety procedures, use of protective equipment, and use of safety control systems because of sanctions for not doing so. The commitment-based compliance is the shift where safety becomes a personal priority for the team members, and they combine that with ownership. This leads them to go above and beyond following the letter of the safety instructions. They invest themselves in having a safe workplace and influence their colleagues as a natural part of their behavior. It becomes an integrated belief, like the mindset referred to here by Dr. Donald Chick, who shares insights from more than 30 years as a senior leader in engineering:

> 66 The safety "mindset" should include an understanding that the job is not successful if coworkers are being hurt. Unsafe includes psychosocial and physical safety.

Dr. Donald Chick, President & CEO at New Synergist Consulting, and Assistant Professor of Leadership & Management at Colorado Technical University, USA

There is strong evidence that commitment-based safety culture is a robust predictor of positive safety outcomes. The less predictive the environment is, the more critical a strong commitment-based safety culture becomes. Navigating high dynamism and complexity while staying safe needs self-regulation based on insights into why we have different safety practices rather than a superficial understanding of the procedures.

The repeated work with the interpretation of work practices and incidents in frequent safety walks and after-action reviews where events are analyzed together builds ownership. It involves feeling a personal responsibility for the safety of colleagues, tools, patients, tasks, resources, and processes. The ownership feeling relates to the active orientation flowing from psychological empowerment. It underlines that collaboration and voice cultures are essential foundations for a strong safety culture. It also highlights that it is highly unlikely to create a commitment-based safety culture if the quality of the collaboration, empowerment, and voice cultures is not nurtured.

There are differences in the type of safety culture that are relevant. There are organizations operating in extreme contexts: emergency medical teams, fire response teams, or military combat units who repeatedly experience operating under risk. Depending on the risk intensity in the mission, some of these teams will need to take a calculated risk that includes putting people in harm's way to get things done. The safety culture in such organizations needs to be strong and commitment-based. The environment's dynamism does not allow relying only on stable formalized processes that can be enforced through sanction-based compliance.

High-reliability organizations, such as nuclear power plants or disease control organizations, need a strong safety culture because preventive safety measures are imperative. If something goes wrong, the consequences are severe, and the caution and measures to prevent such risk must be very robust.

The significant difference is that they operate in a stable, highly predictive environment where most scenarios can be foreseen and risk preventively mitigated. They have a limited number of critical scenarios, meaning they can exercise contingent response plans diligently.

The significant difference is that there needs to be a certain risk acceptance for some organizations in extreme contexts. At the same time, it will be "safety first" for high-reliability organizations. Many risk contexts are calling for variations of safety culture. An example is social workers, who experience difficult situations every day. People working in public assistance, social and child welfare, schools, law enforcement, mental health centers, and hospitals are all exposed to a risk intensity making a strong safety culture essential. They have to deny benefits, opportunities, and treatment, affecting their clients' livelihood and financial well-being. Some have to sanction behavior and enforce rules that have personal consequences to the citizen, patient, or client. This can lead to emotionally charged situations and clients retaliating with verbal abuse, threats, or physical violence. The importance of safety measures and culture increases when social workers, law enforcement, guards, and others work in the field, including handling and transporting agitated citizens, prisoners, or clients.

This highlights that the safety culture needs to build on a qualified risk assessment compared to the organizational intentions and the necessary level of risk acceptance. The leadership must clarify these competing priorities into clear principles as a foundation for shaping the culture. A weak safety culture can intensify occupational hazards threatening the employees by raising anxiety levels, especially when people in an organization find unclear risk tolerances. This leads to withdrawal behavior and undermines engagement and empowerment. A weak safety culture can also lead to reckless behavior in pursuit of results or simply out of a lack of risk awareness. You will have more errors, accidents, and damage to equipment. More people will leave.

A strong safety culture helps leadership by guiding and encouraging informed actions among the people in the organization. It results in fewer accidents and better-protected employees because peers intervene to keep each other safe. People will stay longer. There are also potential hindering effects of a strong safety culture if it keeps people from taking necessary action with an informed risk acceptance mindset. It is the "playing not to lose" mechanism. It can lead to the retrenchment of ideas or overdoing safety precautions, seeing risk everywhere, and overestimating the severity assessment. It is necessary to have clarity about what are considered reasonable and acceptable risks. As feeling safe is a basic need, a lack of a base level of safety from threats will

significantly negatively influence task and adaptive performance as well as organizational and team citizenship. Hence, creating a sufficiently strong safety culture balanced with the necessary risk acceptance is a crucial leadership task for developing performance.

Shaping the Safety Culture

The shared leadership approach considers leadership a shared process of cocreating decisions, prioritization, motivation, and coordination. Also, empowerment is considered a natural extension of leadership. Team members assume leadership for tasks when their expertise or situation warrants it. Safety is an area where shared leadership is immensely important. Safety is critical, as explained here by Lars Sønderby, who refers to an attitude of caretaking rooted in his early career as an army officer that is still held central across the many diverse functions involved in running a city:

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66 As a leader, your employees' health and safety must be a No. 1 priority — "we leave no one behind." That creates trust and knowing that your employees will do their absolute best for you and solve the tasks you give them.

Lars Sønderby, Vice City Manager at Randers Municipality, Denmark

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The leader should assign roles to mobilize team members in safety practices. This requires empowering identification of safety-critical behaviors, peer audits, observations of work practices, and the peer feedback driving learning. It is about the inclusion of safety messages in daily exchanges, having preventive safety moments to highlight safe practices proactively. It involves driving open after-action reviews to learn. It is about making auditing and measuring safety awareness a natural part of continuous improvement. A strong safety culture is a commitment-based culture where the priorities, interpretation, and alignment strength are all requested and reinforced by all members. It also tells us that building a safety culture in a weak empowerment culture is different since the starting point will need to be leader-led and sanction-based.

Two critical PIA Cycles exist for any leader to build a strong safety culture. The first is the proactive work of establishing clear principles, interpreting these into practices by training everyone relevant. The safety policies, procedures, instructions, and principles must be formalized and up to date and must reflect the safety-risk acceptance balance.

Enablement through training empowers people to exercise the necessary disciplines for working safely. Capabilities in recognizing risks and hazards, accepting their presence, and translating this into appropriate measures need to be trained. Being aware of the presence, probability, and severity of different risks is a foundation. Awareness of preventive measures, expected mitigation, and contingency response plans, including my roles and responsibilities, are crucial enablers. Clarity, understanding, and enforcement of accepted risk-taking cannot be left to the personal yardsticks—it needs to be common ground. Rehearsing risk handling and drawing attention to the boundaries of risk-taking is important, especially in the extreme context organizations.

The policies and principles need to be backed up by structures securing risk assessment, risk handling, audits, incident reporting, and emergency management. On this basis, the organization should set up processes for collecting and analyzing the right data to fuel the continued safety dialogues that maintain the culture. Reporting needs to become an integral part of the culture so that safety problems are reported and near misses are considered learning opportunities. Sometimes that demands whistleblower arrangements to secure voice without fear of reprisal, so it is worth considering the maturity of the voice culture when designing the safety structures. Another angle to the design relates to the strength of the fairness culture. People need to rest assured that unintentional errors are treated fairly. At the same time, they must know that reckless behavior, unjustifiable risk-taking, and willful violations are not tolerated. Turning to the second practice that is critical to a strong safety culture, Erik Roesen Larsen, who has been working globally with health and safety in oil and gas and now works in geothermal heating, shares a fundamental insight:

❝ Safety requires learning, reporting, trust, and no blame. It is the leaders who are responsible for creating this culture.

Erik Roesen Larsen, Head of Health, Safety, Security, and Environment at Innargi, Denmark

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The second practice of building a strong safety culture is instituting after-action reviews and incident or near-miss investigations. It is about recurring involvement in interpreting how we act to align future practices—the I-A dynamic in the PIA Cycle.

In the after-action review, firefighters talk through the event: the chronology, what happened, the interpretation of the vital signs in the situations, the assessment of what those signs meant, and the decisions and actions taken on that behalf. Everyone contributes and shares their feelings and reactions that occurred throughout the event. The purpose of collective sensemaking is an interpretation of context cues, choice of approach, and how experience, feelings, information, and situation played in. The purpose is to build operational awareness that improves the shared ability to navigate future events. The review builds more robust pattern recognition and improves future contingent choices of action. It is the interpretation in combination with a clear intent to align future actions toward even better team performance. Perhaps there were no safety issues, but building operational awareness is a powerful preventive measure.

Another part of developing a safety culture is the incident or near-miss investigation. Also, here the investigation of what happened to understand the choices made is the bedrock. Without finding fault or blame, it is about finding root causes. Which external factors triggered which considerations, decisions, and actions? What were the consequences? The purpose is to let the shared sensemaking build the alignment of the best causes of action for the future. The after-action review and incident investigations drive agreements about future ways of action, align the beliefs, and build coherent understandings, moving the team toward a commitment-based safety culture. They can also result in adjusting the priorities and principles to support other teams and future practices. In practical terms, we interpret together to learn, commit to adjusting acting in agreed ways going forward, and adjust instructions, procedures, and structure if needed.

CULTURES RELATED TO INNOVATION AND CHANGE

There are two different learning modes. In the continuous improvement mode, incremental small-step learnings are implemented, followed by diligent follow-up and measurement to keep optimizing. A little better every day! The other learning mode is about inventing new solutions and experimenting to innovate. In many organizations, these modes coexist and create a challenge, as maintaining stability and experimenting are opposites. We find a direct line from the efficiency intention to the continuous learning culture.

Likewise, there is a direct line from the second learning mode to the innovation culture. In addition, this group encompasses the change culture. If we turn to the link between leadership and performance outcomes, all three cultures influence adaptive performance. Firstly, they influence adapting, which is how flexibly employees respond to fluctuating demands and how constructively they cope with change. Secondly, the cultures influence learning, which is how well team members develop their competencies and improve their performance. The cultures also influence engagement and empowerment. Any of the cultures positively influence meaning and mastery as they contribute to the belief that I can learn what is necessary to keep mastering my job. The innovation culture positively affects experienced autonomy, and all three cultures contribute to the experience of influence. These positive effects on engagement and empowerment translate into energy released into work effort. Thus, it is worth it for any leadership team to consider the state of the union regarding this group of cultures influencing the organization's adaptability and learning capacity. See figure 67.

Figure 67

The Impact of the Continuous Learning, Innovation, and Change Cultures
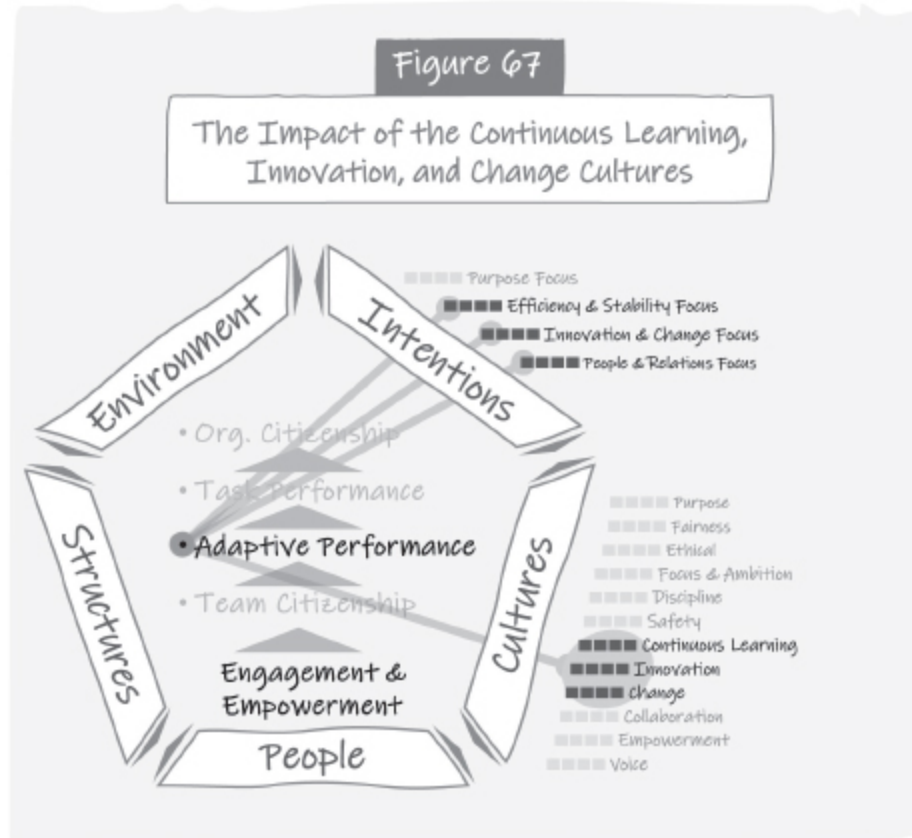
Source: Data from Noerby (2021, 2023).

Continuous Learning Culture

The continuous learning culture is about how we refine, develop, and extend the existing operation. How do we as an organization get more out of the same resources, increase quality, and reduce errors by building on existing competencies, business models, technologies, and ways of operating? The culture makes people assume responsibility for finding minor improvements and revisit and critically assess if we are working in the most efficient ways. There is an attitude that we must do a bit better today than we did yesterday. It is about securing that you keep up with your competitors, and, as remarked here by Professor Jim Weese, standing still means going backward:

> **66** Leaders start losing their effectiveness when they stop learning. They must promote a continuous learning culture for their organization to sustain performance.

W. James (Jim) Weese, PhD, Author of *The 5C Leader* **and Professor of Leadership at Western University, Canada**

This can happen based on highly formalized and well-documented standards with measurements and fixed follow-up sessions, as in some manufacturing departments. It can also occur among highly skilled craftsmen who use experience-based methods that are not formally documented but are diligently followed every time.

🔖 **DEFINITION: CONTINUOUS LEARNING CULTURE**

The way we learn continuously to refine, develop, improve, and expand existing operations.

Recognizing the Strong Continuous Learning Culture

A strong continuous learning culture revolves around two main features: optimize and learning. These are the principles, beliefs, and behaviors underpinning the culture.

Figure 68

Building a Strong Continuous Learning Culture
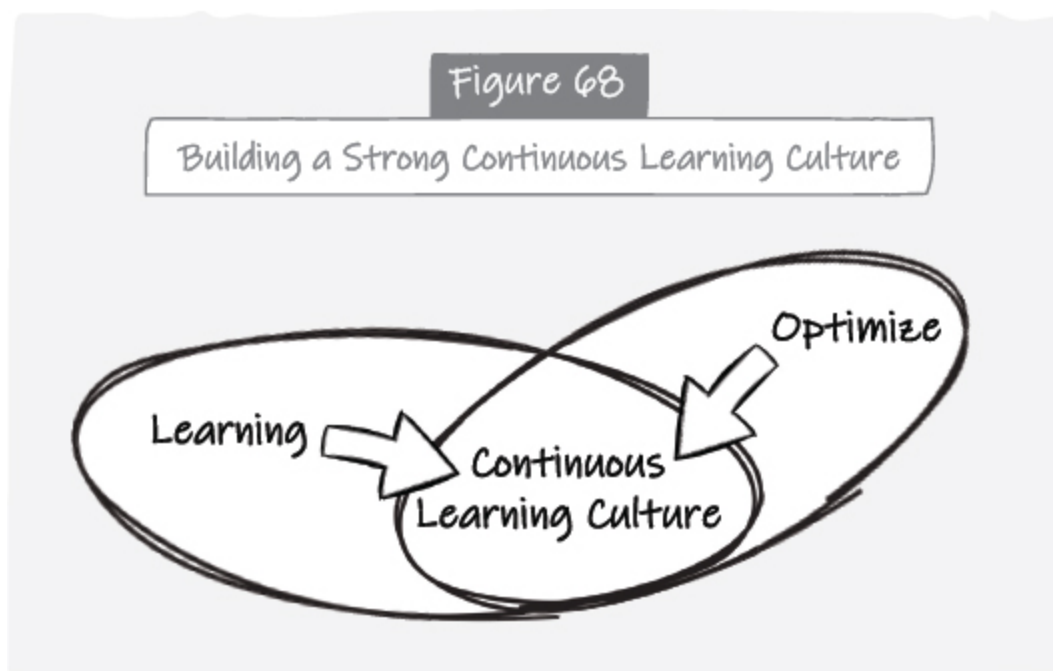
Optimize relates to the fundamental belief that designing, implementing, and continuously improving lean well-aligned processes is fundamental to performance. It is the mindset of constant evaluation and fine-tuning our work processes and practices. We are constantly on the outlook for refinements, ways to remove slack and increase the efficiency of handovers and coordination. It is the mindset of the Japanese "Kaizen"—the philosophy of constantly nudging improvements as an integrated part of daily operations. We measure processes, deviations, and output quality to follow and continuously increase the performance. We have regular team huddles or small sessions to review the current performance of known processes and procedures. We have standardized ways of having these sessions and metrics to support them. Optimizing rests on a fundamental belief that standardizing and diligently working according to the standards is a path to performance. We are world-class at identifying best practices and documenting them into methods. We find it natural to replicate these across people, functions, and organizational boundaries. There is a widespread acceptance of committing to shared methods, and we honor being very detailed in our discussion of how to operate optimally.

These are the beliefs underpinning lean six sigma, total quality management, and similar philosophies. It is a shared awareness of craftmanship, experienced-based ways of doing things, well-proven traditional techniques, or combat-proven approaches followed meticulously. There are specific ways we do things around here with very narrow wriggle room for individual variation. We improve performance by systematically removing waste and reducing variation. We plan how we want to work. We invest ourselves in working according to the planned ways of working. We check if we adhere to the standards and if that produces the desired outcomes.

The other side of the continuous learning culture is **learning**. There is a constant focus on turning experience into better practices and honing the decided best methods. We discuss the methods and the practices and how they align. We review if the methods can be tweaked to function even better. We observe and correct behavior to align with our intended way of working. We discuss and decide on reinforcing and corrective actions that we implement diligently. We learn together. We do it again, again, and again. The learning is focused on implementing known methods and incrementally improving in small steps. We consider training and re-training a centerpiece in optimal operation. We see skill development as something for everyone, including both newcomers and seasoned employees.

We facilitate the exchange of experience related to methods we train repeatedly. If we operate in dynamic, complex, and risk-intense external settings, we retrain our standard routines in different scenarios. If we operate in a stable environment, we systematize as much as possible to optimize the control that is considered pivotal to performance. There is no radical reengineering of our known methods. It is about optimizing existing operations. Failure is understood as a learning opportunity, and root cause analysis is integral to how we focus on understanding the optimization opportunity. The focus is on failing safe and learning without incurring high risk. We are critical in our assessment of practices. We constantly challenge ourselves to find minor improvements by reviewing running operations on a recurring basis. It is natural to audit each other and to have external audits since they are learning opportunities. We do not cover up the "ugly" reality. We share incidents and challenges out of a shared assumption that they are where we should spend our collective energy in a work team or leadership team. Successfully creating a continuous learning culture comes with requirements for leadership, as underlined here by Magnus Röstlund. He heads the development of technology of submarine and underground power cables, including the dynamic cables for floating offshore platforms, putting high demands on learning:

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66 Companies successful in continuous improvement have full backup from the top leadership who takes the task of CI seriously. Without such support, you fail. CI has to be built into the daily work as a culture by the leaders.

Magnus Röstlund, MBA, Vice President, Head of Engineering and Material Technology at NKT, Sweden

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The importance of leadership in creating the culture is echoed and elaborated upon here by Professor Jay Brand:

> **"** The influence of senior leaders' role modeling a continuous learning culture seems obvious. However, middle-management leaders have a more direct influence over employees' day-to-day behaviors. Do these leaders embrace experimenting and failing by identifying and rewarding ideal instances, or are such behaviors discouraged through public reactions from these "front-line" leaders?

Jay Brand, PhD, Professor of Leadership & Organizational Studies, and Director of the Leadership PhD program, at School of Leadership, Andrews University, USA

The shared expectations to constantly drive efficiency through learning lie at the heart of the continuous learning culture. The efficiency focus translates into diligently working with the specification and use of metrics. It continues with the ongoing dialogue about improving service and product quality, reducing errors, or optimizing quantitative throughput. The learning revolves around transferring knowledge and training people in known methods and best practices. Often, companies pursuing an efficiency intention have an internal body of operating guidelines with strong principles for working. When these are central in the recurring learning efforts, it often results in a strong continuous learning culture.

In such an environment, there is a valuable knowledge transfer mechanism. If people are to learn, there needs to be diversity in the knowledge content; that is, something to learn, but also a frame of reference for the learner to attach the new knowledge into practice. So, continuous improvement works well when people from different parts of the organization who apply the same methods are brought together to learn from experience. Examples of this include when medical teams from different hospitals optimize their application of the same methods through visits where they observe how the other teams operate, when a manufacturing company sends a small continuous improvement team to visit several production sites to observe best practices that can be lifted and transferred, or when practice communities across a large international engineering consultancy have recurring sessions and exchange experience within their joint project risk assessment framework. Such exchanges need diversity to infuse enough newness and differing perspectives to keep people on their toes in the learning

process. It builds culture when employees have to explain how they operate to an "outsider" where there is a bit of skin in the game because you know they will evaluate you. It highlights to the leader the importance of facilitating such cross-organizational exchanges to invest in building a strong collaboration and voice culture in the community. The psychological safety enabling people to voice constructive criticism is imperative. Building such communities strengthens the organization's cultural fabric across organizational boundaries, resulting in a strong continuous learning culture. Ongoing contacts with external people proficient in our professional field and boundary-spanning learning activities are directly linked to higher performance when supported by a strong continuous learning culture.

To drive organizational learning, leaders must take an active role in setting up formal processes combined with direct leader interventions in dedicated and focused PIA Cycles. There needs to be a fixed frequency and a consistent approach for preparing and conducting these learning sessions. The leader needs to shape the context by establishing good practices. He also needs to facilitate the preparation to the level where the participants experience value from such sessions.

Learning in the organization is related to empowerment and voice cultures. There is a higher effect when a leader facilitates that the work teams and team members play active roles in facilitating learning. Team members should take turns in preparing and leading the continuous improvement sessions. The leader should assist the employees in developing these skills, collecting and analyzing data, and preparing and leading the sessions. Doing so builds strong culture, resulting in more learning and higher performance. You get more joint sensemaking and a more evident path-goal link, making it easier for people to relate work to the overall organizational goals. This positively affects meaning, mastery, and influence, three of the empowerment and engagement drivers. It results in more helping behavior where colleagues guide, teach, and mentor their peers in pursuit of raising joint performance.

Empowering team members into continuous learning results in more team behaviors like raising ideas and voicing pressing issues and problems. It strengthens the will to interpret trends and data together and find small improvement opportunities. The involvement raises the acceptance of formalizing knowledge to improve shared methods and helps convert methods into action. Learning together leads to a growing positive interdependence spurred by the value members experience in collaborating on solving the task and optimizing performance. The value experience increases the motivation to participate, resulting in high levels of trust and cohesion. These dynamics

highlight the potent potential of investing your leadership efforts in driving continuous learning. It is a massive opportunity if you can find practices with a return on investment and efficiency gains that can be driven from learning together. The value experience rallies the team around something tangible, measurable, and easily understood. The learning processes with recurring PIA Cycles have very positive knock-on effects on collaboration, empowerment, voice, and discipline. They result in stronger employee performance in planning and organizing, learning, followership and ownership, and supporting and playmaking behavior.

It is no wonder Toyota is often referred to as the benchmark of a strong continuous learning culture. Naturally, because the organizational learning ability in conjunction with the Toyota Production System has produced such impressive results over decades. Naturally, there is much more to it, and the collaboration, voice, and empowerment cultures, along with leadership, play imperative parts in the success. As Liker and Hoseus point out in their book, *Toyota Culture*, it is the combination of structures, cultures, and the involvement of people that form the Toyota Way.[56] Thus, companies can transfer the performance effects only by considering how to influence the whole system. A single-minded focus on implementing lean tools and Toyota tricks do not work—culture beats systems and tools. Toyota's combination of an intentional set of policies and consistent leadership practices forms the bedrock of creating its strong culture. In other words, the Toyota PIA Cycles are the lifeblood of mobilizing people into making structures and cultures come together in the Toyota Way—the X factor, which is difficult to replicate without sufficient contextual leadership driving PIA Cycles repeatedly.

If the continuous learning culture is not built on high involvement but rather on micromanagement or a sanctioning leadership approach pushing compliance through punishment, it results in diminishing returns. The lack of trust and psychological safety results in dysfunctionalities, leaving no room for mistakes or the necessary small trial-and-error attempts in nudging toward better performance. Giving negative responses to mistakes, incidents, and deviations rather than responding to them as learning opportunities results in withdrawal behavior and an unhealthy risk aversion. This will build a counterproductive learning culture resulting in low engagement and higher stress levels from the pressure to improve. In some instances, a strong continuous learning culture can hinder performance when the optimization has driven out all slack from the operation. It incurs the risk of leaving the organization with no flexibility and not enough time to learn together. It creates suboptimization where the improvements are driven locally without

outside input or challenges to the local groupthink. Suppose the continuous learning culture involves intense optimization demands. In that case, it can produce a counterproductive leadership behavior of wanting to spend to budget to ensure the same amount is allocated for the coming period. So, to fully release the potential, a continuous learning culture should act in concert with a strong collaboration and voice culture to ensure the long-term learning focus.

Shaping the Continuous Learning Culture

Setting the organization up for continuous learning relies on solid priorities and principles, interpreted into shared understandings of the way the organization operates. This process of creating the system we can all refer to when exchanging experience to drive incremental improvements is well supported by formalizing the processes—that is, writing them down, developing work instructions, guides, and step-by-step work processes with adequate check procedures. It highlights that the first PIA Cycles can focus on establishing the SOPs. These can subsequently be lifted to become standards deployed through PIA Cycles throughout the organization. The recurring sessions will allow learning from actions and interpreting how to optimize processes and practices together. The reinforcing and corrective actions discussed and decided upon in the recurring PIA Cycles forms the basis for the team members' commitments, which is what turns discussions into actions. This sets requirements to leadership, as Umesh Hohl, who spent the last decade developing leaders and organizations in the wind power industry pinpoints here:

 ❝ Facilitating learning is an inevitable must for a leader in today's competitive world. A leader needs to motivate and drive continuous improvement.

Umesh Hohl, MBA, Director of People & Culture at Nordex/Acciona Windpower, India

To drive a strong continuous learning culture, a leader must set up the structures around it. He must insist on having the meetings and facilitate robust preparation to ensure that people experience value from the learning

session. This is key for motivating people to learn. Once the structure is in place and the first positive celebrations of "lowhanging" results from learning have brought value, the foundation for deeper learning is created. Role modeling the positive appreciation of people bringing incidents, mistakes, and suggestions is the next vital leadership practice. Learning from mistakes demands a constructive response from the leader to create psychological safety. It opens the next stage, empowering the team in driving parts of the learning sessions where the leadership role shifts toward more shared leadership. Shared leadership involves a strong focus on serving the team to promote that they realize their full potential. The leader stands back and empowers the team to assume responsibility. She focuses on facilitating that the right people are consulted, clarifies mandates and accountabilities, and forgives mistakes. The focus is on building the team's capabilities and self-efficacy in driving continuous improvement. It becomes a priority to make the team dialogue result in decisions and help the team navigate the organization to make things come through.

Below is an example from a public organization, I advised as a consultant. It organized its team leaders across departments into a citizen services community to meet the increasing demands for certain services in the city's population. They came from a starting point where the departments guarded themselves toward outsiders and refrained from surfacing mistakes. It was a culture of "minding your own business" and letting each department take care of its specialized areas. Also, in most departments, people were specialized and rarely rotated tasks. The departments did not share across the organization.

The city council tasked the mayor and his administration with a significant resource allocation task to meet a gradual but accelerating shift in the demographics of the city's population. They wanted a significant increase in capacity and service levels in a range of citizen services. The mayor and the city executive board concluded that such a shift could only occur by mobilizing the insights of all the employees across departments. Also, they recognized the need to maintain the specialization, which was the reason for the department organization. A range of citizen services was identified as candidates for becoming standardized services that different departments could pick up from a shared service desk.

The team leader community developed the code for a new continuous learning culture that should enable a significant cultural shift. See the code at the end of this section. The team leaders were trained together in facilitating PIA sessions. All team leaders engaged their departments in the first round of PIA sessions, fleshing out beliefs and behaviors to be abandoned and built. As part of the first round, they also brainstormed on all the barriers, roadblocks, and potential challenges that could make the new way of working difficult. The

evidence from the first PIA iteration was shared back into the citizen services community, where the city executive board and the city council also participated.

As a consequence, some roadblocks and constraints were addressed and resolved. The executive board did a lot of internal communication and had sessions in all departments following the PIA iteration. Hereafter, recurring PIA Cycles were initiated in all departments, where three team leaders together did Gemba walks in their respective departments. The Gemba walks, a term borrowed from lean, involve going and seeing how the actual work is done, having the people doing the work explain the ins, outs, and reasons behind the ways of working, listening, and understanding the choices underpinning the process design, the assumptions, the trick and tips, the dos and don'ts. The Gemba walks served to identify how administrative processes could be reduced and simplified to free up hours for shared citizen services. The opportunities went into PIA sessions in the department visited. The aim was to promote willingness to reinterpret what needed to be done and how in the different processes. Bringing it into group sessions reduced the safeguarding, which was difficult for some seasoned employees who were very protective about their work. The hours freed up were celebrated. People were trained in the shared citizen services. New connections across departments emerged, driven by the collaboration between team leaders. Many resources have already been reallocated to the benefit of the citizens. The cultural change is still underway, but it keeps progressing since all departments are now tied together by learning about the shared processes everyone takes part in delivering.

TABLE 10. CULTURE CODE — OUR LEARNING CULTURE

CULTURE CODE — PRIORITY

Reallocate resources for citizen services

PRINCIPLES

We pair up for Gemba walks

Hour for hour, we strengthen our citizen services

We celebrate opportunities to learn

We stand together

Beliefs & Behaviors We Leave Behind	Beliefs & Behaviors We Want
• Safeguard our WoW (ways of working) • Maintain historical admin	• Embrace new WoW and learn together • Help each other deliver citizen services

Source: The Public Admin case

Innovation Culture

The innovation culture captures our mindset and approach to experimenting and challenging existing assumptions to arrive at novel solutions that can create future value for our business. It is an attitude, and deliberate cognitive, collaborative, and trial-and-error investment into attempts that we accept can fail, as noted here by Dr. Randall White, an expert in the field and coauthor of *Relax, It's Only Uncertainty*:[57]

—————————

❝ No learning, no innovation. The leader's role is to help the organization fail fast and fail forward.

Randall P. White, PhD, Founding Partner at The Executive Development Group, USA, and Adjunct Professor at HEC School of Management, France

The conviction behind this mindset is to create value that does not exist when we begin. We explore how new technologies, materials, solutions from other industries, and ideas can be twisted and turned into our world. The culture involves embracing the process with the unawareness of where it will end and being curious to pick up on the cues spurring new thinking. Willingness to try new things and significantly redesign processes, services, and approaches in pursuing novelty as a means of new value creation is inherent.

🔖 **DEFINITION: INNOVATION CULTURE**

> The way we drive progress through experimenting, innovating, adopting new technologies, and applying new skills and work methods.

Recognizing the Strong Innovation Culture

A strong innovation culture is anchored in two sets of principles, beliefs, and behaviors: challenge and allocate—challenging the existing approaches constructively and allocating resources for novel progress.

Figure 69

Building a Strong Innovation Culture

Innovation Culture · Allocate · Challenge
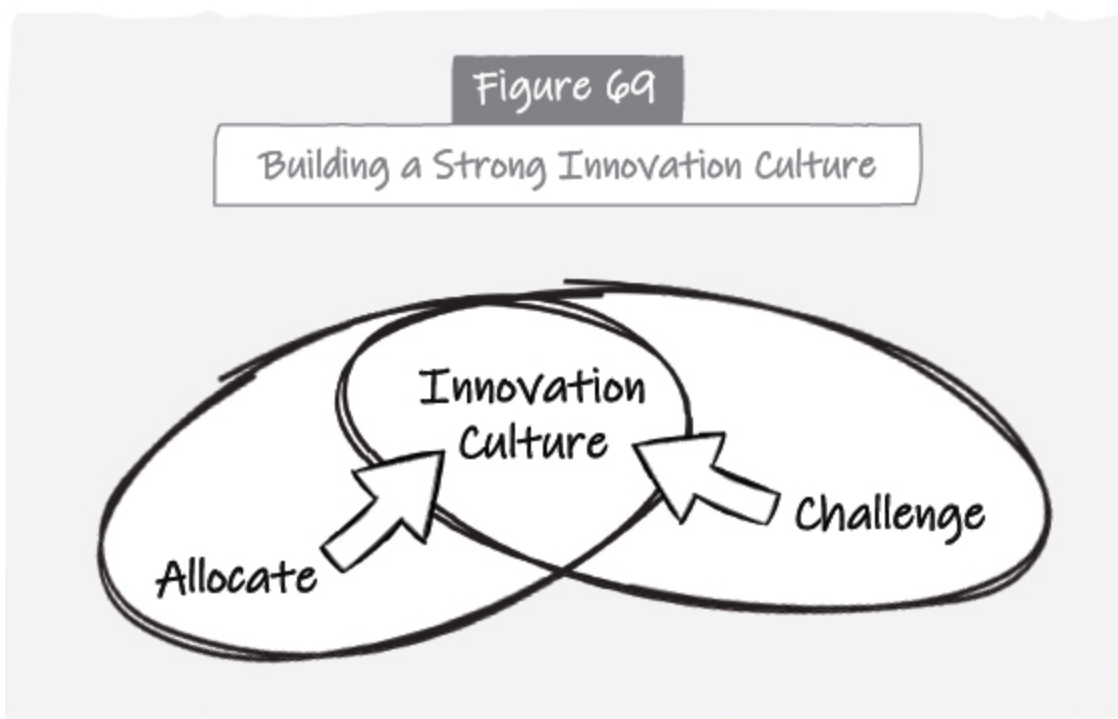
The built-in **challenge** attitude in the culture is about appreciating rocking the boat and thinking outside of the box. It is an awareness that past solutions are not necessarily the best for the future. It is a constant and inherent search for new ways of looking at problems. We focus on rethinking processes, products, and solutions to rearrange and combine parts into new solutions. We are on the lookout for new ideas that can be put to our use and optimize or significantly change value creation. We seek and pull in inspiration from the outside world. We investigate other industries, new technologies, and client groups that might use our products and services differently than our typical users. Our offset can be user- or problem-centric, and it can take its starting point in a particular technology, material, substance, or intellectual property we hold. We often discuss the methods we apply to see if we could radically shift value creation by doing things differently. We believe in the process of experimenting and long-term work on building new components. We lean into rethinking with a risk willingness and learning approach to failure.

The other facet is about how we **allocate** resources and attention to innovation. We invest ourselves and our resources in generating ideas and further exploring the most promising ones by experimenting. We accept resource investment without a secure return on investment. We understand that innovation is different from a business case on a proven solution. We focus on relevant value creation when we innovate. We are deliberate in our exploration and recognize that we sometimes need to stay in the process without knowing if it will end with something useful. There is support for developing, trying, and testing elements, parts, and new ideas. We allocate time, even when it includes taking this time from the running operation. We insist on framing and protecting innovation efforts from being pressured by short-term priorities, customer requests, and immediate performance demands. We prioritize that innovation should be part of the projects we solve. That is done by ensuring that the extra effort to gain from the innovations on a broader perspective is embedded in the way we organize resources. We consider reasonable risk a natural part of developing the business, and we dedicate resources to pilot new solutions. We ensure that we have the people and facilities enabling innovation—either in separate units or by dedicating them to particular projects or a fixed time. We accept that there is no guaranteed return on such investments while constantly assessing which opportunities we allocate resources and attention to based on their business potential.

In an organization with a strong innovation culture, idea generation, experimentation, and diverging perspectives are core facilities. The assumption-challenging learning processes where we break new ground demand openness. It is about access to and flow of information so that the collective can think together. That demands insight, experience, and expertise in the processes, solutions, or areas we are trying to innovate among the people involved. On that basis, outsiders with other expertise can be brought in to break assumptions and spur critical thinking. Still, this requires that outside perspectives are combined with insight into the core matter, which is solid enough. An artist cannot innovate a high-tech pump, but she might contribute significantly to the pump's look, feel, and appeal to the users who will eventually look at it every day.

Innovation demands a strong collaboration culture with tolerance to diversity and common ground created by a shared innovation purpose and principles for how we run the innovation processes, sessions, and decisions. It requires that risk-taking acceptance, conflict handling, and a well-functioning voice culture underpin the innovation culture.

The practices of risk-taking and mistake-handling relate to psychological safety, which is one of the key drivers behind learning in the workplace. Especially when it comes to handling the conflicts and productive discussions coming from challenging each other, this must happen constructively to promote innovation. To make this happen, the purpose of innovating must be clear so that challenges to well-established truths in the organization are not considered personal attacks. Disagreement is inherent in critical thinking and necessary for innovation, as put forward here by Valerie Khan, who points out the importance of active facilitation from the leader in creating an innovation culture:

66 The ability to challenge and spar rather than groupthink can support continuous improvement. A leader's ability to open up to differing views and ideas can definitely help deliver better outcomes.

Valerie Khan, Vice President of Human Resources at Jones DesLauriers Insurance, Canada

The desire for an innovation culture comes with a requirement to create a positive, appreciative, and curious voice culture supporting the necessary critical constructive conflicts. Stretching ambitions to the verge of what seems possible when the ambition is set promotes innovation. It can come from ambitions to take giant steps or out of necessity to innovate to survive. To convert such ambitions into a strong innovation culture, the people composition needs to match the ambitions. You need to ensure that the innovation ambitions are backed by sufficient expertise to make experimentation result in innovation. Also, the people engaged must be fueled by high levels of two engagement and empowerment drivers: mastery and autonomy.

A strong innovation culture increases creativity in the organization and secures conversion into applicable solutions that deliver new value. In turn, it is well supported that successful innovation positively influences the business's competitiveness and growth. Promoting an innovation culture needs to reflect the industry and market demands and align with the business intentions of how much value the innovation efforts should yield. If the balance is not struck, a strong innovation culture risks resulting in subpar performance compared to industry peers and less competitiveness. Any leader should consider that investments in inventing or significantly reengineering should also result in repetitive business or sustained value creation, resource savings or cost optimizations.

Take this example from a project organization I worked with. They performed with lower profitability than their competitors. They kept reinventing solutions in every project without getting paid more than once for the innovations in each project. They needed to consider how they lift learning across projects with PIA Cycles to ensure innovations were deployed into new projects. It took hard work to increase the return on innovation by strengthening the lift process in the PIA Cycle, and the organization succeeded in improving its profitability through its efforts. Since then, they have learned that lifting learning from project to project requires continued focus and effort. They are still at it, and it works when the leaders sustain the focus.

When innovation is relevant because the external environment allows leveraging the new value creation, it pays off, strengthening an innovation culture. It demands the allocation of time, attention, and resources. That can influence short-term performance negatively because of competing priorities between short-term operational tasks and longer-term innovative efforts. Over time, an innovation intent supported by strong innovation culture matched to

a market absorbing the innovations leads to a company outperforming its peer group.

Shaping the Innovation Culture

Innovation requires positive leadership reinforcement and interventions that frame the focus, as explained here by Antonio Jimenez:

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66 Leaders can promote taking controlled risks by rewarding innovation even when failing. This is key because if trying new ways is only rewarded when having success, the organization will limit its possibilities in innovating and experimenting.

Antonio Jimenez, EMBA, Regional Chief Financial Officer Latin America at VML, USA

Besides the recognition focus highlighted by Antonio Jimenez, several leader practices support developing a strong innovation culture. Composing the teams with relevant expertise, personality, and value diversity is the starting point, followed by the leader facilitating that diversity in perspectives and skills are put together into projects and sessions. Innovation fosters active leadership, as the comfort of not challenging the status quo sometimes makes employees stick to being busy with noncreative tasks. Especially in the beginning of making people leave their comfort zones and engage in ideation and experimenting, active leadership has proven to be imperative.

It requires creating an atmosphere where it is safe to come up with ideas and tolerate and utilize mistakes for learning. Time is a critical resource if creativity is to occur. Dedicating time slots where the framing changes the pace and thinking into innovation mode has proven to be a critical leadership intervention, especially when promoting an innovation culture in a running operation focused on efficiency. The leader must facilitate an awareness of the difference between innovation sessions and the disciplines of operational coordination and problem-solving. It promotes a strong innovation culture when leaders orchestrate cross-boundary meetings with other departments or internal experts or when they involve customers or external knowledge partners to challenge and develop the status quo. All this fosters active

facilitation of framing the problem, challenge, or aspiration in an ambitious, motivating way. It demands openness in idea generation and refinement, where the leader secures the creative openness to spur out-of-the-box thinking, followed by valuation and selection of ideas before entering into the iterations of trial and error, refinement, and adjustment until user testing is possible. These disciplines foster capabilities in running the different phases of such innovation sprints. Of course, the sprints and activities differ in scale and length depending on the company and scope of innovation.

Role modeling from the leaders has a significant influence, as explained here by Jeff Miller, who draws on more than 30 years of leadership research and experience in developing leaders across industries and levels:

> **66** Building an innovation culture basically comes down to whether experimentation is encouraged and celebrated or discouraged and punished.
>
> **Jeff Miller, PhD, Faculty at Creighton University and Catalyst, Connector & Convener of Leadership Networks, USA**

The role modeling involves assuming long-term perspectives, discussing new ideas, encouraging and supporting experimentation, and celebrating learning. In an environment firmly focused on running an efficient operation and continuous improvement, it requires precise leadership framing. It involves securing the dedication of resources, time, and attention to experimentation and separating them from the daily operations. This buffering is an inherent part of the interpretation with the people involved in innovating to ensure they understand where we are at any time in the process. Different mindsets apply in the ideation, experimentation, and product testing phases. Mixing these up increases the risk of shooting down good ideas too early and progressing too slowly in the later stages. The leader practices strengthening the innovation culture rests on a sufficient level of calculated risk tolerance and an attitude of "fail early, fail often" or "fail fast, fail forward." Also, even more than the continuous learning culture, the innovation culture needs to be assisted by strong collaboration and voice cultures since psychological safety and divergent thinking are central components.

For an example of recognizing the importance of innovation and the need to develop a strong culture around it, we can visit the ISS Corporate Garage. It is a facility established by the workplace and facility management company ISS. It is used for innovating and reimagining the future of work and the workplace services enabling it.[58] Leaders in the organization talk about their experiences in the Corporate Garage with great enthusiasm. ISS has created a separate location with an environment supporting ideation and experimentation.[59]

When arriving at the location, the principles for effective ideation, experimentation, and going from challenge to testable prototype form the basis for a PIA-like session where the participants interpret and commit to the mindset and practices. One of the principles, "take off your tie," is supported by actually hanging your tie at a rack by the entrance. The team uses the "hang your tie" ritual to interpret how they can leave their assumptions with their ties to lean into the process. The innovation sprint follows the principles laid out by Jake Knapp in the book Sprint: How to Solve Big Problems and Test New Ideas in Just Five Days.[60] Being in a separate location buffers the innovation work from being disturbed by the daily operation. While there, you learn methods for looking for inspiration, sketching, challenging, maturing ideas, prototyping, and experimenting. By running five-day sprints in the Corporate Garage, employees from different parts of the organization get involved with their customers, bringing back the foundation for developing a shared innovation culture. They also bring back their prototypes for real-life testing with users on site. The experience builds the practices for incremental innovations on site, creating a culture through the recurring ideation-prototyping cycles locally. The setup also lays the foundation for crowd-sourcing ideas into the Corporate Garage, fueling the innovation for new teams coming in for their sprints. The experience highlights that creating an innovation culture is unsurprisingly closely related to establishing actual innovation processes.

See table 11 for excerpts of the culture code used as a foundation for creating a locally anchored culture promoting innovation.

TABLE 11. CULTURE CODE — GROUND RULES FOR OUR INNOVATION SPRINT

CULTURE CODE — PRIORITY

Make it easy for people to shape your world

PRINCIPLES

Take off your tie

Speak up—take the risk

Listen to input

Welcome scrutiny

Connect with the inconvenient

Source: Experience from participants in the ISS Corporate Garage

Change Culture

The change culture can be recognized in a team's response when facing changes in their roles and ways of working because of shifts in the external environment. We can recognize the readiness to engage in change and the level of accountability to make things change embedded in the culture. Are people flexible and "can-do," "let's-try," or are they, per default, resisting change? Change always demands an energy investment. The change culture is very much about how we react to this requirement for extra effort and accept the ambiguity and uncertainty involved in much change. A strong change culture embraces ambiguity and unpredictability as natural in an ongoing evolution. The culture sets the tone for the recurring flexibility needed in departments or companies where tasks, priorities, and sequences change all the time. It influences the response to internal minor or middle-sized changes in organization and processes, as well as large-scale changes like mergers. The adaptability embedded in the culture also matters for the organization's ability to shift between the two sets of work behaviors and mindsets needed for running an efficient operation and innovating.

🔖 **DEFINITION: CHANGE CULTURE**

> The way we adapt to changing work requirements and constructively respond and contribute to change.

Recognizing the Strong Change Culture

A strong change culture relates to two sets of principles, beliefs, and behaviors: readiness and flexibility concerning the preparedness embedded in the organization and the responses during change.
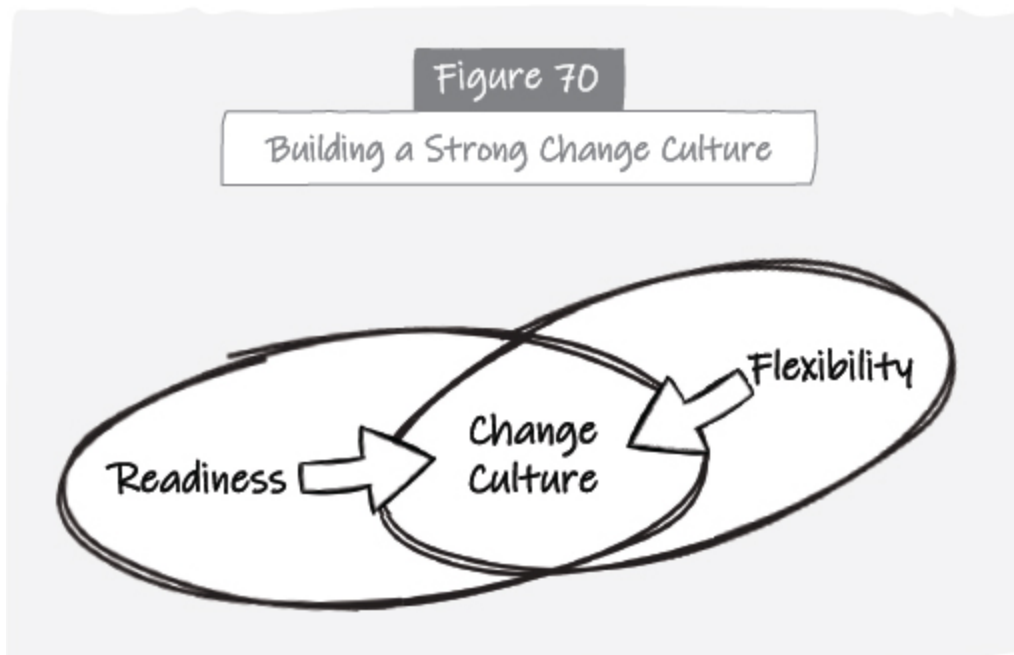
Source: Data from Noerby (2021, 2023).

Readiness is rooted in shared attitudes toward changing the status quo. People have different readiness to change integrated into their personalities, and this of course influences the culture. A team with a strong culture shares a "let's try it" mindset backed up by a shared sense of team efficacy in being able to cope with the change. High readiness means that people are quick to respond when changes need to happen because they feel that getting on with it is the best coping mechanism. Flexibility and change readiness are built over time when a team continuously engage in adaptations, changes, and getting new tasks. There is a positive mindset around change and the acceptance that change is a necessary natural part of organizational life. Readiness differs from liking the change because the change itself might be bad for my team or me. Readiness is the willingness to engage in change out of a belief that we must act our way into and out of the change, even when it is difficult and daunting. Only by doing something and adjusting as we progress and learn will it be possible to cope with change. This conviction about change stems from experiencing change multiple times, so I am used to changing. The conviction about change is exchanged into a faster and more efficient change of

behaviors, ways of working, and more efficient learning and acquisition of skills. We try to manage the change so it is doable. We ask questions, take steps, and negotiate details about how the old should transform into the new. I look around and find that leaders and colleagues take accountability for doing their part rather than doing the bare minimum or nothing. This means that we progress and are convinced that moving is better than standing still when we know that change is decided. While doing so, the defense mechanisms like blaming others for wrong decisions or defending ways of working that we believe work better than the new ones will still be at play. However, a strong change culture means that the team engages in the change to find out what must happen and to make this happen in the best possible way rather than being passive or resisting. A weak culture means that the individual change reactions take over, making the change resistance a rallying point for the team. People reinforce each other in defending the status quo and invest their energy in trying to prevent change.

The second facet of a strong change culture is **flexibility**. It is when people compromise and accommodate to make the collective solution work, even when it means that their individual conditions worsen. There is a shared perception that the change for us as a group or organization comes before our own personal interests. That does not mean an absence of personal agendas and people trying to pull a change in a direction that is better for them. It means an underlying shared agreement that we need to be flexible to make it work. Move forward, clarify competing priorities, make decisions, learn the new stuff, and leave our old habits behind. We change quickly and are flexible in matching differing and changing requirements. Flexibility also involves the ability to shift between adopting the behavior needed to run standardized fixed processes and innovating, challenging, and rethinking our ways of working. A strong change culture involves an awareness and willingness to assume the mindset and role best suited for the task at hand. Strong flexibility allows for maintaining focus on running operations, which is not changing without letting a change in an adjacent area bog down the unaffected areas. Adapting without a lot of fuzz and separating what is changing from what is sustained is a signature of a strong change culture. In a weak change culture, people often find it difficult to maintain energy and performance in the areas that are not changing. They allow the change to suck up all their energy and attention, leaving the sustained operation suffering. The flexibility to match changing requirements in the change culture is related to the innovation and continuous learning cultures. Innovation includes some of the openness to change, which is at the core of change readiness, but not all change is innovation. Not all

change demands ideation, critical thinking, and piloting. Many changes are about implementing already decided-upon and designed processes—yet a strong change culture often makes innovation easier. The continuous learning culture relates to some of the readiness in the change culture, but at the same time, continuous learning revolves around honing known processes. This means that the efficiency focus drives a healthy effort to create stability. At the same time, this stability lowers the change readiness and creates a path dependence.

Path dependency is the self-reinforcing mechanisms growing from operating along fixed processes, ingrained habits, and proven ways of working. It flows from having reinforced best practices over time and stabilizes organizational performance. We know how to operate and can predict the outcome. Stability is a precondition for nudging minor improvements and the base of optimizing toward lean operating. The more processes overlap and connect and the stronger the routines and habits, the more stability and efficiency…but also path dependence. The path dependence makes change harder because it also builds mindsets and reinforces assumptions that things should not be changed—don't rock the boat and don't fix what ain't broken. If the continuous learning culture is strong, we believe that existing ways of working should be optimized but not fundamentally changed. Recognizing good and bad path dependence is important because the ability to flex between the behavior needed for operational efficiency and innovating depends on this awareness. The flexibility to match changing requirements and shifting between the continuous learning and innovation modes depends on promoting sufficient readiness and flexibility in the change culture. Bad path dependence is the processes, habits, and attitudes maintained even when changing them could increase value creation or free up resources.

The system openness that a department is operating under influences the change culture. Frequent exchanges with customers, users, and the organization outside the department are healthy. They push changing requirements and variation into the department, driving readiness and flexibility up. This ability to navigate fluctuating demands is related to an organization's absorptive capacity. Absorptive capacity involves picking up the important cues in the external environment and understanding which external knowledge, customer patterns, or opportunities should be leveraged internally. It is the practice of identifying, assessing, and translating external changes and variations to necessary internal adjustments. It is the belief and practice of being client-focused, doing open innovation, driving partnerships, having interns, rotating people in and out of the department, and pulling in external

knowledge. Absorptive capacity can emerge as a consequence of high system openness. But it can also be orchestrated and set up to secure strong change, continuous learning, and innovation cultures. When a department has a flux of input from the outside, it raises the awareness of why we do as we do, and we discuss changing things more often. We build acceptance of change being a natural part of organizational life. We get more readiness and flexibility in our culture, which makes shifting between efficiency and innovation focus easier. It also improves our ability to handle large-scale change since the base level of adaptability grows.

The other part of change culture pertains to the collective attitudes toward larger-scale change "imposed" by outside events in the external environment or from business intentions. A change coming from the strategy could be the implementation of a new ERP system reengineering the current operation. Changes from the outside could be significant drops in the economy, demanding that the company scales down costs. They could be the introduction of new technologies in the market, which demand significant changes in the service offerings and thus a big necessary change in which people we employ. They could be a decision to outsource the finance processes or insource tasks previously handled by sub-suppliers. Such changes put other demands on the change culture on top of the flexibility and ability to change practices between operating and innovating. These changes have more of a project character. The change will have a beginning, a journey, and an arrival in the new normal that should be sustained for a period.

Large-scale changes like these that meet a weak change culture will be difficult. In a weak change culture, nonproductive change reactions like the slow adaptation of new habits, anxiety, and saying yes but doing nothing are there. The low levels of readiness and flexibility will result in a lot of energy spent on questioning the need for change. This can lead to a lack of operational focus and lower performance because the energy is invested in change resistance. Facing significant change with a weak change culture is challenging, as explained here by Lene Groth, who, with the STARK Group, has acquired and integrated more than 30 independent businesses in seven European countries in the period from 2018 to 2023:

❝ In organizations with a weak change culture, change takes longer and requires much more intervention and leadership energy. Also, if you miss explaining the big "why," taking care of the resisters, and utilizing the fast movers, you will move slowly and miss getting the whole team with you.

Lene Groth, Chief Human Resources Officer at STARK Group, Denmark

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The lower organizational coping capacity also results in faster change fatigue when faced with major transformations. Thus, it is imperative to strengthen the change culture by building flexibility, learning, and absorptive capacity. It secures readiness for the more considerable changes that inevitably occur in most organizations from time to time. If the base level of adaptability has been built over time, it makes it easier because the organization is more receptive to change. Receptivity should be built over time, and with increased dynamism and external complexity in many industries, the change culture has become more central to securing competitiveness, as underlined by Joe Manget:

❝ Change is part of the new normal, so all companies need to build change readiness into their culture.

Joe Manget, Chair and Chief Executive Officer at Edgewood Health Network, Canada

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Securing an organization's change capacity relates to building a strong empowerment culture, which, combined with high receptivity, will create an agile and resilient organization. This combination is crucial for organizations operating in industries with high external dynamism and complexity.

Shaping the Change Culture

An essential role for the leader is continuously assessing the potential ramifications of changing conditions and foreseeing what to expect down the road. The leader should ensure that no individual or team is left without a

learning commitment because it builds change readiness and flexibility. Some leaders allow tenured employees to maintain the status quo without challenging them with having to learn something new. This builds path dependence and reduces the ability to change. Any individual or team should constantly be engaged in developing the business to the next level, teaching colleagues, or contributing in ways that stretch their mastery. Without continued exercise, people lose their change readiness and flexibility.

Thinking long-term and taking charge of driving continuous change to the next performance levels allows the leader to mobilize his team. Recurringly involving people in interpreting change needs and deciding about responses builds change readiness. This long-term involvement leveraging minor changes sensitizes staff to constant change, resulting in a stronger change culture, which prepares the organization to handle major changes. The leader can do the same even when no external demands for change exist by stretching the ambitions of how we operate and involving people in identifying opportunities for step-changes. There should be no organization without a continuous learning and change agenda because the absence results in a weak change culture that can prove disastrous when change comes. A crucial part of fueling a positive change culture is considering the people composition when vacancies occur or even to the extent of facilitating changes in the staff composition, as shared here by Serdar Ulger:

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66 Building a strong change culture sometimes requires a change of people if there is too much resistance and focus on keeping the status quo.

Serdar Ulger, International Top Management Executive, Turkey

As a leader, I must keep my organization flexing with relevant exposure to changes in their task requirement. I can do that by rotating tasks or people. Besides building a healthy change culture, this also drives learning to benefit the business. Flexing the organization also reduces the vulnerability by building distributed competencies, making the organization more robust to staff attrition.

Another way of promoting the change culture is using interdependency to build absorptive capacity. Insisting on meeting customers with an improvement agenda drives a learning mindset. The obligations created by having such meetings or feedback loops build the attitude and ability to respond to change demands—driving up organizational adaptability. Creating mutual obligations that produce new insights that must be turned into adjustments to current practices can also happen internally. It is all about ensuring that change becomes a natural discipline everyone is obligated to participate actively in.

When the leader communicates about change progress and success, it builds change efficacy. Repeatedly communicating the purpose of upcoming or ongoing change and highlighting elements from successful past transformations naturally strengthens the change culture. So does training people to understand change reactions, cope with change, and accept differences in learning approaches. It builds shared language and supports the psychological safety of daring to share worries during change. It has become natural that everyone is engaged in learning something new. That people talk about things being difficult to learn without guarding themselves adds to the change readiness.

Change readiness requires an innate belief that we can manage through uncertainty. A big part of the flows from trust in my leader, as emphasized here by Professor Jay Brand:

66 When it comes to change, the leader's behavior and consistency in this regard are far more important than formal, official policies. People follow people in change, and building a change culture comes down to leader authenticity.

Jay Brand, PhD, Professor of Leadership & Organizational Studies, and Director of the Leadership PhD program, at School of Leadership, Andrews University, USA

This clarifies that role modeling sets the tone for readiness and flexibility to emerge in the organization. Driving a learning and development agenda and insisting on getting everyone into a continued learning mode is central to successfully building a change culture. This is difficult to do when a significant

change hits you if the leader has not built adaptability over time as an integral part of the way things are done within the organization. Below is an example from a leader in an organization I support who understood the importance of building a change culture when she foresaw significant changes on the horizon.

Vibeke took over as the leader of the freight forwarding office she had worked in as a freight forwarder and team leader for the past 12 years. There was a strong shared culture across the four teams in the office focused on taking good care of each their customers. They held a mindset where every team member focused on "my customers, my tasks, my way of working, my systems, and my way of doing things." Everyone accepted it, and it worked well. However, covering during the holidays was difficult due to insufficient documentation and many ingrained habits built into the interactions with the different customers. When Vibeke took over, the company had just been acquired by a much larger player in the shipping industry, and the strategy seminar she attended set a clear direction. The offices were to standardize so customers would no longer be dedicated to individual employees but to teams spanning multiple offices. That process would be initiated about 12 months later. There were multiple initiatives expected over the coming years supporting the journey. A new shared IT platform releasing local, more manual ways of operating was expected to come along with the cross-office teams.

The corporate language would shift toward English, while most of the data was currently exchanged in the local languages. A rotation program would mean that one to two international trainees would be stationed in each local office for three months at a time. That would put demands on speaking English and teaching processes along with doing the day job, welcoming at least one new trainee every quarter. The working-from-home policies would change. Every employee would have to go through various learning programs on code of conduct, diversity, equality and inclusion, sustainability, and IT security. Vibeke realized that she had a window of opportunity to significantly ramp up the adaptability and attitude toward change in her office before the wave would hit in about six to nine months. She got her people together and introduced the outlook along with a clear priority. "We need to go from individual doers to team learners," she told them, and they had a long talk about why they did not believe the new setup was going to work…

Vibeke and her team leads developed four principles that would drive the new way of working—see their code at the end of this section. The team leads agreed that everyone should rotate their customers with a colleague in one of the other teams. The two teams would meet once a week for a 30-minute session to discuss good examples of behavior supporting the four principles and opportunities for improvement. Each time, they would celebrate the good examples and put the opportunities for improvement with actions on their team board. Once a week, Vibeke met with the team leads and exchanged experience across

the four teams. After a quarter, the teams paired up differently and continued running the two-team PIA Cycles weekly. After the second period, Vibeke said, "The beginning was tough because everyone was too busy. We all had a bunch of excuses for not sharing our tasks, not aligning standards, and keeping things as they were. But then, because of training the team leads in driving the sessions, insisting on trying it ten times before evaluating, and having individual dialogues with the ones not fully onboard, it slowly started to build. Everything changed—our attitudes and the office mood shifted, and we grew a can-do attitude. The shift was significant. People started helping each other much more, flexing in and out of each other's teams, letting go of their own little systems. We changed the monthly meetings with our customer contacts. At least two people from our side participated. We succeeded in optimizing many of their processes toward us because we changed the dialogue to be about how we could standardize and align processes on both sides for better seamless cooperation.

"It demanded a lot of energy. If we hadn't prepared ourselves by changing ourselves in advance, I don't think we would have been able to hack all the changes from the new HQ," said Vibeke, one year after the new cross-office team setup had become the new way of working.

See the culture code Vibeke and her team leads developed below.

TABLE 12. CULTURE CODE — OUR CHANGE CULTURE

CULTURE CODE — PRIORITY
From individual doers to team learners
PRINCIPLES
Teach your colleagues
Drive our customers
All in on shared standards
Say yes and try things 10 times (before shooting them down)

Source: The Freight Forwarding case

MIX, MATCH, AND MOBILIZE YOUR PEOPLE

Influencing people to focus their energy and expertise on the activities that yield the maximum return for the company is at the heart of leadership. It begins with understanding the value creation in the tasks, functions, and jobs necessary for the company's performance, followed by considering how to optimally compose teams and match people to tasks leveraging their full potential. The effective contextual leader considers how to enroll people in making structures and cultures come together to deliver on the organizational intentions. She thinks about how to drive the development of structures and cultures by developing people, embracing and leveraging diversity, and training and recruiting to add expertise to enable new initiatives. The contextual view on people includes focusing on the people composition and the quality of the organizational relations underpinning engagement and performance. Leaders have an obligation to recognize the leadership expectations of the people in the organization. Then, they engage with their people to align these leadership expectations to what is possible and what serves the organizational intentions best. This is followed by making efforts to meet the leadership expectations while exercising influence to realize the organizational intentions. As captured here by Magnus Röstlund, effective contextual leadership involves being active in shaping the people composition:

❝ Entering into different phases in a cyclic business and different strategy phases, it is natural that the diversity and people composition must change over time accordingly. A static composition will hinder performance over time.

Magnus Röstlund, MBA, Vice President, Head of Engineering and Material Technology at NKT, Sweden

The people composition has a considerable influence in the leadership context by forming a starting point enabling the practices, structures, and cultures central to organizational performance. The people composition can help or hinder collaboration, empowerment, stretch, or other desired outcomes. The sum of personalities, values, and expertise in the team naturally influences their behavior. At the same time, the organization's behaviors and beliefs are influenced by the structures and cultures we reinforce and the leadership we exercise. In order for this to happen, leaders must recognize the personalities, value settings, and expertise most helpful for the desired performance— especially when a shift in organizational intentions requires renewed considerations, as emphasized here by Dr. Candice Chow:

❝ Leaders should be cognizant of the implications of people composition to strategies and execution, as different compositions have their own strengths and weaknesses. Especially when changing intentions, leadership should focus on staffing to ensure the right composition for the strategy.

Dr. Candice Chow, Assistant Professor of Strategic Management at DeGroote School of Business, McMaster University, Canada

In this chapter, we will dive into how personality dispositions, value orientations, and expertise are factors in the people composition that a leader should consider to optimize performance. The factors are less visible than the workplace behavior they contribute to and that we, as leaders, observe in the organization. They are below the surface like the majority of an iceberg, guiding what is visible and essential for a leader to understand when considering optimizing the people composition or changing the match of tasks and people. See figure 71 below.

Figure 71

Personality, Values, and Expertise Influence Workplace Behavior

Workplace Behavior	
Organizational Citizenship	• Followership: Coproducing leadership • Ownership: Initiating & taking charge
Task Performance	• Functional performance: Executing & raising ambitions • Planning & organizing: Looking ahead & being reliable
Adaptive Performance	• Adapting: Being flexible & coping with change • Learning: Developing & improving
Team Citizenship	• Supporting: Volunteering help & taking care • Playmaking: Reaching out & coordinating

Data from Noerby (2021).

Workplace behavior is not only guided by people's personalities, value orientations, or expertise. It is also heavily influenced by the contextual factors discussed up until now. It can be easier or harder to assume a given behavior, such as the diligent adherence to detailed instructions we desire as part of a strong discipline culture promoting efficiency. Nonetheless, it cannot become an excuse for not adopting the behavior to the best of our abilities. Leadership starts from what is required for optimal performance, closely followed by embracing workforce diversity. However, suppose the people composition is anchored in personality dispositions or value orientations far from the desired behavior. In that case, the leader must change the composition to enable performance. If the expertise is not up for performance, education or changing the task allocation is necessary. Being a leader involves embracing diversity and having the patience to develop people while securing a people composition that enables the desired performance.

PERSONALITY DISPOSITIONS

It is well supported that the leader's personality is an influential part of how she enacts leadership. An important part of understanding yourself as a leader is to recognize your own personality preferences forming the starting point for

your personal leadership. This is an important part of the equation, and any leader needs to be aware of her own personality and the influence it has on relation-building, influence styles, conflict handling, and other leadership preferences. However, related to the leadership context, the understanding takes its offset in the personality composition across the people in the leadership context and how that sets a bass tone for work behavior.

There are two sides to personality composition. Firstly, the concentration of personality preferences creates anchor points for the emergence of how people tend to approach their work. These personality anchor points mesh with the value orientations and form a strong base from which the workplace cultures can emerge. Secondly, the diversity in the personality composition raises attention to the importance of creating strong common ground to ensure that the benefits of diversity can be released. On both accounts, the leader must recognize the starting point to optimally lead effectively. So, it is the personalities of all members in the leadership context, including the leader, that is of interest in the leadership context.

Job performance research confirms that personality traits are strong predictors of task and adaptive performance and significantly influence organizational and team citizenship. Different personality traits exercise different influence on the disposition to act in certain ways. This highlights how important it is for the leader to understand the work performance demands and deliberately try to match these with the most appropriate personality types. This is a crucial ongoing task for any leader to get the people mix fit to match the organizational intentions and the operating conditions created by the external environment. It is about building the organization deliberately, as explained here by Magnus Röstlund:

❝ Let me offer an analogy with LEGO—the world-famous building bricks for kids. It is very boring and difficult to build something good out of only gray bricks with the same shape. However, mixing different colors and shapes makes it much more interesting, and the result can be amazing and inspiring —off you go on harvesting the benefits of diversity!

Magnus Röstlund, MBA, Vice President, Head of Engineering and Material Technology at NKT, Sweden

There is also a significant influence on how a leader and followers interact in the cocreation of leadership from their respective personalities. Personalities influence work behavior, communication style, collaboration approach, and a range of other important aspects in the workplace. Cross-cultural, workplace, and leadership research confirm that the expectations of "good leadership" are influenced by the values held as an intrinsic guiding compass and by personality preferences. This further highlights how important it is for the leader to understand the behavioral tendencies related to personality. Most people form their expectations (prototypes) about how others should behave anchored in their personal preferences, so it is essential to surface and align around these expectations to ensure we arrive at shared norms for workplace behavior. Making expectations about the way we collaborate explicit enables the leader to accommodate the expectations followers find important. It also gives the leader a way of influencing what followers can rightly expect from the leader. Together, being active in expressing and managing expectations is an important basis for employee engagement and empowerment because followers will be comparing their experiences to aligned expectations. Moreover, aligning by building a shared language and interpreting expectations together is positively related to trust in the follower-leader relationship.

It is important for the leader to take a behavioral approach when shaping the leadership context for optimal performance. This is natural, because it is the manifestation of the underlying traits into behavioral and observable dispositions in the work setting that are of interest. These dispositions, or tendencies to act in certain ways, can be addressed in a PIA Cycle to develop work behavior. Of course, our personalities form anchor points that influence our flexibility in assuming work behavior very different from our basic personality traits. So, the leader needs to understand how personality traits form anchor points influencing the dispositions to act in certain ways. This awareness allows her to optimize the leadership context by adjusting the composition of teams and by demanding more or less of certain work behavior. There is solid research supporting the links between personality traits and the preference for engaging in certain types of work behavior.[61]

Research has confirmed strong links between the traits and dispositions to engage in different types of work behavior and succeed with it. As an example, building upon decades of studies, in 2015 Judge and Zapata further developed the understanding of how personality traits and the influence of the work context relate to job performance. Their meta-analysis of 125

previous studies resulted in consistent findings about the links between personality traits and job performance. The analysis also showed that if the leadership context is weak and fragmented, there is a tendency toward a stronger influence from personality.[62]

The behavioral approach to understanding how people tend to behave at work is a well-established area. An important foundational building block was the research published by William Marston in his book *The Emotions of Normal People* in 1928.[63] Since then, the behavioral approach focusing on work behavior dispositions has evolved and matured a lot. The abovementioned research confirming the links from the underlying personality traits to work behavior tendencies align very well into Marston's model of workplace behavior. A disposition is built from several underlying traits in our personality and forms a strong inclination to act in certain ways.

There are four basic dispositions that mix and form the starting point for a person's behavior. Basically, our personal anchor point determining our dispositions can be placed anywhere in the dispositional playing field shown in figure 72. We cannot place individuals in one of the four boxes and conclude that it is the full story. Nevertheless, having four dispositions is useful for recognizing behavioral tendencies, and we all tend to have an anchor point somewhere in the playing field and reach into the other fields from that anchor point. With these nuances, our placement in the playing field is a personal anchor point that comes with strong tendencies to act in particular ways. It brings along tendencies to prefer certain styles of interacting with other people and tasks and different orientations toward what is important to get out of the interactions. There are four personality dispositions:

1. **D**ominance
2. **I**nfluence
3. **S**teadiness
4. **C**onscientiousness

Together, these form the acronym often used about the model: DISC. Figure 72 below summarizes the dispositions.

Figure 72

Personality Dispositions

Act First
Assertive
Bold

Dominance

1. Strong-willed
2. Results-oriented
3. Direct
4. Determined
5. Forceful

Influence

1. High-spirited
2. Involvement-oriented
3. Enthusiastic
4. Optimistic
5. Lively

Logic Focus
Challenging
Firm

People Focus
Agreeable
Receptive

Conscientiousness

1. Reserved
2. Control-oriented
3. Analytical
4. Skeptical
5. Systematic

Steadiness

1. Humble
2. Stability-oriented
3. Tactful
4. Accommodating
5. Patient

Think First
Calm
Careful

Data from Noerby (2021, 2023); Scullard and Baum (2015).

🔖 **DEFINITION: PERSONALITY COMPOSITION**

The composition and diversity of personality dispositions influencing our beliefs and guiding our behavior.

While the personal combination of dispositions forms an anchor point strongly influencing our tendencies to act in certain ways, it does not predetermine our workplace behavior. Workplace behavior is a product of our value orientations, personality dispositions, expertise, and the social dynamic among colleagues. So, it is not possible to "put people in boxes"; however, as a leader, it is very important to provide a language that makes it possible to pinpoint desirable and less desirable ways of acting and interacting. The DISC playing field is an easy way of pinpointing the shared dispositions for a team or an organization and aligning understandings about what to do more and less. This applies to behavior required from individuals and expectations of team behavior. The distribution across the DISC playing field can look different, and it comes with different considerations about how to be contextually effective as a leader. You must match people to the different task

types, create common ground to build effective collaboration, and interact differently with different people to be effective. Lene Groth speaks from more than 30 years of leadership experience and 20 years in senior HR roles, stressing exactly this:

66Your leadership needs to reflect the differences in the team. You have to treat people differently in order to treat them equally well. Making the team perform and thrive is about developing people together but also changing players when necessary.

Lene Groth, Chief Human Resources Officer at STARK Group, Denmark

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The starting point is to recognize and consider the people composition at hand. Below are three typical examples, which should bring a leader to consider how to lead effectively in the context and/or consider if the composition of the team should be influenced over time. See figure 73.

Figure 73

Diversity and Leadership Responses

Clustered Diversity
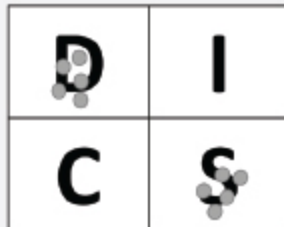
The leader should provide a language to understand the differences. She should engage in PIA Cycles with all members to establish shared agreement on ways of working and build an appreciation of differences in dispositions.

Low Diversity

The leader should consider increasing diversity in decision-making in areas with a risk of missing out on the best solutions due to "group think," i.e. too many similar perspectives building a skewed and unchallenged perception.

High Diversity
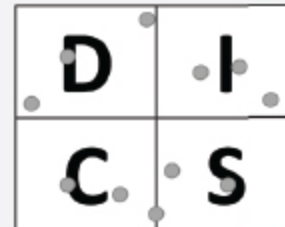
The leader should introduce principles for collaboration. These principles should be interpreted into commitments by involving everyone in PIA Cycles. It will establish common ground combined and build an appreciation of diversity.

The strength of addressing personality in the leadership context by focusing on dispositions is that these are observable whereas the underlying traits are more hidden. So, when recruiting new members to an organization, it is important to uncover the personality traits using adequate personality tests and behavioral interviewing. This helps ensure that the newcomer adds to the desired dispositions in the team. Once in the leadership context, it is important to enroll people in the interpretation of desired behavior, and the personality can never become an "excuse" for not trying to live up to these expectations, as in the experience Ernest Mast shares here:

❝ We cannot change the personalities of people. However, leaders have two important handles to make teams perform. We can make people aware of their personalities and guide them towards the desired behaviors. We can also change team members to get the personalities that we want.

Ernest Mast, EMBA, President and Chief Executive Officer at Doré Copper Mining Corporation, Canada

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The awareness and guidance toward desired behavior build on insight into the behavior related to the four dispositions, which is where we turn our attention in the following sections.

What Are the Effects of the Personality Composition in the Leadership Context?

Personality exercises a significant influence on performance because a match between traits and job demands helps performance and a mismatch hinders performance. Differences between team members' personalities hold the potential to help performance by supplying divergent thinking, spurring creativity, and enabling team members to supplement each other with personal strengths. Professor Melodena Stephens says it like this:

❝ Diversity of personalities is key for optimum performance —you really need multiple mindsets and viewpoints to perform and innovate.

Melodena Stephens, PhD, Professor of Innovation Management at Mohammed Bin Rashid School of Government, UAE

At the same time, personality differences hold power to spur disagreement, workplace conflict, frustration, demotivation, poor collaboration, and counterproductive behavior. In the following, the four dispositions are related to their helping and hindering effects on work performance.

The Dominance Disposition

A team with a dominance disposition will tend to be dynamic, and decisions will be fast since no one likes wasting time. The focus is on results, and challenging work assignments are welcomed. Raising ambitions, challenging assumptions, taking risks, and being willing to break with tradition

are part of the disposition. The flip side can be that the constant sense of urgency leads to tiredness, and too little time is spent on thorough analysis. The D disposition can discourage teamwork due to a focus on individual accountability and competition. See figure 74 and the following elaboration on how the dominance disposition influences workplace behavior.

Figure 74

The Dominance Disposition and Workplace Behavior

Dominance	Workplace Behavior Tendencies	
Act First Assertive Bold	Organizational Citizenship	Followership: Coproducing leadership — Ownership: Initiating & taking charge
Strong-willed Results-oriented Direct Determined Forceful	Task Performance	Functional performance: Executing & raising ambitions — Planning & organizing: Looking ahead & being reliable
Logic Focus Challenging Firm	Adaptive Performance	Adapting: Being flexible & coping with change — Learning: Developing & improving
	Team Citizenship	Supporting: Volunteering help & taking care — Playmaking: Reaching out & coordinating

Data from Noerby (2021, 2023).

When it comes to organizational citizenship, the active, assertive orientation combined with the result-orientation and determination characterizing the D disposition plays into both followership and ownership behavior. From the D anchor point, it is natural to require direction and alignment when interacting with the leader, and as such, sufficient D presence in a team holds a strong helping effect on lifting the levels of followership. When it comes to ownership, making choices, and deciding to move ahead, enacting the mandates delegated to the full extent is strongly helped by the presence of D. Strong D dispositions help keep each other accountable, but also involve a willingness to bend rules to achieve results. In a team strongly anchored in D, there is a risk that the short-term wins over long-term perspectives and willingness to accept some damage cost to deliver on promised objectives.

Regarding task performance, a strong anchor in dominance helps deliver on the functional performance levels when it comes to working effectively, getting things done, and meeting targets. On functional performance, the dominance disposition involves a tendency to raise performance ambitions, aim for tight deadlines, take on challenges, and commit to the limits of the

available capacity. A strong D disposition in a team secures the ability to endure hardship to pursue results. It helps the emergence of a low-complaint, high-tenacity approach to work. At the same time, enforcing compliance and running things by the decided-upon procedures and rules can be challenged by a strong D presence since the result-orientation instills a sense of being compliant to a necessary level rather than doing everything 100% by the book. It can lead to more focus on getting things done and less on delivering high quality. Dominance promotes planning and organizing through a strong focus on need-to-do and a willingness to deprioritize nice-to-do. However, planning to make it easy for others to contribute is challenged by an individualistic mindset embedded in the D. It can challenge coordination with the broader organization due to a high willingness to take risks and make decisions in the light of a felt sense of urgency—it is experienced as too cumbersome and slow.

On adaptive performance, a D disposition provides a fundamental willingness to take up the challenge, meaning that changing plans and priorities are less of a problem for a team with a strong D anchor. It involves a willingness to change anything that can improve performance and a constructive attitude toward implementing change that makes sense from a business perspective. However, a strong-willed character means that there can be strong opinions on change demands and the attitude firmness can pose challenges to accepting other cultures, approaches, and ways of thinking. Suppose changes involve negative consequences for a team firmly rooted in D. In that case, the strong-willed group can become a very active resistance group. The D disposition comes with a substantial portion of resilience and orientation on getting what is necessary done to move on. When it comes to learning and development, the D disposition will actively seek new methods and approaches to improve performance. However, the strong-willed tendencies imply that D-anchored teams can resist feedback and learning. There is an inherent belief that they know what they are doing, so the openness to learning and different perspectives is relatively low from the outset.

Finally, on team citizenship, encompassing supporting and playmaking, there are potential drawbacks to a strong D presence. The task is the primary focus for D. The tendency to take care of others, invest in building relations, and ensure that everyone relevant feels included in the team and across organizational boundaries is usually closely connected to realizing a specific outcome. The natural inclination to invest in the well-being of others is lower, and the D strong-willed, direct, firm communication approach can make it

difficult for others to express criticism or uncertainty or feel included. However, when supporting behavior is recognized as one of the primary means to secure performance, a strong D disposition can result in high dedication to recurring team building. The same dynamic applies to playmaking, where the investment of energy for the D disposition is related to the return on efforts leading to the results in focus. For teams firmly anchored in D, supporting and playmaking behavior is a deliberate choice rather than a natural inclination.

The Influence Disposition

The influence disposition offers a warm, extroverted, and socially oriented work environment. An optimistic and high-energy approach with lots of brainstorming and opportunity-seeking characterizes the I disposition. The I anchor promotes creativity and idea generation, which sometimes involves little focus on the details and poor execution due to missing planning and organizing. There is an atmosphere of spontaneous recognition of ideas and a natural inclination to celebrate good performance. A team with a strong I disposition has a low focus on precise and distinct instructions. It is sometimes challenged by misunderstandings due to missing alignment of agreements and accountabilities. The encouragement of different perspectives spurs an energetic, frequent interaction, sometimes resulting in too many meetings, too little fact-based preparation, and insufficient risk awareness. See figure 75 and the subsequent discussion about how the influence disposition tends to influence workplace behavior.

Figure 75

The Influence Disposition and Workplace Behavior

Influence		Workplace Behavior Tendencies	
Act First Assertive Bold High-spirited Involvement- oriented Enthusiastic Optimistic Lively	People Focus Agreeable Receptive	Organizational Citizenship	Followership: Coproducing leadership Ownership: Initiating & taking charge
		Task Performance	Functional performance: Executing & raising ambitions Planning & organizing: Looking ahead & being reliable
		Adaptive Performance	Adapting: Being flexible & coping with change Learning: Developing & improving
		Team Citizenship	Supporting: Volunteering help & taking care Playmaking: Reaching out & coordinating

Data from Noerby (2021, 2023).

On the organizational citizenship side, there is a strongly outgoing approach in the I disposition, making it very natural to chip in during discussions and interactions in the group and with the leader. That is positive for active followership. The optimistic tendency contributes well to cocreating commitment, securing celebration, and infusing a can-do attitude. The extroverted offset makes it natural to voice any issues that need to be addressed, but it comes with the risk of too much talk and too little action. The tendency for all to comment, having meetings go over time without covering the agenda, and revisiting discussions are all drawbacks of the I disposition. On the ownership part, the I disposition rarely engages in criticism. Usually, I people focus their energy on promoting purpose and pride. For the I disposition, supporting and building the team, department, and company image and promoting things they can be proud of is essential, sometimes to the extent that I teams refrain from the part of ownership mentality requiring them to surface unpopular views on hard issues. Initiating and taking charge is natural for the I team when it is about acting from purpose and beyond formal job mandates. Much initiative is embedded in the I disposition, pushing matters ahead. However, the more detailed clarification about decisions, commitments, alignment, and timing is often missing. Sitting still is not a tendency in the I disposition. The high-spirited and enthusiastic sense of urgency can lead to uninformed decisions and a lot of changing direction. Another part of ownership is adhering to guidelines and norms that have emerged or been implemented to make collaboration easier, protect quality, secure ethical compliance, or align behavior to other procedures. This part of ownership depends on conscientiousness and acceptance of detailed rules as valuable and necessary, which does not come naturally for any I team.

A team with a strong I disposition can be challenged on functional performance because one of the key performance drivers is working accurately and effectively. The I tendency is to focus on opportunities optimistically, and this can challenge building profound insight in sufficient detail to decide on the best trade-off in the running operation. The dynamic is further enhanced when it comes to planning and organizing. Here, precision in resource allocation, sequencing and detailed monitoring, controlling, and constantly adjusting to meet predetermined detailed plans are key performance drivers. These practices directly oppose the I disposition, and the creative, idea-generating strengths in an I team challenge the deliberate planning and sticking to plans. Another dynamic in the functional performance is that the I

disposition pushes up the ambitions per default, often without sufficient fact-finding to back it up. In addition, in an I-rooted department, there is often an uneven pace of work because the propensity for an I team to dedicate itself to ambitious goals is followed by the surprise of the work that needs to be put in —however, the optimistic I stretch fuels going above and beyond the call of duty. The I disposition fuels a lot of optimism and "can-do," which can help raise engagement and pull the team together, especially in the initial phases. On the other side, enduring a long haul of challenging hard work does not emerge per default for the I disposition. Repetitive, detailed work with little enthusiasm and celebration does not land well with the I disposition.

Adaptive performance is a home court for a team high on I disposition. Having flexibility to flow with varying requirements and being optimistic about setbacks are deeply embedded traits for I teams. The I disposition is fine with role overlaps and I teams don't work well with things that are put in boxes. There is a high willingness to share and engage with others to include their diverse perspectives as a natural part of creative thinking. Engaging with new stuff is a driver for I teams, so learning and developing come naturally. The flip side is that, at times, the focus of the learning and subsequent conversion to action securing return on investment are left with too little planning, commitment, and follow-through. When continuous learning revolves around minor incremental detailed adjustments to nudge the efficiency up, the I disposition is challenged by the necessary systematic approach and documentation. When it comes to continuously generating new ideas, creating new combinations, and adjusting to significant changes, the I disposition helps a lot. It is natural to challenge assumptions, try something new, learn from the experiments, and tolerate ambiguity without losing energy. Coping with change fuels energy in the I team to the extent that sometimes unnecessary energy is invested in unnecessary changes just because something has been the same for some time. The adaptive performance embedded in the I disposition is further enhanced by an intense future focus, where the flip side is that sometimes that removes crucial attention to fixing the basics first.

Supporting behavior related to celebrating, promoting collaboration, and instilling optimism is right down the alley for an I-anchored team. Focusing on the positive and on opportunities, being able to forgive and move on, creating a positive social context, and tolerating differences are all features of the I disposition. In continuation, the inclination to reach out and create collaboration across the organization—playmaking—is an integrated part of the I disposition. The flip side is that committing different parties to concrete documented mutual obligations about how a collaboration should run is not

considered necessary for an I team when the overriding principles have been discussed. Clarifying expectations and evaluating how to further optimize subprocesses and other elements in the collaboration are seen as less critical than onboarding and creating enthusiasm and positive energy. The relational part of building and maintaining partnerships comes naturally. In contrast, conscientious formalization and keeping each other accountable to the specifics is not a natural inclination for the I team.

The Steadiness Disposition

A team with a steadiness disposition will display a high level of commitment to get the job done in a non-hectic work environment. The S disposition promotes reliable and predictable work modus supported by a strong feeling of responsibility. A department with strong S anchoring promotes teamwork with polite and friendly interaction. They care for each other, and the importance of the wellbeing of colleagues is firmly rooted. This means that things are rarely challenged, and there is a low focus on competing, raising ambitions, and changing to improve. There is a strong focus on creating collaboration, understanding demands from outside the team, and accommodating such demands. The focus on harmony can lead to postponing difficult decisions and refraining from giving constructive criticism. See figure 76 and the elaboration below about the relationship between the steadiness disposition and workplace behavior.

Figure 76

The Steadiness Disposition and Workplace Behavior

Steadiness

Humble
Stability-oriented
Tactful
Accommodating
Patient

People Focus
Agreeable
Receptive

Think First
Calm
Careful

Workplace Behavior Tendencies

Organizational Citizenship	Followership: Coproducing leadership Ownership: Initiating & taking charge
Task Performance	Functional performance: Executing & raising ambitions Planning & organizing: Looking ahead & being reliable
Adaptive Performance	Adapting: Being flexible & coping with change Learning: Developing & improving
Team Citizenship	Supporting: Volunteering help & taking care Playmaking: Reaching out & coordinating

Data from Noerby (2021, 2023).

The organizational citizenship behaviors, followership, and ownership lead to an active initiation toward the leader, external parties, or people in other departments. The active part of followership, where decisions and priorities are challenged, questioned, and discussed to qualify the solutions, requires active facilitation to emerge in an S team. The S team tends to accommodate demands rather than question them. The high degree of politeness and risk aversion and the low willingness to challenge means that the coproduction of leadership requires active facilitation from the leader. Stability orientation builds reliability in the organization but also comes with the risk that things that should be challenged are not. The propensity to take charge and initiative is low if a team is strong on S. In contrast, the willingness to participate when others take such initiatives is high. Ownership is also about organizational loyalty; here, the S inclination comes with a deeply rooted sense of duty. Upholding corporate traditions, respecting heritage, and focusing on purpose are reinforced by the S disposition. There is a strong tendency to think on behalf of the organization and make sure things that do not need to change are not changed due to the latest fad.

Regarding task performance, a strong S anchor helps fulfill all aspects of the expected functional performance expectations but can negatively influence the drive to stretch performance expectations in the team. It does not come naturally to the S-oriented team to raise ambitions and perform beyond the in-role expectations. However, fulfilling the understood expectations of the in-role performance is helped by the S inclination. Thus, engaging in the PIA Cycle to clarify trade-offs and secure an adequate workload to fulfill expectations is highly important to make an S team perform. Planning and organizing are helped by the S orientation to fit in and do things as expected. The awareness of how to match external demands and ensure predictable outcomes is a strong driver that can result in stable and reliable performance. The strong S teams are experts on being good sports, compromising, accommodating, and putting themselves last. They tolerate inconveniences to ensure the wider team or organizational performance, even to the extent where this dedication becomes a drawback. The workloads grow too big and the sacrifices for the S team result in an unhealthy work-life balance, which does not surface even when it should.

The S-anchored team can be challenged on adaptability, as unforeseen fluctuations and changes directly challenge the steadiness inclination. However, building the capacity to handle patterned fluctuations—that is, variations that recur and can be met with known methods—is a proven pathway to effective adaptability in S teams. On the learning and development

side, the willingness to continuously do things better is strong, and the patience to persevere in optimizing processes is high. The challenges emerge when the learning demands or the change levels push people out of their comfort zones. Predictability and matching demands are two essential components for an S team, so frequently changing the demands poses a challenge to both components. It highlights the importance of clarifying new demands and building competencies as a first step when introducing change to strongly S-anchored teams. The S disposition prefers as little change as possible, underlining that a leader must be active to ensure that S-anchored teams do not lose their learning agility.

S teams are experts in supporting each other, an essential part of team citizenship. There is close attention to the social side of work life, inclusion, collaboration, and making it safe for everyone to participate without fear of ridicule. It is the belief that the team's well-being is important in itself, which can then come with the drawback that performance demands come second. When it comes to playmaking, the relation-building capacities flowing from a strong S disposition contribute positively. The S disposition results in natural attention to including all relevant stakeholders. Ensuring that all who should be involved and informed are remembered is part of the people and team focus in the S inclination.

The Conscientiousness Disposition

The conscientiousness disposition creates a work environment centered around precision and systematic working. The C disposition yields a lot of well-defined goals, procedures, and very rational approaches to decision-making, prioritization, and coordination. Meetings, information formats, and exchanges are usually organized with templates, protocols, and processes. There is a high focus on clarifying expectations, scoping tasks, and planning, often leading to risk aversion. There is a strong positive relation to executing as planned, overcoming obstacles, foreseeing trouble, and delivering, as promised in the C disposition. The risk- and task-focused approach involves little focus on the social side of collaboration. It results in experiencing the C disposition as critical, cynical, cold, and overly focused on the formal parts of what makes things work in an organization. An analytical approach secures fact-based discussions and decisions. Still, it can lead to paralysis by analysis where things are investigated to an excessive and unnecessarily detailed level. In the C disposition, there is a tendency to think first and talk second—if asked. There is a risk of overthinking solutions rather than experimenting as a

means of learning, and the introversion embedded in the disposition means that C teams seldom show excitement or enthusiasm. See figure 77 and the elaboration that follows to understand the inclinations toward workplace behavior related to conscientiousness.

Figure 77

The Conscientiousness Disposition and Workplace Behavior

Conscientiousness	Workplace Behavior Tendencies	
Reserved Control-oriented Analytical Skeptical Systematic	Organizational Citizenship	Followership: Coproducing leadership; Ownership: Initiating & taking charge
Logic Focus Challenging Firm	Task Performance	Functional performance: Executing & raising ambitions; Planning & organizing: Looking ahead & being reliable
Think First Calm Careful	Adaptive Performance	Adapting: Being flexible & coping with change; Learning: Developing & improving
	Team Citizenship	Supporting: Volunteering help & taking care; Playmaking: Reaching out & coordinating

Data from Noerby (2021, 2023).

Related to organizational citizenship, the introversion in the C disposition influences both followership and ownership behavior. Followership is about coproducing clear direction, aligned actions, and clear commitment in the team. Due to the natural tendency to focus on risk and clarify expectations, C teams hold great potential to help the emergence of effective leadership. At the same time, the inclination to think first and only speak when necessary highlights the importance of pulling out the viewpoints to create active followership. Ownership involves making decisions to keep things moving from understanding the leader's intentions. That behavior can be challenged by the need for control and the risk aversion, but the drive to deliver as expected is solid for the C disposition. Followership and ownership are strongly driven by conscientiousness, especially if the role expectations are aligned through active leadership.

The C disposition promotes functional performance, planning, and organizing in a team. There is a direct link between the analytical approach and planning inclination in the C disposition, higher quality levels, better resource utilization, and less process slack in running operations. Specifying, scoping,

sequencing, and prioritizing by applying established methods that are continuously improved comes naturally. A strong discipline and factual approach further enhance the effectiveness flowing from the C disposition into task performance. This enables a strict focus on the need-to-do activities and data-driven prioritization. However, pushing up performance expectations is held back by the risk aversion embedded in the C disposition, meaning that raising performance ambitions needs to be rooted in facts. The tendency to clarify expectations and focus on fulfilling these can come with the drawback that a C team would rarely go outside their in-role expectation unless led to do so. At the same time, the C disposition comes with perseverance to keep at something over a long time and accept that inconveniences are part of the job. Clarifying commitments, keeping each other accountable, adhering to procedures, and enforcing compliance are natural strong points for a team composed of many with the C disposition.

Adapting and being flexible does not mix well with the C disposition since predictability is an essential building block, and uncertainty clashes with risk aversion. So, role rotation, ambiguous responsibilities, and changing job demands are challenging for the C disposition. Coping with change is not helped by a strong C disposition. The risk focus makes it difficult to find optimism and emotionally engage in change with enthusiasm. The altering conditions will be viewed as obstacles rather than opportunities, and the ambiguity further challenges the focus on potential benefits. However, recovering after setbacks and finding new ways of solving problems when facing challenges is well supported by the C disposition. Also, on the part of experience-based learning related to using innovation to solve wicked problems, there are strong helping effects from teams with a strong C composition. The analytical approach opens more opportunities to find ways through wicked problems, and often, C teams are highly effective in creatively solving complicated problems. Learning and development are helped by the drive for control embedded in the C disposition. The drive for control motivates C teams to acquire the necessary knowledge and insight before taking on tasks, but it sometimes comes with the drawback of wanting to learn too much before assuming responsibilities. Experience-based learning relies on observing what is going on, interpreting what that means, converting that into new actions, and aligning behavior to the adjusted methods. In that respect, the disciplined, systematic approach and analytic thinking underpinning the C disposition immensely help the continuous improvement process. Moreover, they provide the tenacity to work on wicked problems over a long time.

Supporting others, part of team citizenship, involves a people focus that does not come naturally to the C disposition. Being reserved, careful, and focused on logic comes with a less natural inclination to care about other people's well-being. Usually, a C team is task-focused and rational without attention to the intangible soft human sides of what makes things work—it is not a self-experienced need. The inclination toward logic and facts can come out as inflexible, making others feel less welcome, included, or appreciated. The reservation from introversion further draws down the supporting behavior. The reservation also influences playmaking, reducing the engagement into active stakeholder management, relationship-building, and proactive coordination. On the other hand, the disciplined and systematic approach can strengthen proactive coordination and stakeholder management through an analytical approach that secures frequent adequate communication and involvement.

Personality and Engagement and Empowerment Drivers

There are six engagement and empowerment drivers. The drivers are important no matter the DISC disposition in the leadership context. However, they weigh in differently for the four dispositions. See table 13 below for an overview and appendix A for the full descriptions of each.

TABLE 13. THE ENGAGEMENT AND EMPOWERMENT DRIVERS

Table 13

The Engagement and Empowerment Drivers

Meaning	• The experience that your efforts give you something rewarding in return. Feeling worthwhile, valuable, and useful.
Mastery	• The experience of being allowed to use my skills, being intellectually stimulated and challenged. Adding value by applying my skill set.
Autonomy	• The experience of freedom and discretion to decide how to organize, plan, and conduct my work. Self-determination within the boundaries of my job.
Influence	• The experience of involvement in decisions outside my job. The opportunity to influence the leader, the team, the department, and the overall plans.
Psychological Safety	• The experience of feeling sure you can engage in your work without fearing negative consequences to your job, self-image, or status.
Work & Life Strains	• The experience of emotional, physical, and cognitive resources available. The more experienced strains in work life and outside, the less available resources to handle work with engagement.

Data from Edmondson (2018); Jacobs (2013); Noerby (2021); Spreitzer (1995).

Meaning is a key driver for all four dispositions. Understanding how I contribute and experiencing getting something rewarding back from my efforts is important to everyone. However, the desired feedback may be more related to results and accomplishments for the D and C dispositions. At the same time, the I and S dispositions may value experience-based feedback from people important to them as more meaningful.

Mastery includes the belief that one can meet the performance requirements successfully, and the D and I dispositions hold more of an underlying belief that they can master challenges. The S and C dispositions have a higher need to clarify the expectations and role requirements for mastery to emerge. Also, they will be more critical toward their performance per default.

Autonomy, which is the discretion to decide how one plans one's work, is important to everyone. However, there is a tendency for the absence of autonomy to negatively influence performance more when experienced by teams strong on the D and I dispositions. At the same time, knowing the boundaries and expectations for decisions and actions within delegated mandates is more critical to the S and C dispositions.

Influence is being involved beyond the boundaries of my job in developing new procedures, being asked for input about the long-term plan, or having an active role in making cross-organizational collaboration work. It is vital to the D and I dispositions to be granted influence. Given that it resides within their expertise fields, influence also positively affects the S and C dispositions. Interestingly, the D and I teams would volunteer per default. In contrast, the S and C teams would hold back until actively pulled into the influencing process.

Psychological safety includes the feeling that you do not have to safeguard yourself in daily social interaction or when voicing issues in discussions. The D and C teams have a lower need for high psychological safety due to their tendencies to be task-focused and challenging in their approach. Conversely, it is more important for the I and S teams to be effective due to their people focus and receptive tendencies underpinning these dispositions. Since psychological safety is strongly linked to high organizational performance, it raises attention for the leader to be clear about ground rules, allowing all to participate unguarded.

Work and life strains relate to how activities at and outside work consume the finite sum of energy available to any individual. A manageable balance and load are essential to all dispositions. However, different things drive high energy consumption and are perceived as stressors for the different dispositions. The difference in perception is driven by their expectations of the work environment and leadership. The absence of a match to the prototypical expectations of leadership and work context will increase the experienced strains, negatively impacting the underlying engagement and empowerment drivers. The following section will give you an overview of the prototypical expectations related to the different dispositions. See table 14 in the following section.

Contextual Leadership and the Personality Composition

As we have just seen, personality dispositions significantly impact the organization's performance behavior. At the same time, personality dispositions cannot dictate how the organization operates. The performance requirements must come from the organizational intentions and the operating conditions. Hence, the leader must involve people to strengthen the subcultures most relevant to the organizational intentions, as discussed in chapter 8. Along with shaping structures and cultures to promote performance, the leader must consider that people perceive good leadership

differently. Their perception greatly influences their engagement and how much influence they grant their leader. Hence, an effective contextual leader meets people with a leadership style that is flexible enough to handle people differently. This requires a dialogue about leadership expectations with the people a leader leads. They will have different prototypes for what they perceive to be an effective leader. The leader's task is to uncover expectations for her leadership and align the extent to which it is feasible and relevant to meet these expectations.

The purpose is to create common ground about what to expect from each other. How much ownership, playmaking, support, and so forth do we expect from each other? Given our personalities, we will have different expectations. As a leader, aligning these expectations and building ways of embracing diversity in a strong collaboration culture is imperative. The typical DISC expectations for leadership and the work context are summarized in table 14. Use it as a starting point for understanding intrinsic leadership and workplace expectations.

Besides understanding the personality dispositions in the organization, the leader also needs to recognize the diversity within teams. Higher diversity requires leadership flexibility, as noted here by Bob Markey:

❝ Diversity sets demands on leadership. Each person on the team needs to be led in a way they can identify. The leaders have to adapt their style to maximize the influence towards the different personalities of the employees. Everyone needs feedback, but the way they get it may differ.

Bob Markey, Senior Director, Talent Acquisition at Sikich, USA

High diversity holds great potential to contribute to higher levels of adaptive performance. However, releasing the potential of personality diversity fosters a sufficient level of trust and cohesion—the common ground created through actively shaping cultures with PIA Cycles. It is a way of aligning expectations to the different types of work behavior, such as playmaking and ownership. So, the leader must balance meeting people differently and creating

shared behavioral commitments about how we expect each other to collaborate, learn together, take actions, and so forth—the cultural side.

Table 14

Personality Dispositions Prototypical Expectations to Leadership

D – Expect the leader to:	I – Expect the leader to:
• Provide new challenges • Challenge things that are not efficient • Question actions that don't seem logical • Set high expectations • Push for results • Drive matters with urgency • Raise ambitions • Delegate freedom to decide and act • Encourage risk taking	• Raise ambitions • Delegate freedom to decide and act • Encourage risk taking • Celebrate achievements and progress • Encourage efforts • Create enthusiasm • Facilitate collaboration and teamwork • Provide appreciative feedback • Make sure everyone gets along
C – Expect the leader to:	**S – Expect the leader to:**
• Create predictability and be consistent • Provide clear guidelines • Allow time for adjusting to change • Set and uphold quality standards • Make objective, rational decisions • Demand precision and accuracy • Provide new challenges • Challenge things that are not efficient • Question actions that don't seem logical	• Facilitate collaboration and teamwork • Provide appreciative feedback • Make sure everyone gets along • Be accessible and offer support • Check in frequently to ensure well-being • Accept and be patient with mistakes • Create predictability and be consistent • Provide clear guidelines • Allow time for adjusting to change

Data from Noerby (2021); Straw et al. (2013).

Effective contextual leadership does not equal meeting all employees' personally held leadership and workplace expectations. However, it involves clarifying expectations about leadership and workplace behavior. This is the common ground, which is a prerequisite for turning diversity into value, as noted here by Morten Bechmann, speaking from decades of experience in making diverse teams collaborate and perform:

> **❝** Diversity and a dynamic personality composition are important to create a dynamic workplace and can be a great competitive advantage. However, it takes resources and skills to work with and get the best out of these things. If you are not able to manage them effectively, you may be better off with a more "mainstream" homogenous people composition.

Morten Bechmann, MBA, Global Sales Director at Peter Justesen Company, Denmark

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Often, leaders will experience feedback about their leadership rooted in the personal DISC dispositions of those being led. The needs of followers for leadership attention, emotional support, autonomy, interaction frequency, risk avoidance, planning, predictability, structure, and stretch are closely related to their personalities. This feedback is important to recognize since it is the leader's responsibility to match expectations to motivate and include people. At the same time, ensure that follower expectations are not uncritically met without comparing to what is needed to promote the organizational intentions. An example is a team rooted in an I or S disposition in an operational environment focused on efficiency, requesting more time and more frequent meetings. Here, the leader needs to balance the efficiency demands and not spend too much time on meetings if the information can be exchanged otherwise. At the same time, the leader must consider the potential engagement drawbacks of not meeting the request for more time to connect in person. Another example is a leader who interpreted an efficiency intention into a need for an increased sense of urgency, better quality assurance, and higher efficiency in a team with a strong I and S disposition. The efficiency priorities must be the starting point for interpreting how the team can assume more of the desired behavior even though it does not flow naturally from their I and S dispositions.

This clarifies the importance of involving people in cocreating the desired cultures, as the interpretations form the common ground necessary for bridging diversity. The interpretation should be centered on aligning behavioral expectations and committing to them. Hence, to get the best out of understanding personality dispositions, everyone must embrace that a disposition is an anchor point but can never become an excuse for behaving in non-optimal ways. Thus, the interpretation should be inclusive to allow

different styles and approaches but be rigid regarding the behavioral principles important to optimal organizational performance.

In addition, staffing for success is an integral part of effective contextual leadership, but it takes time, as introduced here by Professor Laura Leduc:

❝ The personality composition is something you can usually only change slowly through hiring, and recruiting strategically is a crucial leadership task in developing performance.

Laura Leduc, PhD, Professor at James Madison University, USA

The signal is clear. Any vacancy or staff rotation must be considered an opportunity to optimize the staff composition to promote the desired intentions and cultures. It should trigger a consideration of whether the task distribution between job roles and functions should be changed when people change, or if existing employees should be moved into other roles. Recruitment should never become a one-to-one replacement without careful consideration about how the people composition and task distribution could be optimized. However, in many organizations, the mandate to hire, fire, or replace team members is limited, and replacements can only happen gradually over time as people change jobs. This highlights that the behavioral side is essential because many leaders need to work with the people they have and release the full potential of these teams.

Relatedly, the leader's self-awareness is an integral part of the foundation for handling different personality dispositions across the different teams. Understanding oneself as a leader, involving people in the sensemaking of understanding themselves, and embracing the differences among one's colleagues are important levers. Building a shared language about personality, like the DISC framework or another personality profile, contributes positively to building strong cultures. Another side to the people composition is the value orientations, which are heavily influenced by the national cultures of the people in an organization. This is the theme of the following section.

VALUE ORIENTATIONS

One client I advised, which we will name Zakco here, started a branch of retail stores focused on low-priced household goods such as mattresses, furniture, and interior décor in Poland in 2001. In 2021, Zakco faced significant issues because of very poor delivery performance out of their central warehouse. It was a logistical mess resulting in missing stock in the stores, delayed delivery for campaigns, and many goods damaged in the warehouse and during transportation.

Zakco decided to reengineer its warehouse and the logistical setup and brought in experienced Canadian managers who moved to Poland. They took over the key positions in the warehouse and supply chain organization. They got the warehouse staff and the chauffeurs, supervisors, managers— everyone—together in a row of idea-generation meetings focused on finding and initiating improvements. In these sessions, they asked employees to take charge of the best ideas they had come up with during the brainstorming. They also introduced the Improvement Hero Prize, which would be given to the individual who came up with and implemented the best idea. They asked people to nominate themselves for the prize. Their approach was consistent with similar turnaround projects in Canada. However, the approach did not have any effect.

After six months, they changed the approach according to the advice of a new Polish director, who had previously worked in the U.S. They focused on the managers rather than trying to make everyone take the initiative. They pulled the Canadian managers out of the direct operations. Instead, they tasked the Polish warehouse senior director to craft a plan with his management team that the HQ could approve.

Within six months, Zakco Poland was profitable. Quality increased, and stronger morale resulted in fewer mistakes, delays, and damages. It turned out that the Polish organization performed best by matching how decisions were traditionally made—leveraging the hierarchy and letting managers initiate and drive actions. The participation and individual reward approach had made the Polish employees and middle managers insecure. They were used to being led by people they knew and trusted.

What Zakco experienced in the Polish turnaround relates to how value orientations influence our workplace behavior and expectations for leadership. Value orientations are embedded in the national culture we grow up in. They are built as part of the beliefs we form during life experiences. However, they can and should be influenced, as explained here by Mike Frausing, who has worked with company values across very different national cultures:

66 Values should be something that comes from "within" in an organization. When you involve the organization in developing company values, you will end up with the true values of who we are and how we should act. Likewise, it is important to involve newcomers in understanding existing values and what they mean in the everyday. This is obviously key to everyone embracing the values.

Mike Frausing, CEO & Owner at Andvari Holdings, Singapore

Value orientations are the fundamental building blocks in understanding the differences across national cultures. Besides the observable differences between societies, there are strong underlying value settings that have evolved throughout history. Everyone learns values through their membership in groups and communities during their upbringing and their adult lives. Values reflect the normative social behavior we learn from the society we grow up in, from teachers, parents, elders, and other authorities in our lives. We learn from observing how others behave and build our innate beliefs and values, which translate into patterns of social interaction. Naturally, when we enter the workplace, these value orientations influence how we believe we should be led, collaborate, discuss, handle conflict, and hold each other accountable, as well as a range of other social dynamics. Our values tell us what OK and not-OK behavior is, and they evolve through a continued socialization process, which is influenced by the people we interact with—colleagues, leaders, and everyone else in our lives. This is how we build our workplace and other social norms—from individually held value orientations to shared interpretations of norms. This highlights the significance of company values addressing the most important elements in our desired cultures, as put forward by Lene Groth here:

❝ Company values should be clear, and leaders should lead by those—it greatly influences engagement and performance. If there are no official values, the leader will nonetheless define them by acting and communicating—just with less effect than when leading from explicit shared values.

Lene Groth, Chief Human Resources Officer at STARK Group, Denmark

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Company values, as referred to here by Lene, should be used in PIA Cycles, in individual follow-up, and in development dialogues and when onboarding newcomers. They should be interpreted actively through employee involvement, as discussed in chapter 8.

The individual value orientations and the distributions among the people in a team form a strong start orientation, influencing how the different workplace cultures can and will evolve. By understanding the most important value orientations that influence work behavior and expectations for leadership, it is possible to influence how these underpinning beliefs translate into behavior. For example, building empowerment and collaboration cultures centered around norms that promote performance and well-being implies that a leader must understand the individual value-based expectations for leadership and collaboration and the more general tendencies when leading larger units or across different national cultures.

From our personality as a starting point, the values influence how we believe we and others ought to behave and what we find important in the approach to others. The value orientations guide how we prefer that things are done, so they set implicit expectations about which leadership and workplace behavior we find most appropriate.

This poses a dilemma that any leader needs to reconcile. On one hand, she must influence people to build the work norms that are the building blocks of the desired cultures. On the other hand, to maximize her influence, she should consider how to vary her leadership style when leading groups with different value orientations. Of course, this is most evident if leading groups with very different nationalities and low value diversity in each group. For example, consider a leader who leads three teams: a team of Chinese nationals situated in Beijing, a team of Americans in the Boston office, and a Danish team located in Copenhagen. These three teams, with low value diversity within each team, will differ on the value orientations this chapter discusses. The

leader should still use the same range of leadership interventions, such as objective setting, following up, motivating people, resolving conflict, and so forth. Still, the style should vary to match the value orientations in the group to maintain leadership effectiveness. These findings are strongly supported by the Global Leadership and Organizational Behavior Effectiveness (GLOBE) project, a large-scale worldwide cross-cultural research project.[64] The GLOBE project focuses on leadership styles such as collaborative, orderly, and consultative styles, which moderate the way the leader should practice objective setting, empowering, delegating, and so forth. Hence, in this cross-cultural approach to leadership, the criterion for "outstanding" leadership becomes how well a leader matches the followers' implicit leader expectations on a range of style or approach parameters, such as the extent of modesty, diplomacy, integrity, self-sacrifice, or compassion expected from the leader. The cross-cultural sensitivity is important, in particular when a leader assumes leadership of a part of the organization where the majority of people have a different nationality from the leader. Effective contextual leadership involves grappling with the dilemma of creating coherence in the workplace cultures through repeated PIA Cycles, while at the same time accommodating the value-based style-diverse expectations from the followers. The relation between common ground and diversity is addressed here by Dr. Clive Roland Boddy:

❝ Good leaders shape diversity into coherence via establishing commonly agreed superordinate goals and shared values.

Dr. Clive Roland Boddy, Deputy Head, School of Management, and Associate Professor in Management at Anglia Ruskin University, Cambridge, England

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The influence of establishing a common ground of work norms is widely recognized in cross-cultural and leadership research.[65] It is the path to bringing people close enough together to bridge the diversity that can otherwise lead to frustration from unfulfilled expectations. At the same time, building strong workplace cultures allows the creative potential of diversity to unfold because of the guardrails created by explicit workplace norms. To reconcile value-

based differences into a common ground of work norms, the leader needs to understand the value diversity as a starting point. Hence, value orientations are an essential part of the leadership context.

The global leadership context study highlighted four value orientations that exercise a significant influence on leadership and work performance. See figure 78 below. The four value orientations are elaborated upon in the following sections.
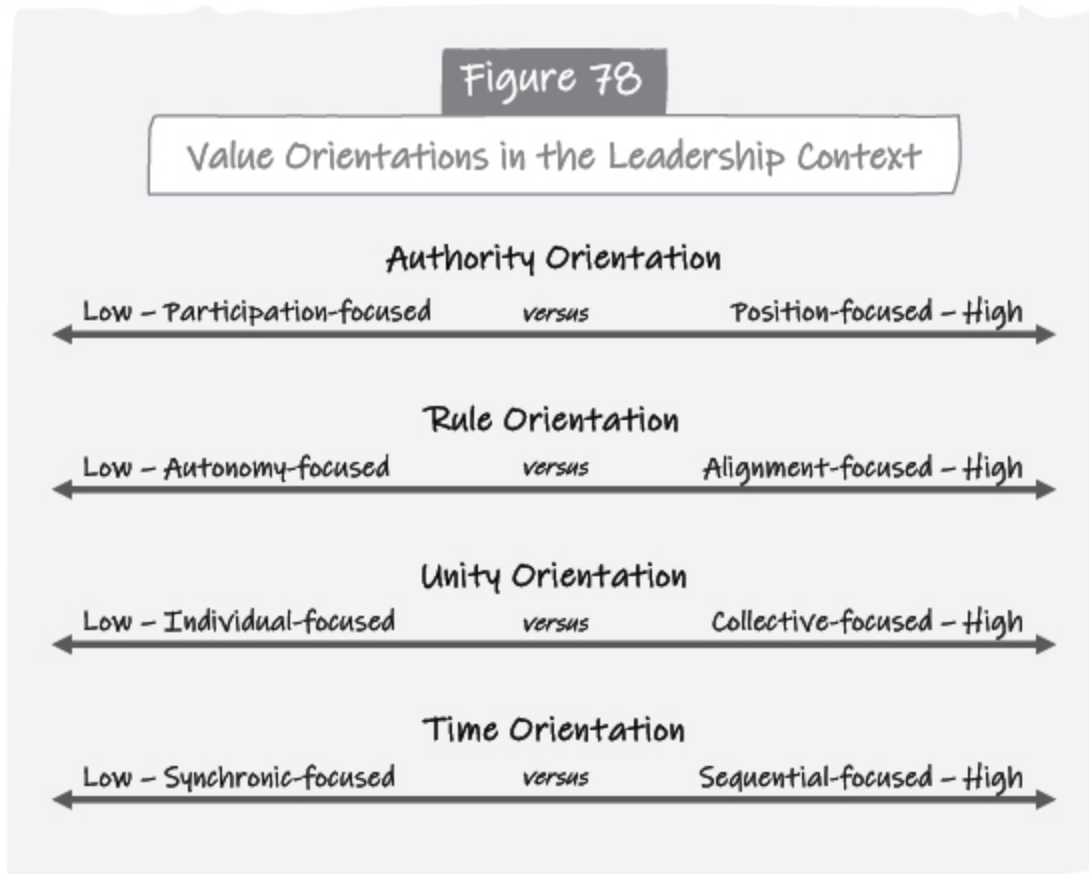
Figure 78

Value Orientations in the Leadership Context

Authority Orientation
Low – Participation-focused   versus   Position-focused – High

Rule Orientation
Low – Autonomy-focused   versus   Alignment-focused – High

Unity Orientation
Low – Individual-focused   versus   Collective-focused – High

Time Orientation
Low – Synchronic-focused   versus   Sequential-focused – High

Data from GLOBE (2022); Nardon and Steers (2009); Noerby (2021, 2023); Steers and Osland (2020); Trompenaars and Hampden-Turner (2012).

🔖 **DEFINITION: VALUE ORIENTATIONS**

The composition and diversity of value orientations influencing our beliefs and guiding our behavior.

When it comes to diversity in value orientations, there is a clear link to workplace cultures, as the four value orientations relate closely to important organizational habits. An organization must make the agreed-upon structure work and build cultures fit to deliver on the organizational intentions. The

value orientations exist on continuums of competing values, and there are effects of any placement on each value axis. The value orientations turn into behavior in the workplace, and that translation can be influenced by the leader. However, influencing beliefs that guide behavior requires active leadership. The diversity patterns resemble what we experience with personality. In general, low value diversity—that is, many people with the same beliefs—will strengthen how much the value orientation converts into action in a team in the workplace. Higher value diversity holds the potential to impair effective collaboration on one side or lead to creativity if acting in concert with sufficient common ground created through repetitive PIA Cycles. See figure 79 below.
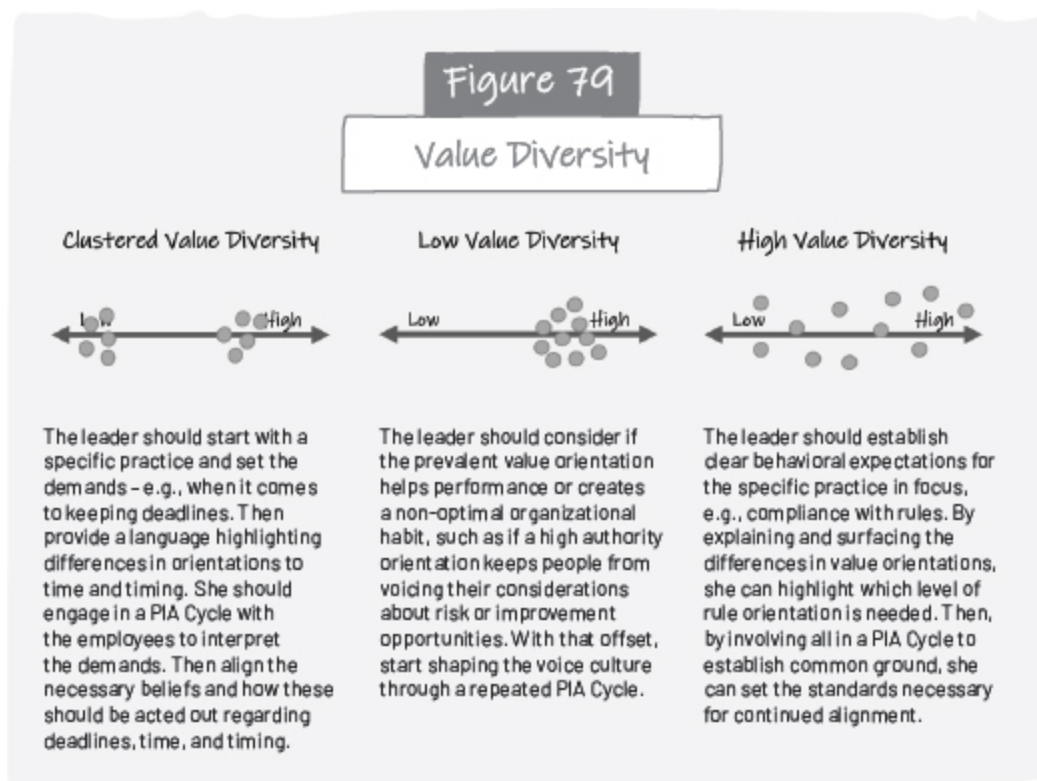
Data from Noerby (2021, 2023).

The leader must be explicit about the operational demands on the practices influenced by value orientations, as explained here by Professor Jay Brand:

❝ The key to benefiting from diversity, somewhat counterintuitively, involves an organization selecting common values for informing and guiding their strategy, followed by strong involvement in understanding how these should translate into behavior. Only hereafter, it concerns honoring the diversity of values represented by their employees and customers. A strong common ground is a precondition for releasing the value of diversity.

Jay Brand, PhD, Professor of Leadership & Organizational Studies, and Director of the Leadership PhD program, at School of Leadership, Andrews University, USA

This tells us that building a common ground of workplace values that the leader reinforces through the PIA Cycle is doable and vital to business success. The leader cannot let the individual beliefs guide daily practice when it comes to following organizational governance, adhering to rules, collaborating, or assuming the necessary precision and timing. The leader needs to build strong cultures around the key organizational demands and enroll people in understanding how their value orientations influence their interpretations of how to meet these demands. Paradoxically, on one hand, the leader should welcome diversity since different perspectives generate new ideas. On the other hand, she should fully align the beliefs and practices in the business's vital areas. Below, the behavioral implications of the value orientations are discussed, followed by perspectives on how effective contextual leadership relates to the value orientations.

Authority Orientation

The authority orientation is a set of beliefs about how power should be distributed in an organization. That is the extent to which power and authority should be distributed hierarchically or in more egalitarian (the belief that everyone is equal) and participative ways. The orientation in an organization is influenced by the national cultures represented and the diversity among people in the organization. See figure 80 below for the differences between a high and low authority orientation and examples of how different national cultures are

typically anchored. See appendix B for a fuller overview of national cultures and the legends for the country abbreviations.

Figure 80

Authority Orientation and National Culture Anchors

GER UK IND
FRA ES KOR PAK
AUS USA ARG CHN MEX SA
DEN CAN JPN BRA POL
NZL

Low – Participation-focused   versus   Position-focused – High

Authority comes from the contribution you can make, no matter your formal position. Your expertise level should determine your influence. Questioning authority is expected. Leaders should be elected. The key beliefs are that people are equal, everyone should be heard, and respect is earned.

Authority comes from the position and role you hold in the hierarchy. The position should determine your influence. Authority should not be questioned. Leaders should be appointed. The key beliefs are that your voice in decisions depends on your position and hierarchal power should be respected.

Data from GLOBE (2022); Nardon and Steers (2009); Noerby (2021, 2023); Steers and Osland (2020); Trompenaars and Hampden-Turner (2012).

Organizations with high authority orientation are often more hierarchical than organizations with a lower focus on positions, titles, and formally assigned position mandates. In the more participation-focused organizations, decisions are made by involving the people with expertise, and the organizational structure is often flat with few layers. The higher the authority orientation, the more natural it is perceived that we do not have equal influence, and arguments weigh in differently depending on our position in the hierarchy. The low authority-oriented expect power to be distributed into the organization and that you earn respect by proving your hands-on ability to solve problems and make things happen. In the diversity of authority orientation lies significant differences in perceptions about who should be involved in decisions, which arguments should matter the most, and who holds the right to take charge. The placement on authority orientation comes with tendencies to engage more or less in different types of workplace behaviors. See figure 81 below.

Figure 81

Authority Orientation and Workplace Behavior Tendencies

Workplace Behavior Tendencies

✥	Followership: Coproducing leadership	⬧
✥	Ownership: Initiating & taking charge	⬧
✥	Functional performance: Executing & raising ambitions	⬧
✥	Planning & organizing: Looking ahead & being reliable	⬧
✥	Adapting: Being flexible & coping with change	⬧
✥	Learning: Developing & improving	⬧
✥	Supporting: Volunteering help & taking care	⬧
✥	Playmaking: Reaching out & coordinating	⬧

Low – Participation-focused   *versus*   Position-focused – High

Authority Orientation

Data from Noerby (2021, 2023).

Organizational citizenship is extra-role performance reaching beyond the specified job demands. A low authority orientation promotes a belief that I am entitled to voice my opinion and challenge other viewpoints—including those posed by leaders. Conversely, a high authority orientation drives an acceptance of viewpoints and decisions from those in the formally mandated positions in the organization. Hence, when it comes to active followership in the interaction with the leader, for example, clarifying priorities, asking questions, flagging misalignments, and asking for resources, there will be less when the authority orientation is high. Regarding ownership, the second part of organizational citizenship, both high and low authority-oriented teams can assume full ownership to drive their tasks and champion the organization's purpose. However, there will be less taking-charge behavior when the authority orientation is high. Also, suppose ambiguity or the influence of authority in other parts of the organization plays in. In that case, there will be a tendency to withdraw from the fight when the authority orientation is high. In such cases, the ownership behaviors will be challenged when it comes to taking the initiative and influencing others from an understanding of the leader's and the organization's intentions. This challenges people with a high

authority orientation unless they are formally assigned the mandate, and this position is recognized by the people the leader is taking charge of. On the other hand, a person with a low authority orientation can challenge the decided governance in an organization—second-guessing the distribution of decision rights. Out of good intent, such a person can have a hard time accepting not being involved in certain decisions and loyally complying with rules and policies she finds could be made better through her involvement. In this manner, a low authority orientation can lead to less compliance and alignment, giving the leader a harder time driving efficiency in the organization.

A high authority orientation influences task performance in a team because it means that the required functional performance levels are expected to be set by a leader in the right position. Also, leaders are expected to be actively involved in decisions changing the planning and organizing of work. These beliefs can lead to less self-directed initiatives and more waiting for guidance. Similarly, a high authority orientation can hinder people from exceeding the set performance expectations and stretching their ambitions because this could be considered to be questioning the standards set by the formal authority. Dedication is an integral part of a higher authority orientation, as trusting that the decisions made by those assigned authority rests upon qualified considerations is a fundamental belief. In continuation, it is natural to accept the hardship of maintaining efforts when the going gets tough because of the inherent belief that decisions should not be second-guessed. In a team with a low authority orientation, the willingness to influence how the work is done and engage in planning and organizing is stronger since everyone feels they have a say. The drawback can be that decisions are second-guessed from a belief that everyone can earn the right to influence any decision and that my opinion on what is nice-to-do and need-to-do is as important as the leader's opinion. A participation-focused orientation can promote stretching ambitions. It can promote that people put in extra effort to make things happen because there is no reluctance to bring forward suggestions or open discussion that might challenge past decisions or the leader's directives.

There is a hindering effect on the flexibility part of the adaptive performance when the authority orientation is high. Flexibility in the workplace is about continuously reprioritizing and sharing tasks, covering for each other, and deciding to do things differently to secure progress. It involves revisiting and changing past decisions, and a high authority orientation challenges such practice. The higher the authority orientation, the stronger the

belief that decisions reside within formally assigned mandates, leading to uncertainty avoidance for any decisions that do not clearly fall within the assigned mandate—then the employees will wait for guidance from the formal leader. The low authority orientation encompasses an acceptance of lower role clarity and a willingness to decide in ambiguity. Hence, adapting and being flexible is positively influenced by a lower authority orientation—the employees take charge and act. The uncertainty avoidance coming from a higher authority orientation also influences the other part of adaptive performance, learning and developing. A low authority orientation promotes a more active response when the messages about learning requirements are received. This leads to more critical questions as part of the learning process. The higher the authority orientation, the less willingness to take actions, pose questions, or suggest alternative solutions that can be perceived as challenging the formal authority. On the drawback side, the lower the authority orientation, the more second-guessing, reopening discussions, and revisiting decisions a leader can expect.

There is a difference in the dynamics in a high and low authority-oriented team when it comes to supporting behavior, the first part of team citizenship. The supporting behavior among team members can be equally strong, but the openness in involving the formal leader is different. In the high authority-oriented team, the supporting behavior includes less involvement across hierarchical levels. In the low authority organization, people find it natural to support each other, ask for help, and value everyone's input across hierarchical levels. Playmaking, reaching out across organizational boundaries, and engaging in active stakeholder management are also influenced. There are fewer hierarchical considerations among people with a low authority orientation when it comes to communicating, partnering, and asking for commitments from people across the organization. They are driven by the task at hand and how the different stakeholders are relevant to promoting the project's success, with less of an eye to differences in hierarchical level, titles, and positions. They feel mandated by the task at hand. In contrast, a higher authority orientation would spur more consideration to follow the reporting lines up and down.

Authority Orientation and Engagement and Empowerment Drivers

The engagement and empowerment drivers are important whether my authority orientation is high or low. Meaning matters to everyone; however, the

importance of recognition from the leader, making our team feel appreciated and valuable, intensifies with a higher authority orientation. Understanding purpose, seeing a line of sight from efforts to goal achievement, and understanding how we do good for someone are important no matter the authority orientation. In low authority-oriented teams, the feedback can come from many sources and be ascribed value. In the higher authority-oriented teams, it becomes vital that the feedback comes from formally mandated authorities; that is, the appointed leaders and the official company.

In terms of engagement and empowerment, mastery, the experience of having and utilizing one's skills, is important, no matter the authority orientation. Autonomy and influence are two engagement and empowerment drivers influenced by the value orientations. The level of expected autonomy, the influence on how I plan and do my work, and the freedom to make choices within my responsibilities go up with lower authority orientations. The same dynamic applies to influence, where the expectations of being invited to influence the leader and choices beyond my job go up. With a low authority orientation, I expect to be involved in long-term planning, being asked for my viewpoints when the leader decides to and being informed about what is going on in the wider organization.

Psychological safety, the perception of how safe it is to voice opinions, raise controversial issues, point out competing priorities, and display vulnerability, is influenced by a high authority orientation. Believing in the power allocated to people occupying certain positions involves not going too far in challenging their position, statements, and conclusions. Hence, higher authority orientation leads to more safeguarding behavior, reducing the suggestions, diverse perspectives, and risk-taking in the leader-member relationship. It narrowly defines the psychological safety zone and leaves the leader with less input to qualify his decisions.

The availability of physical, cognitive, and emotional resources to invest in work is what the last driver, work and life strains, addresses. The authority orientation does not change this need for manageable work and life strains. However, identifying imbalance becomes more difficult with higher authority orientations unless the leader prompts the surfacing of the strain levels. It is more natural to share the challenges in a low authority environment, making it easier to identify potential needs to regulate the workloads in the team. Also, high authority orientation can make it more challenging to identify tasks that are motivating for the individual due to the acceptance of the authority's decisions about task distribution. Long term, this can lead to more burnout or unexpected staff turnover.

Contextual Leadership and Authority Orientation

Contextual effective leadership involves matching the value orientations to create the relationships that enable exercising accepted influence. Thus, the leader must display leadership flexibility and adjust style to the culture she leads in, especially in a low-diversity culture that differs from her personal national culture anchor. Doing so is about understanding and meeting the prototypical expectations to leadership. See figure 82.

Figure 82

Authority Orientation:
Matching Leadership and Shaping Cultures

Authority Orientation – Prototypical Expectations for Leadership

Low – Participation-focused ← → Position-focused – High

- Empower people, delegate mandates
- Lead through democratic decision-making
- Value experience and ask for answers
- Secure access to all information

- Formalize roles, mandates, and governance
- Decide, be directive, take command
- Create clarity and give answers
- Share need-to-know information

Purpose
Fairness
Ethical
Focus & Ambition
Discipline
Safety
Continuous Learning
Innovation
Change
Collaboration
Empowerment
Voice

Consider strengthening these cultures to offset drawbacks of a high or low Authority Orientation

Data from Noerby (2021, 2023).

In continuation, the leader should be explicit about her leadership style and the mutual expectations to leadership and workplace behavior. This leads

to the other part of effective contextual leadership, shaping the cultures to promote the organizational intentions. When leading people sharing a high position-focused orientation, it becomes more important to consider how to strengthen the collaboration, empowerment, and voice cultures. These three cultures influence the levels of active participation, initiative, and taking-charge behavior that play in to all the other cultures. The beginning can be difficult because successful PIA sessions rest upon involvement in the interpretation, which is in opposition to the position-focused starting point. Nonetheless, as discussed in chapter 8, these cultures bring about a range of positive effects that can be built no matter the starting point. Conversely, a shared participation-focused orientation can come with high expectations to be empowered and granted influence, which can dilute the focus. In this case, the leader should consider if the purpose, focus and ambition, and discipline cultures are aligned and strong enough to support the organizational intentions.

Rule Orientation

The rule orientation is the set of underlying assumptions about how the importance of rules versus relationships is considered in relation to guiding and regulating behavior. See figure 83 for the differences between a high and low rule orientation and how national cultures are anchored. See appendix B for a fuller overview of national cultures and the legends.

Figure 83

Rule Orientation and National Culture Anchors

Low – Autonomy-focused   versus   Alignment-focused – High

Personal relationships, particular circumstances, personal freedom, and group values matter a lot. Your relationship should influence the treatment you receive. Pragmatism and flexibility should guide decisions. "Case-by-case," different rules for different people, and particularism are key beliefs.

Laws, rules, and formal procedures matter a lot and should be applied uniformly to everyone. Everyone should be entitled to and should receive the same treatment. Deviations and exceptions should be avoided. Being "equal before the law," the same rules for all people, and universalism are key beliefs.

Higher rule orientation rests upon beliefs that rules and directives form a bedrock in an organization. It is often supported by more record-keeping, doing things by the book, and operating with formal bureaucratic procedures and policies as means of running the business. The underlying assumptions relate to reducing surprises and relying on objective criteria in decision-making whenever possible. In contrast, there is more autonomy in the low rule-oriented team or organization. Instead, they rely on trust and interpersonal relationships to run the business. The underlying beliefs are that formal rules cannot cover the variety and that a flexible approach, including subjective criteria in decision-making, is necessary. There is also a difference in what low and high rule-oriented people consider the source of truth. High ruleoriented beliefs put more value to expert judgments, legal precedent, and scientific research. Low rule-oriented beliefs consider personal experience and trial and error to be more important sources of truth. Herein lies a potential conflict from diversity on the rule orientation when different people in an organization are to determine right and wrong and how policies, values, and ethical codes of conduct should be interpreted. The interpretation of such written company guidelines is heavily influenced by the rule orientation and any difference between the policymakers and the people implementing them, since there are no universal truths, only the interpretations that are influenced by our value orientations. The settings on rule orientation support the emergence of different workplace behavior. See figure 84.

Figure 84

Rule Orientation and Workplace Behavior Tendencies

Workplace Behavior Tendencies

✚ ✚	Followership: Coproducing leadership Ownership: Initiating & taking charge	✚ ✚
✚ ⚛	Functional performance: Executing & raising ambitions Planning & organizing: Looking ahead & being reliable	✚ ✚
✚ ✚	Adapting: Being flexible & coping with change Learning: Developing & improving	⚛ ✚
✚ ✚	Supporting: Volunteering help & taking care Playmaking: Reaching out & coordinating	⚛ ⚛

Low – Autonomy-focused   versus   Alignment-focused – High

Rule Orientation

Data from Noerby (2021, 2023).

The active participation in followership assisting leaders in coordination, securing clear prioritization, giving input for decisions, and making clear agreements can play out equally strongly with high and low rule orientations. However, they are driven by different underlying beliefs—relationship for the low rule-oriented and predictability for the high rule-oriented. The same goes for ownership, promoting the organizational purpose, standing up for the organization to outsiders, and foreseeing trouble, which emerges equally strongly no matter the rule orientation. The same, too, goes for the initiating and taking charge part of ownership, where pushing matters forward, initiating actions rather than waiting, and influencing others to move are less influenced by rule orientation.

High rule orientation supports functional performance when the operation is efficiency-focused, where reducing slack, variation, and deviations is part of the performance drivers. The same goes for planning and organizing when diligence in process-driven operations demands close monitoring and high

levels of documentation. When planning is a key performance driver, the belief is that record-keeping and being systematic about following protocol promotes functional performance, planning, and organizing. In contrast, in environments with high variation and very different cases, a low rule orientation encompasses an integrated understanding of how to vary with the differing circumstances. When being pragmatic and flexible without building uniform replicable methods are key performance drivers, the autonomy-focused rule orientation promotes performance. On planning and organizing, the autonomy-focused orientation has less natural inclination to engage in this type of behavior. The rule orientation does not influence going beyond the call of duty, and adding ambitions can occur equally well in alignment- and autonomy-focused teams. When it comes to enforcing compliance with policies, company values, and processes, higher rule orientation drives a natural inclination to pay attention to and call out misaligned behavior, competing processes, and things out of control. The pitfall can be that compliance becomes an aim in itself, sustaining suboptimal ways of working rather than questioning the relevance of the rule, process, or policy itself. On the other hand, a low rule orientation can drive a team toward only maintaining the minimum necessary level of rules and behavior-regulating standards.

Adapting well to fluctuations and changing demands tends to decrease when the rule orientation is higher. The reasons are that defining responsibilities, detailed clarification of roles, and a desire to standardize the approaches to work, decisions, and collaboration create strong habits of doing "as usual." Predictability is considered a virtue, and accepting that work distribution and accountability are more fluid is difficult. At the same time, some rule orientation will support the emergence of standards that make it easier to share tasks, rotate roles, and handle timing adjustments, scope, and resources. A very low rule orientation can challenge adapting because everyone would have their ways of working with low documentation of progress, resulting in difficulties assisting each other. Coping with change is easier for teams with low rule orientation because the willingness to leave former assumptions, change habits, and engage in different ways of doing things is higher. Accepting ambiguity, insecurity, and a reduction in predictability stands in contrast to the beliefs underpinning high rule orientation. Over time, the propensity to develop procedures, instructions, and rules for everything can create path dependence and strongly ingrained beliefs that are hard to change. In this light, change usually takes a greater emotional toll on high rule-oriented teams unless the change can be handled by letting new rules replace existing ones.

No matter the rule orientation, there will still be a range of psychological reactions to change demanding active change leadership from the leader. The rule orientation influences the learning and development approach, where a more autonomous rule orientation makes people more willing to rethink assumptions, leave well-established methods, and experiment. Innovation is supported by lower rule orientation in the idea and experimentation phases. At the same time, a higher rule orientation lays a stronger foundation for continuous improvements where robust process documentation, small improvements, diligence in applying the decided methods, monitoring, and record-keeping drive the learning. Moreover, sharing best practices is promoted in high rule-oriented teams through a high acceptance of documenting approaches, and adhering to them allows effective dissemination.

The personal interest in others, the importance of relationships, and tolerance to differences in approaches, ways of thinking, and the individual's independence are inherent in the low rule orientation beliefs. These things play positively into supporting colleagues, paying particular attention to different people, allowing space for deviations, and taking into account subjective considerations. Supporting behavior is the first building block in team citizenship and is about volunteering help and instilling optimism, which does not depend on the rule orientation. However, solving conflicts, allocating resources, and pointing to errors are parts of supporting that are influenced by the rule orientation in a team. High rule orientation encompasses believing that uniform principles should apply to all and would resist pragmatic solutions that vary from case to case. Herein lies a potential root cause for significant conflicts in a team with clustered value diversity on the rule orientation. Playmaking comes naturally for the relation-building part for the low rule-oriented people, whereas clarifying commitments and holding others accountable to agreements would flow more naturally for the high rule-oriented people. These are the two sides of playmaking—engaging and enrolling people on one side and establishing clear, crisp agreements on the other—which in concert make things happen across the organization. Herein lies the importance for the leader to understand how the rule orientation can significantly influence the foundation for success with playmaking.

Rule Orientation and Engagement and Empowerment Drivers

Only one of the six engagement and empowerment drivers is significantly influenced by rule orientation, and that is autonomy. The freedoms to choose

how to do one's work, choose one's methods, prioritize the order, change approaches, and set the pace are key components in the experience of autonomy. These components relate to the rule orientation, which drives a desire to set rules, standards, and methods and expect uniform compliance to make sure everyone does things the same way. Herein lies a dilemma, since all people need to feel autonomy, but the level of expected autonomy goes up with a low rule orientation. Hence, it is imperative for the leader to recognize any rule orientation diversity between people and any misalignment between rule orientation and the organizational intentions.

Contextual Leadership and Rule Orientation

Matching the expectations to leadership driven by the rule orientation relates to the balance between alignment and autonomy. For the leader, interpreting the operational demands for alignment and the freedom to operate becomes imperative. This is the foundation for shaping cultures to optimize performance. See figure 85. It must be from these operating conditions and the analysis of what best serves the organizational intentions that we as leaders align the expectations to how we should operate. This highlights the importance of expressing explicit expectations backed by sensegiving around the required ways of operating.

Figure 85

Rule Orientation: Matching Leadership and Shaping Cultures

Rule Orientation – Prototypical expectations to leadership

Low – Autonomy-focused | Alignment-focused – High

- Regulate only a minimum
- Promote relations over rules
- Value subjective criteria in decisions
- Invite for pragmatic compliance

- Establish rules, policies and guidelines
- Promote rules over relations
- Decide based on objective criteria
- Enforce to-the-letter compliance

Purpose
Fairness
Ethical
Focus & Ambition
Discipline
Safety
Continuous Learning
Innovation
Change
Collaboration
Empowerment
Voice

Consider strengthening these cultures to offset drawbacks of a high or low Rule Orientation.

Data from Noerby (2021, 2023).

Surfacing the accepted levels of pragmatism and the requirements to run by rules and set procedures is central to striking the optimal balance for the business. Leaders must display cultural sensitivity but insist on operating in ways that best serve value creation, risk mitigation, or any other process features. This highlights the consideration of strengthening the ethical, focus and ambition, discipline, safety, and continuous learning cultures if the starting point is an autonomy-focused orientation. Conversely, consider strengthening the innovation, change, and empowerment cultures if the organization is anchored in the alignment-focused orientation.

Unity Orientation

The unity orientation is about the beliefs about the role of individuals versus groups in social relationships. That is the extent to which social relationships should emphasize individual responsibilities and rights or collective actions and group goals.[66] See figure 86 below and appendix B for a fuller overview of national cultures and the legends.

Figure 86

Unity Orientation and National Culture Anchors

IND MEX POL
USA ARG
GER PAK BRA CHN JPN
UK DEN FRA AUS
CAN NZL SA ES KOR

Low – Individual-focused   versus   Collective-focused – High

The emphasis is on individual rights, interests and successes. I am responsible for taking care of myself, and I compare my contributions to other individuals' efforts. I pursue my goals and let these efforts contribute to team success. Competition is interpersonal and individualistic. A key belief is that everyone is the architect of their fortune.

The emphasis is on group rights, interests and successes. We are loyal to the team and organization; in return, the team takes care of the individual. I pursue team goals and sacrifice my priorities in the group's interest. Competition is intergroup and team-oriented. Some key beliefs are that we are stronger together and that the group comes before the individual.

Data from GLOBE (2022); Nardon and Steers (2009); Noerby (2021, 2023); Steers and Osland (2020); Trompenaars and Hampden-Turner (2012).

A low unity-oriented team would comprise individuals who each try to negotiate what is best for them with a mindset of "What can the group do for me?" A high unity-oriented group approaches collaboration, prioritization, conflict resolution, and resource allocation from the opposite vantage point: "What can I do for the group?" Low unity-oriented people usually decide individually and present their point of view to the groups for them to react. In a high unity-oriented team, decisions would be made in consensus by first investigating the different viewpoints and reconciling these into a joint decision. The unity orientation translates into an influence on workplace behavior. See figure 87 below.

Figure 87

Unity Orientation and Workplace Behavior Tendencies

Workplace Behavior Tendencies

✚ ✚	Followership: Coproducing leadership Ownership: Initiating & taking charge	✚ ✚
✚ ➗	Functional performance: Executing & raising ambitions Planning & organizing: Looking ahead & being reliable	➗ ✚
➗ ✚	Adapting: Being flexible & coping with change Learning: Developing & improving	✚ ✚
➗ ➗	Supporting: Volunteering help & taking care Playmaking: Reaching out & coordinating	✚ ✚

Low – Individual-focused   versus   Collective-focused – High

Unity Orientation

Regarding organizational citizenship, we find a difference in the perspective on the part of followership that is about securing understanding, aligning interpretations and expectations, and clarifying mandates. A high unity-oriented team would play back to the leader with questions on behalf of the team. They would attempt to secure shared understanding and facilitate that all needs were covered for clarification across the team members. With low unity-oriented people in the room, the questions and clarifications would primarily start from the needs of the individual—detailing the mandates and prioritizations the individual needs to perform. In this setting, there will be fewer questions on behalf of others, as people are expected to individually assume control of the clarifications related to their responsibilities. When it comes to ownership, acting in the company's best interest, not walking past an identified risk outside your area, and voicing concerns in the interest of the company's future, the higher unity-oriented people think more about the complete picture. The lower unity-oriented people tend to narrow their

ownership to their personal accountabilities or any adjacent issues. The individualistic low unity-oriented people believe in having a clear picture of their personal accountabilities as a fundamental building block of being part of a workplace. For this reason, low unity orientation tends to promote taking-charge behavior since they believe that the individual is the central piece in any social setting. By contrast, taking charge in a high unity-oriented team relies on consensus, which might mean that it takes a long time before action is initiated due to the necessary involvement of everyone. On the other side, implementation might be faster since everyone has been part of the decision. Vice versa, the individualistic taking-charge behavior might encompass more uncoordinated independent initiatives that need to be adjusted and coordinated as matters progress.

The effects on functional performance concern how performance is measured, evaluated, and developed. A significant difference is whether team or individual performance targets, rewards, metrics, follow-up, and performance improvement demands are preferred. The higher the unity orientation, the stronger the beliefs that we should be working, held accountable, rewarded, and celebrate as teams. The individual-focused people would promote the heroes and measure people toward each other. Conversely, the high unity-oriented teams compete and celebrate by comparing performance to group goals or other companies and groups. High unity orientation comes with a risk of complacency, which can result in less stretch and in not raising ambitions. Planning and organizing are also influenced since low unity-oriented people approach coordination, resource allocation, alignment of timing, and prioritization to optimize their individual performance, potentially leaving the holistic view out of the equation. The high unity-oriented teams plan and organize to optimize the joint performance, considering the needs of others and trying to compromise and balance the needs of different functions and stakeholders. The potential pitfall for the collective-focused people is getting nowhere due to an attempt to involve everyone and accommodate with very many competing demands. The approach to driving up performance is also influenced since high unity orientation would focus on raising the group performance ambitions. Doing so can be difficult due to wanting to include everyone, risking that the ambitions are lowered to bring everyone along. The low unity-oriented teams would naturally assume an approach of stretching individual performance ambitions to develop team performance, potentially leaving out the benefits of collaborating. When it comes to persistence, tenacity to keep going, and an

optimistic can-do attitude, there are no differences between high and low unity orientation.

On adaptive performance, the development of flexibility is supported by a high unity orientation. Specifically, it strengthens the part of adapting related to the investment in teaching your colleagues, rotating tasks to build capacity to help each other, paying attention to what others are doing, and covering for colleagues. For the part of adapting involving the acceptance of low predictability, being at ease with fluctuating demands, and optimism in setbacks, there is no difference between the individualistic and collectivistic ends of the unity orientation. In coping with change, there is a difference in the perspective on the change task. Is it the responsibility of the individual to cope with themselves, or is it our joint responsibility to bring everyone along through the change? Individual-oriented people would assume the first, while the collective-oriented team would assume the latter. The approach to learning and development varies on the assessment of the usefulness of what is being taught—the low unity-oriented people focus on what they foresee they individually need. In contrast, the high unity-oriented teams focus on what they envision would serve the team well. The sphere of interest for learning to support the team widens as the unity orientation increases.

The underpinning beliefs held by people with a high unity orientation promote both supporting behavior and playmaking, the two facets of team citizenship. Supporting behavior is about volunteering help, backing up, investing in a good social work climate, securing the inclusion of everyone, and tolerating differences. These behaviors align very well with the assumption held by high unity-oriented teams or individuals that the group comes before the individual. These beliefs flow into playmaking, where the practices of including relevant others, seeking agreement, inviting collaboration, and thinking on behalf of others to help them perform better are core. It is natural for collectivistic-oriented people, while it demands a more deliberate effort if I profoundly believe that "everyone should just do their part" and be held individually accountable. Also, putting the team before oneself and sacrificing one's own agenda to promote the shared agenda is easier when the unity orientation is high.

Unity Orientation and Engagement and Empowerment Drivers

In meaning, the first of the engagement and empowerment drivers, there is a part relating to belonging and feeling attachment to my colleagues at work.

This element is most important for high unity-oriented people. In contrast, the other elements, like understanding how contributions link to the overall purpose and getting feedback, are important, no matter the unity orientation. The same goes for the mastery experience of applying my skills, engaging in intellectual stimulation, and succeeding with difficult tasks. Considering autonomy, there is an I-we difference, as the experience of discretion to decide is linked to the individual for low unity believers, while the experience of flexibility and decision rights for high unity believers is linked to the wriggle room for the team to decide about their work. The same goes for the influence driver, where a low unity orientation implies an expectation to contribute individual points of view and judgments. The high unity-oriented team would expect to be asked for the group to share input and engage in building the consensus before playing back.

Psychological safety, hereunder experiencing fairness in how people are treated and resources are distributed, is important to everyone, no matter their unity orientation. The quality of the relations and trust between the leader and members and among members is vital to building safe and open communication. The belief in spending time and effort in developing good social bonds is stronger with high unity orientation. Thus, higher unity orientation makes developing psychological safety easier. Lastly, work and life strains influence the engagement and empowerment levels for everyone, but asking for help to cope with high workloads and life strains comes easier for high unity-oriented people. It is simply natural to perceive the group as part of the accessible capacity in coping rather than having a more individualistic viewpoint that each should manage her resources.

Contextual Leadership and Unity Orientation

When matching the expectations from the unity orientations, many leaders who lead in national cultures different from their original national culture are challenged at first. The profound belief about how people are best held accountable is a strong driver underpinning leadership. However, matching the expectations can be a significant performance driver in setting people in the organization up for success. The leader should recognize their personal unity orientation to ensure that target setting, follow-up, and celebration are not exercised in their image per default. See figure 88 below for the considerations on matching leadership expectations and shaping culture.

Figure 88

Unity Orientation: Matching Leadership and Shaping Cultures

Unity Orientation – Prototypical Expectations for Leadership

Low – Individual-focused ←——————————→ Collective-focused – High

- Set individual ambitions and goals
- Hold individuals accountable
- Celebrate heroes and personal achievements
- View employees as performers

- Set team ambitions and goals
- Hold the team accountable
- Celebrate team efforts & achievements
- View employees as family members

Consider strengthening these cultures to offset drawbacks of a high or low Unity Orientation.

Purpose
Fairness
Ethical
Focus & Ambition
Discipline
Safety
Continuous Learning
Innovation
Change
Collaboration
Empowerment
Voice

Data from Noerby (2021, 2023).

The focus and ambition culture can look and feel different when rooted in individual or collective-focused orientations—but can work equally well in either orientation. Do we set individual or team targets, measure performance, and follow up together in the team or one-to-one? None of these approaches is better or worse. Still, they will not work equally well with people sharing value orientations at either end of the continuum. However, it is worth considering how to build a strong collaboration culture for the individual-focused groups. Likewise, it is relevant to consider how to strengthen the focus and ambition culture in collective-focused groups to create stretch and counteract the potential complacency drawbacks.

Time Orientation

Time orientation pertains to how people consider time as fixed or flexible, resulting in sequential attention to single tasks or simultaneous attention to multiple tasks. See figure 89 below and appendix B for a fuller overview of national cultures and the country legends.

Figure 89

Time Orientation and National Culture Anchors

Low – Synchronic-focused   versus   Sequential-focused – High

It is natural to work simultaneously on a variety of tasks and projects. Time and timing are flexible, and different activities flow together. Multitasking is inherent, and planning the use of time is not central, as many things can progress alongside each other. Being flexible about time and timing and that progress takes patience are key beliefs.

Working on one thing at a time is natural, securing full focus in a set period. Time and timing are fixed, and activities are organized sequentially. Calendar and time management are expected, and there is a focus on planning and "spending your time right." Some key beliefs are being precise about time and timing at work and valuing a "sense of urgency."

Data from GLOBE (2022); Nardon and Steers (2009); Noerby (2021, 2023); Steers and Osland (2020); Trompenaars and Hampden-Turner (2012).

The fundamental difference in time orientation is whether time is considered a resource that needs to be dosed deliberately and whether timing is to be predetermined as part of almost any decision, or if time is not a guiding resource and is less central because processing and moving at a pace that evolves with progress steers the decisions. No matter the time orientation, timing and time allocation are fundamental coordination and resource allocation components in most businesses. Time orientation exercises an influence on workplace behavior, especially functional performance, as the following discussion will highlight. See figure 90.

Figure 90

Time Orientation and Workplace Behavior Tendencies

Data from Noerby (2021, 2023).

The time orientation kicks into followership on the value-adding mechanisms in the leader-follower interplay concerning coordination, clarifying competing priorities, aligning timing, sequencing, and resource allocation since they are all time- and timing-related. In this interplay, a higher time orientation supports active followership since fixing sequence and deadlines comes naturally. Teams with lower time orientation can absolutely also contribute as active followers; however, the alignment would be more about directions, resources, priorities, and coordination without nailing everything into timeboxes and deadlines. There are differences in ownership given different time orientations. The sense of urgency plays into the parts of taking-charge behavior concerning deciding to move ahead. High time-oriented people would inherently push to clarify commitments to deadlines, be impatient in getting answers, and consider not acting a source of frustration. Higher time orientation results in more initiating and taking charge out of the embedded impatience to move forward. The other way around, low time-oriented people would understand that some things take time to mature and

that not everything can be put into small timeboxes. Also, they would understand that some things evolve best in a process that is nudged forward in integration with whatever else is going on.

In most businesses, it isn't easy to talk about functional performance without leaning toward the sequential time beliefs about setting objectives for quality and quantity within a set period. Underpinning one of the core practices in functional performance, making the right trade-off choices between quantity and quality, is that time is used to qualify such decisions. Perhaps quality needs to be improved, which demands more time and labor costs. With a low time orientation, the perspective would center around the need for higher quality without assessing if the necessary time consumption is worth it. Nor would the timing be central to low time-oriented people, whereas missing deadlines is an important issue in highly time-oriented organizations. This translates into planning and organizing, the second part of task performance. Time and timing are central to effective planning and organizing of the work, so teams with low time orientation will face severe difficulties fitting into the organizational performance rhythm. Sequencing, assessing time, delaying certain parts to free up resources to allow other activities to progress, and creating predictability for the rest of the organization to enable coordinated operation are cornerstones. A low time-oriented team can be effective in planning and organizing when there is low interdependency out and in the team. The trouble arises when a value stream organization or demands to collaborate across a wider organization foster a higher time orientation. Time is also important when it comes to raising performance ambitions, as this is often related to what we can achieve within a given timebox. The high time-oriented teams operate from a "sense of urgency" belief, while the low time-oriented teams focus on the best next steps without impatience. As a consequence, sequential-oriented people could consider synchronic-oriented colleagues less dedicated since they are not "following the plan" and meeting deadlines diligently.

Regarding adaptive performance, a high time orientation rests on assumptions that things should be time-bound and preplanned, as this is a means of effectiveness. There is a pitfall that time management draws too much attention, and important discussions can be challenged since the time allocated is inadequate, but the mindset is that timetables must be kept. In the low time-oriented teams, the flexibility is higher since it is natural that multiple things are going on simultaneously, time does not have to be fixed on single items, and low predictability is inherent. The part of adapting concerning thriving in a flow with fluctuations, unpredictability, and shifting priorities can

be a challenge to highly time-oriented people, whereas low time-oriented teams would be at ease with such a context. On learning and development, there are no significant differences from the time orientation besides the approach to planning the processes. The high time-oriented organizations will prefer time-bound milestone plans as a key means of securing progress. The low time-oriented organizations would focus on the desired direction and then navigate as the learning progresses with more iterating cycles determining the best next steps.

With regard to team citizenship, there is little influence from time orientation when it comes to supporting behavior. On playmaking, there will be less committing to deadlines and use of time as a coordination mechanism in creating cross-organizational collaboration from people with the synchronic-oriented approach. Moreover, being proactive and providing advance notice to stakeholders who will be affected weeks or months in the future or laying out a plan that allows long-term coordination is challenging for people with a low time orientation. We simply believe that it is better to know the direction, follow the flow, and navigate as we progress since we cannot foresee all contingencies, nor should we specify time or timing in too many details. However, playmaking in a low-diversity synchronic-focused organization can be just as effective as in a low-diversity sequential-focused organization—just different. The challenges arise when facing clustered or high diversity on the time orientation.

Time Orientation and Engagement and Empowerment Drivers

When it comes to engagement and empowerment, our beliefs about time affect meaning. Meaning comes from the experience that I get something worthwhile back from my efforts at work. A high time-oriented person would consider whether their time is well spent compared to someone for whom return-on-time is not weighing into the meaningfulness of their work. Also, autonomy is influenced by time orientation in the sense that low time-oriented people would experience high time-oriented colleagues with the sequential, time-bound planning approach as restricting their autonomy. This narrows their flow-approach to pace, progressing, and prioritizing, resulting in experienced constraints related to time, which would be considered disengaging.

Contextual Leadership and Time Orientation

See figure 91 for the expectations from time orientation and relevant considerations about cultural shaping.

Figure 91

Time Orientation: Matching Leadership and Shaping Cultures

Time Orientation – Prototypical Expectations for Leadership

Low – Synchronic-focused ← → Sequential-focused – High

- Give direction
- Pragmatic performance management
- Consider time and timing flexibly
- Seek perspectives and keep options open

- Translate direction into goals and plans
- Measure and monitor execution
- Manage time with discipline
- Seek closure and conclusions

Purpose →
Fairness
Ethical
Focus & Ambition ←
Discipline ←
Safety
Continuous Learning
Innovation
Change →
Collaboration
Empowerment ←
Voice

Consider strengthening these cultures to offset drawbacks of a high or low Time Orientation.

Data from Noerby (2021, 2023).

Matching the differences in time orientations requires an acute awareness of how the operating conditions frame the degrees of freedom in the leader's area.

Timing is one of the most used coordination mechanisms, and any leader should invest in building an aligned understanding of the optimal organizational rhythm. It is central to align the organizational time orientation to meet external demands and internal cross-organizational functioning. At the same time, the leader should refrain from imposing habits rooted in their

personal time orientation on how meetings are run or how communication is done.

The operational timing requirements are the starting point and the easy part of shaping the culture. For the synchronic-focused groups, it is relevant to consider the focus and ambition, discipline, and empowerment cultures to build the appropriate sense of urgency, focus, and coordinated timing. For the sequential-focused groups, it is worth considering the strength of the purpose and change cultures to ensure that flexibility does not disappear in pursuit of efficient, diligently planned repeatability. The more challenging part relates to the processes that are not directly tied to the supply chain, where differences in time orientation will significantly influence how projects, transformations, and management discussions are scoped and run. Together, the priorities must drive the PIA Cycles—for example, risk mitigation, optimal resource allocation, or efficient coordination— and be emphasized to motivate and commit behavioral changes. In the next section, we turn to the last of the three facets in the people composition influencing performance: functional, adaptive, and organizational expertise.

EXPERTISE COMPOSITION

Lise, a leader I worked with, could not understand why she kept losing employees within a year of bringing them on to the team. As a leader in a highly specialized engineering consulting field, the company solved complex and challenging tasks for very interesting customers. Lise had a long and deep experience in the department, so she could help anyone with anything—and she tried to. She felt personally responsible for ensuring that no one was left to themselves. She involved herself closely with the experts in her department to assist them in their jobs and engaged personally in the onboarding of new colleagues. They were busy, but no one had sent any signals of stress or burnout. Nor had the exit interviews given her much explanation for her retention challenge.

This changed when Lise was pulled out of her department for an 18-month full-time project building a new coherent data infrastructure backbone for the enterprise. The leadership of the department was taken over by one of the experienced employees, who moved toward sharing leadership rather than getting involved in all the different projects. No employees left while Lise was gone. When Lise came back, she soon realized that she had not previously struck a balance between empowerment and expertise. Upon her return, she kept the new way of self-organizing and refrained from getting deeply involved. This approach still works, and retention has increased vastly.

In line with Lise's experience, Professor Bill Pasmore shares his insights from more than 20 years of advising CEOs and boards on ways of organizing and organizational performance:

> 66 Expertise held by team members is one of the most readily available resources to provide better leadership and boost performance. It's a shame that more leaders don't take advantage of the availability of expertise around them. Empowering team members to take charge and use their expertise to make decisions rather than waiting for the leader holds a huge, often unused, potential.

Bill Pasmore, PhD, Professor of Practice at Columbia University and Senior Vice President at Center for Creative Leadership, USA

There are positive relations between knowledge, skills, experience, and work performance. Disentangling knowledge, skills, and transferable experience is challenging, as it comes together in what you can make happen in your work field. This is expertise—the education, knowledge, and experience that transfers into performance. Expertise is acquired through education and practical experience in a subject matter field. The level of education drives expertise because learning about methodologies, underpinning assumptions, principles, different schools of thinking, and several ways of approaching problems converts into expertise when it meets real-life challenges. Highly educated young people possess much knowledge that can evolve into expertise if their education is activated through exposure to challenges. People changing jobs bring transferable experience that turns into expertise when they learn how to apply their skills, knowledge, and experience in new settings. There are three types of expertise: functional, adaptive, and organizational expertise.

Functional Expertise

Some expertise is related to the functional field—for example, mechanical engineering, medicine, or Human Resources. This expertise is specialized and closely related to task performance. You need the expertise to do quality work.

A persons or team's tenure, task skills, knowledge, and abilities are vital for sharing leadership. Shared leadership emerges when the insight into a functional field results in suggestions for prioritization, approaches, and solutions and when ways forward, critical issues, and trade-offs that can only be recognized from expertise turn into decision input. This way, expertise is an essential precondition for effective empowerment, that people possess the expertise to navigate the field and decide by themselves.

Adaptive Expertise

A second type of expertise relates to the ability to innovate, develop, and contribute constructively to change. Naturally, adaptive expertise is closely related to adaptive performance. Adaptive expertise is individual learning agility, the ability to learn from experience and the openness to engage in processes that change current states. It is a positive attitude and willingness to engage in learning to make new things happen. A high propensity to learn with others includes changing your ways of working and thinking. Adaptive expertise is also team expertise stemming from the interaction between levels of different task expertise and the range of differences in these task-related skills. The expertise diversity is interesting because comparing and contrasting ideas and ways of thinking is vital to innovation. Adaptive team expertise is the shared ability to engage in divergent thinking, suspend judgment, listen, and generate alternatives through purposeful constructive conflicts. The adaptive capacity also includes evaluating ideas together and further optimizing them by reconfiguring them. It involves building expertise in the three subprocesses in the PIA Cycle—frame-verify, commit-learn, and observe-lift—making the team contribute to continuously adapting to focus on the right priorities, choose the efforts that yield the highest return, and lift organizational learning to evolve further.

Organizational Expertise

The third type of expertise is related to the organization and team you work in. It relates to knowing stakeholders and how to collaborate effectively. Organizational expertise is a key driver closely related to organizational and team citizenship. At the individual level, it is about your ability to collaborate, communicate, and engage with your team and others in productive ways. Organizational expertise involves emotional intelligence, where self-awareness and interpersonal sensitivity translate into the ability to influence others and accommodate others' requests to progress matters. The expertise grows by

creating high-quality exchanges with other team members and the leader. It is the social interactional skills combined with organizational insight. Organizational expertise involves the personal understanding and ability to mobilize support and collaboration with your team or the broader organization. It intensifies the positive effects of functional and adaptive expertise. It includes personal operational and collaborative awareness, understanding the organizational chart, having a strong network, and being aware of whom you can approach for help, insight, and assistance. Organizational expertise is about understanding how I can contribute to the work of others. When both parties benefit from exchanges, it creates a positively motivated interdependence. We build social capital that can be exchanged to help in the future when we have the expertise and resources. People with high organizational expertise believe in networking and helping others as they rest assured that it pays off long term.

🔖 **DEFINITION: EXPERTISE COMPOSITION**

> The composition, levels, and diversity of expertise influencing work abilities and approaches.

Expertise should be assessed not only by the knowledge, skills, and intellectual capacity an individual holds. Experience and past performance should also be factored into the understanding of expertise. The ability to solve particular tasks is what reveals expertise. We can have experts who solve wicked problems and find new ways with skills that produce high-quality output from manual work. They produce knowledge readily applied to solve things that can only be solved by figuring out the specific solutions as they progress. These experts are craftsmen, who need to navigate during the creation process and make choices rooted in their expertise. Examples of such knowledge producers are chefs, surgeons, industrial designers, winemakers, and many others with experience and deep subject matter expertise. They create value with their minds and hands through specialized manual work in knowledge-intensive yet practical fields. Manual workers can also be people engaged in transactional work that does not demand much wicked problem-solving, thinking work, or reinventing to progress. Clerks, payroll administrators, machine operators, pilots, warehouse workers, or hotel staff solve important tasks without producing a lot of novel knowledge. You can do well once you learn the profession by repeating successful practices and applying existing knowledge. These people can be very good at their jobs. Still,

there is a limited scope of expertise outside their firm grasp of the specific processes, procedures, and tasks within their roles.

Knowledge workers can produce value through ingenuity, creativity, and inventing novel solutions through thinking work. They produce high-quality output through reflection, experimenting, investigating, analysis, judgments, predictions, synthesis, or reengineering. These might include design engineers, architects, lawyers, software developers, and financial analysts who engage in creating novel solutions rather than repetitive transactional work. They create value by thinking it out and bringing forward principles, ideas, new combinations, designs, and solutions that can transfer into decisions or novel solutions. Such knowledge workers also include leaders who have moved into hierarchical positions at the middle and top levels. They solve their tasks through thinking and deciding, assessing, accepting, and mitigating risks and informing others to plan and execute. Paradoxes, navigating competing priorities, and deciding trade-offs are inherent in the leadership task and demand expertise.

People who have taken the journey of building high expertise often develop a higher tolerance for ambiguity. They build an understanding that not everything can be answered or clarified, that differences, diversity, and competing priorities are inherent in most complex matters. There is a mature tolerance to differences in values and approaches, recognizing that others have ideas that differ from one's own. However, herein lies a tolerance paradox because some experts hold firm to their beliefs due to well-warranted standpoints and can be experienced as stubborn on principal matters, knowing what they know and giving definitive answers. However, the expertise built with others holding different expertise develops an acceptance of uncertainty. Expertise diversity builds learning agility. It results in the understanding that qualified judgment calls and calculated risk-taking are also part of being an expert.

What Are the Effects of the Expertise Composition in the Leadership Context?

There is a direct link between functional expertise and task performance, between adaptive expertise and adaptive performance (further intensified by functional diversity), and between organizational expertise and organizational and team citizenship. The combination of the three is a significant lever for high organizational performance, as succinctly formulated here by Joe Manget:

> **❝** Expertise helps you make the right decisions faster. So, to empower the organization, build expertise.

Joe Manget, Chair and Chief Executive Officer at Edgewood Health Network, Canada

High levels of functional expertise make it possible to plan and organize one's own work. The insight and experience build the ability to set goals for one's work, monitor progress, and adjust one's effort toward goal attainment. Applying your competencies to do good work is motivating—it results in a feeling of mastery. Mastery is an integral part of psychological empowerment. It builds self-efficacy, resulting in more citizenship behavior. Functional expertise also plays a role in organizational and team citizenship because expertise involves being able to reconfigure the work in your field to create synergy with other functional areas. Higher expertise drives an understanding of the underpinning principles and assumptions behind the practices. That enables finding new ways of collaborating and optimizing cross-functional performance. This way, functional expertise diversity mitigates task complexity when combined with organizational expertise, as no one can be the expert in all parts of complex tasks. The positive performance impact is further supported because experiencing expertise positively influences coworkers to trust the expertise-holder.

Adaptive expertise enables integrated ambidexterity, the ability to shift continuously between driving efficient operations and innovating new solutions. It is the ability to recognize the two disciplines' ground rules and ensure the opening and closing approaches do not confound each other. The knowledge workers should be educated to understand when to open and apply their expertise to develop novel solutions through idea generation, innovation, and reengineering. Equally important, they should recognize when to seek clarity, closure, standardization, and alignment in discussing existing running operations. Integrated ambidexterity is the awareness of when to engage in convergent thinking—that is, to find one well-defined solution to a problem—and when to go for divergent thinking, which is out-of-the-box creative idea generation. Convergent thinking is finding solutions without challenging all the existing principles for operating. Divergent thinking includes challenging assumptions and principles. The adaptive expertise must be combined with

functional expertise—that is, insight into the relevant task, technology, and methods to result in innovation. Functional skills and task insight, when combined with adaptive expertise, increase the capacity to improvise in problem-solving. Out-of-the-box thinking in adaptive performance requires sufficient insights to recognize what can be changed and how it will impact the output. On the other hand, divergent thinking without sufficient insight into the underlying mechanisms, principles, and assumptions of the functional field will result in uninformed suggestions. So, both functional insight and innovation expertise are needed to innovate. Likewise, effective change fosters functional insight combined with change expertise.

There is a direct link between organizational expertise, a strong collaboration culture, and high performance. Organizational expertise enables shared operational and collaborative awareness, two drivers of the collaboration culture. It makes it possible to mobilize the right people across the organization and significantly increases performance. It makes it easier to solve problems spanning multiple functions or areas. It makes coordination and getting experience-based advice easier. Knowing who has worked with what in the past, even if they have moved positions, is an asset that converts to better decisions. The right combination of functional, adaptive, and organizational expertise helps with handling the effects of higher external complexity, dynamism, and risk intensity. It increases the distributed coping capacity in the team. Higher expertise is a solid foundation for empowering people, and delegating a mandate to someone with expertise speeds up the implementation of solutions and problem-solving so issues do not have to be referred up the hierarchy.

On the hindering side, lower levels of expertise result in mistakes, uninformed decisions, and inefficient planning and organizing. Empowering people that do not hold the expertise to meet the freedom to operate results in poor performance. The negative effects of expertise deficits are evident. On the other hand, high expertise in a field can intensify path dependence, meaning that people want to keep working in the established routines and resist change. Functional and organizational expertise can reduce the willingness to rethink past assumptions. It can lead to overconfidence in one's own abilities and established organizational practices. This is often triggered by low expertise diversity over time, resulting in low adaptive expertise. It results in a functional silo or bubble where groupthink prevails. Another potential hindering effect is when experts compete with each other in their fields of expertise. It can hinder knowledge sharing and cocreation and is even seen with leaders who resist others' insight into their function, creating siloed

organizations. Also, standardizing ways of working can be more difficult when team members hold high expertise, as they expect autonomy in defining the focus and execution methods. These effects are seen, for example, in professional service firms or among faculty in higher academic institutions.

Contextual Leadership and the Expertise Composition

People with higher expertise can handle working with less closure. Education and exposure to tasks and challenges that demand rethinking assumptions during the extended time it takes to become an expert reduce the need for closure. The insights into the field build an understanding of low predictability and that some issues might be better left open because the learning underway will prove a better basis for deciding later. This experience is why experts do not need to clear up all confusion immediately but can separate the crucial issues and focus on those, leaving the rest for later. This way, whether the specialists in your organization are doers or thinkers, the ones that have evolved into experts share some characteristics that influence how they should be led. They have undergone human development that has sharpened their analytical skills, giving them more capacity to handle complexity and critically think through different scenarios and approaches. They have developed an openness to different solutions and matured their ability to rethink assumptions limiting problem-solving and creative idea generation. They know their field so well that they can take it apart and combine it in new ways. They have become accustomed to listening to other professional viewpoints, explaining their insights, and exploring the feasibility of new combinations. They are aware of what they know and the limits of their knowledge. Building high expertise demands talent, cognitive and practical ability, education, and exposure to relevant challenges. People who have undergone such development tend to change their perception of authorities toward a more knowledge and insight-based view. The weight of rationales and arguments becomes more central. The importance of sensemaking, understanding, and accepting the why behind norms and following directions increases. They expect more framing-autonomy in analyzing problems and deciding what matters most. They expect to influence the execution based on their professional insights. Experts expect empowerment, encompassing both framing and execution autonomy. Hence, leading people with high expertise requires allowing them autonomy in their professional areas. It is about shifting leadership toward output-focused shared leadership ("what") rather

than more directive effort-focused leadership ("what and how"), as noted here by Dr. Clive Roland Boddy:

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66 If a leader leads employees outside the leader's area of expertise, the leader should shift towards a transformational and consulting leadership approach.

Dr. Clive Roland Boddy, Deputy Head, School of Management, and Associate Professor in Management at Anglia Ruskin University, Cambridge, England

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The leader can lead people with higher task expertise than the leader herself, and the need to orchestrate contributions from different expertise-holders increases. This is a shift toward more opening and shared leadership. See figure 92 below. The leadership task becomes more about facilitating the process and creating common ground, bridging the diversity into synergies and innovations.

Figure 92

Expertise Implies a Move Toward Shared and Opening Leadership
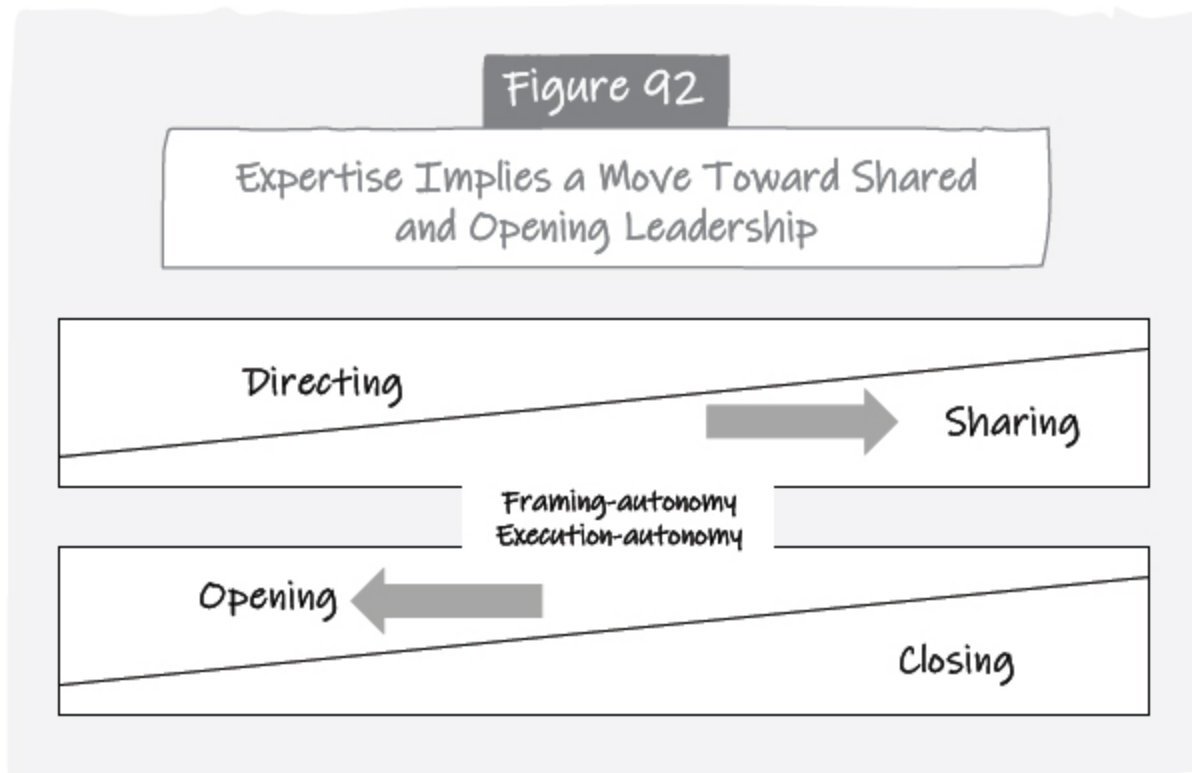
Having different experts involved represents a capacity that should be leveraged. Expertise means more robust pattern recognition and understanding of the characteristics of the problems in the field. It means developing faster and better analysis of root causes, assumptions, constraints, and solution options. Expertise gives better judgments for decision-making. So, the leader should consult and participate in specifying the priorities and framing the desired outcomes. The knowledge workers and experts should contribute to the interpretation and suggest solutions and approaches. Effective leadership moves from directing to sharing and toward opening for more autonomy. Herein lies an essential task for the leader, who must establish, motivate, and maintain standards and protocols for how knowledge is encoded and documented so it can be shared and used by others. These standards for documenting are an essential building block in making the lift processes in the PIA Cycle work well. The experts must be given framing and execution autonomy combined with disciplined alignment around how knowledge is transferred to the rest of the team or organization. The leader must know when to facilitate opening and divergent thinking and when to seek closure and clarity to promote efficiency. This is about framing the desired outcomes clearly and being transparent about whether the process is in an opening or closing phase. Conversely, a lower level of expertise among staff increases the relevance of formalizing work processes to ensure reliable organizational performance. Seek to build more closure into the organization's fabric to scaffold performance. Manage things more closely. It is still relevant to involve people with functional insight in innovation. Still, innovation in organizations with lower expertise fosters more directive leadership, orchestrating idea generation, and experimentation. Less expertise implies less foundation for framing the right priorities and often less experience with divergent thinking.

In executing the work, there is an essential dynamic among high-expertise employees. High expertise drives a potential risk of overdoing things and continuously raising quality ambitions. It becomes a critical leadership task to align the effort-quality balance to secure the desired organizational output. There are two approaches to managing this balance. The first is that the leader and knowledge worker specify the desired outcomes, so the specs are precise. The second approach is agreeing on a time/resource/effort investment that should be spent on the work. Once the first effort milestone is reached, they review the progress and agree on a spec or effort milestone. This alignment is a mutual responsibility orchestrated by the leader. The purpose is to ensure that expertise does not result in overwork compared to the solution promised

to the customer or to meet the required internal quality specifications. It is a pathway to ensuring that a team does not stay too long in the opening phase while continuously expanding their scope. It is an antidote to scope creep. The leadership task is to build and share accountability around the desired quality to secure a return on human capital. See figure 93.

Figure 93

Aligning the Quality-Effort Requirements

Quality/Scope Coverage

Too high quality or coverage beyond scope

Align on specifications

Desired quality and scope coverage

Inadequate quality or scope coverage

Effort/Resources

Align on resources to be invested
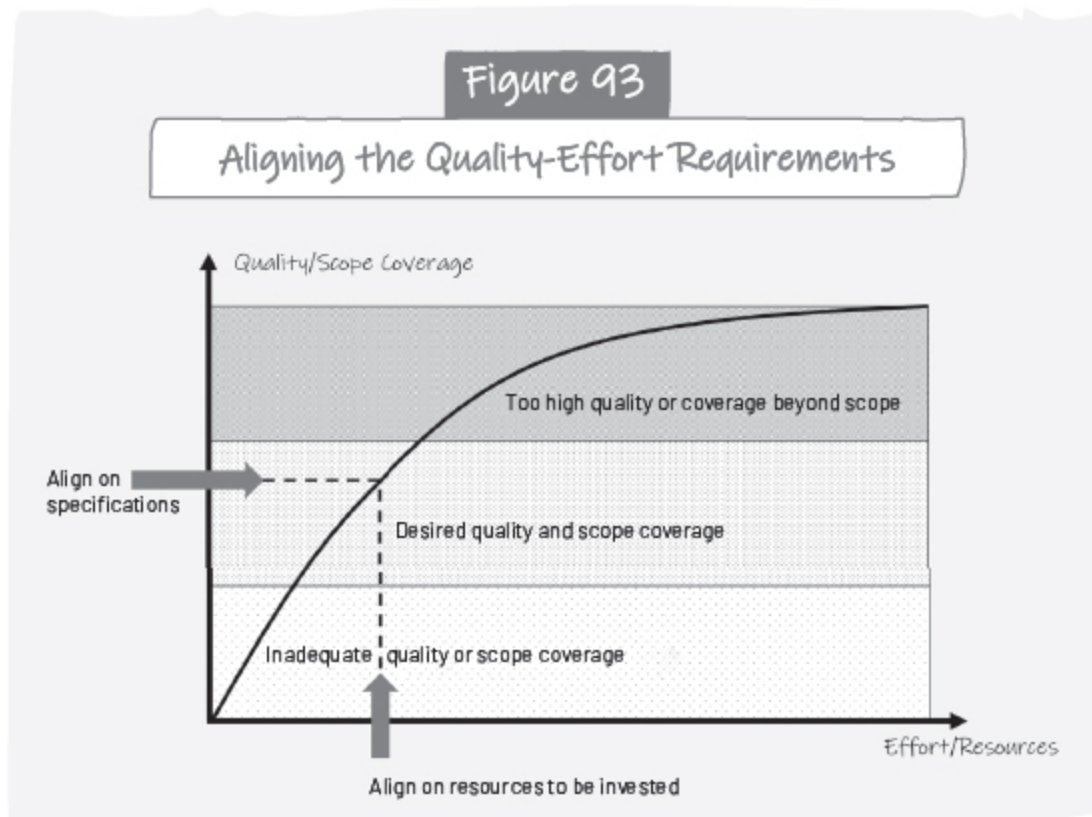
Data from Noerby (2021, 2023).

Another essential dynamic for leaders leading high-expertise employees is to make them spend their time optimally to maximize return on expertise. That can be challenging, as explained here by Professor Jordi Escartín:

> ❝ When the expertise is not equally distributed in a team, the less competent will require assistance from the more tenured and competent, affecting those in their opportunities to perform individually. A leader must motivate the experts to train the juniors so they can free up the experts to dedicate their efforts to the most complicated tasks in the middle term. This demands a lot of leadership work to motivate the experts to teach and to let go of tasks they may like doing themselves.

Jordi Escartín, PhD, Professor of Organizational Behavior at the University of Barcelona, Spain, and Visiting Professor at King's College London, United Kingdom

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To make the organization perform, it is a central leadership task to build the right expertise and talent to perform now and to fuel future performance. This is why recruitment, staffing for performance, and training are such significant performance drivers. The people composition creates a baseline that defines the performance levels that can be achieved. It establishes the human capital that can be activated through leadership and by building suitable structures and cultures. The leader should hire based on critical job demands rather than personal preference and for cultural fit and potential to contribute to development. Also, staff with subpar performance should be taken off tasks after reasonable support periods to make them meet the requirements and should be rotated to other tasks or out of the organization within the limits of the labor law in the given country. Functional, adaptive, and organizational expertise should be developed through training and exposure to cross-functional projects and new tasks. Also, training and learning should align with the requirements of future intentions. With a clear sight of the performance outcome, the training and learning should yield, considering the skill mix that will yield the highest performance. Think about how to decrease organizational vulnerability and bottlenecks by developing distributed expertise. Build the skills to participate in change, continuous improvements, or innovation, followed by explicit requirements of changed work behavior. Focus on the desired effect in the organization when training and staffing, but do not leave it to the HR department. Expertise is a crucial performance driver that leaders should actively hone and leverage.

Higher expertise emphasizes the importance of involving people in the entire PIA Cycle. They should influence the framing of priorities and weigh in on the interpretation. They should play a central role in identifying practices that should be lifted to organizational learning. These practices should be embedded into the innovation and change cultures through deliberate, continued building adaptive practices using the PIA Cycle. The more knowledge-intensive the work, the more relevant the skills of running the PIA Cycle become. The leader should facilitate the move toward shared leadership by training and making PIA a shared practice for all experts. Each sub-process, frame-verify, commit-learn, and observe-lift is a crucial driver of adaptive performance with knowledge workers high on functional expertise. The more expertise, the more leadership should be shared. It involves empowering experts to drive the PIA Cycle themselves. They have the insights and expertise to suggest the most value-creating priorities and principles. This is framing-autonomy driving empowerment. They should facilitate the interpretation assisted by the leader, who ensures the involvement of all relevant contributors in the interpretation. In this manner, together with the knowledge workers, the leader arrives at commitments that form the focus of the work. Without deliberate development of shared learning practices like PIA, there is a risk that the organization will reap too little benefit from functional diversity, and the cross-functional synergies will falter. Besides enhancing the abilities to solve tasks across the organization, you build organizational expertise by building networks and facilitating relationship-building. This relates to the exchange spaces discussed in the section "Interdependence" in chapter 7. Mentoring and facilitating exchange spaces with people who share functional or operational expertise areas builds ties that ramp up performance. The leader should actively develop such communities and facilitate exchange spaces to meet organizational interdependencies. She should identify people and functions where establishing access and getting to know each other can promote long-term performance.

With this, we conclude the chapter on people composition and the people base's significant influence on the organization's performance and engagement. Paulo Moraes speaks from 30 years of international leadership experience with multifunctional teams in Latin America, Europe, and North America when he pinpoints the importance of the people composition:

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66 In every project, the most critical success factor is getting the right human capital. Nobody can obstruct a highly capable and motivated team!

Paulo Sergio E de A Moraes, MBA, IT Director, Latin America at LSG Group, Brazil

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He is backed up by Professor Brian Dolan, who highlights that considering the people composition should be done from an understanding of what promotes the organizational intentions and the structures and cultures that a leader is striving to make work.

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66 Having worked in different leadership roles, I have learned that personality composition matters. In one of those roles, the managers recruited people similar in temperament to themselves, which created all kinds of challenges as no one challenged anyone. The lack of diversity led to teams that were far less than the sum of their parts when it came to delivery.

Brian Dolan, Director at Health Service 360, Professor at Coventry University, United Kingdom, and Honorary Professor of Leadership in Healthcare at University of Salford, United Kingdom

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As indicated by Professor Brian Dolan, the leadership context is a force field that should be influenced with a systemic understanding. In the last chapter, you will find advice based on such a systemic view of the leadership context and drawing upon the body of knowledge covered in this book.

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ADVICE TO GET GOING

Developing organizations and people rely on framing the proper focus at the right time. So, when asked as a consultant to "give your best advice," it is about recognizing what matters the most to realize the ambitions, considering the current state.

SO, WHAT DO YOU ADVISE ME TO DO?

We close the book with recommendations I have repeated when advising executives and senior leaders over the past 15 years. The advice comes with an obligation for you as a reader—you must assess which advice fits the current state of your organization. Contextual leadership is, well, contextual.

Lead from the organizational intentions. Analyze the current and future intentions. Define priorities "to-be" and analyze the "asis." Verify these priorities with your immediate manager and relevant stakeholders. Build a shared understanding in the leadership team you are part of. Formulate a future state on the fundamental movements and communicate these priorities. Let the desired future state guide how you spend your efforts and time in the leadership team. Such leadership focus yields a higher return on the organizational capabilities.

Respond to your external environment. Establish a frequency and approach to collecting information about critical external factors. Build absorptive capacity. Establish standards for how these information streams are consolidated and who interprets, suggests, and decides on responses. Embed the process into your business cycles. Orchestrate exchange spaces, ensuring the external moves are met with adequate requisite responses. Absorptive capacity results in higher competitiveness.

Assess and address contextual fitness and strength. Identify the contextual factors most linked to the business performance coming out of your strategy and operating model. Align organizational structure to the six key process features in your core processes. Build a solid goal-path

understanding. Secure linkage in the results-execution-enablers chain and align KPIs. Build the exchange spaces to facilitate the organizational functioning. Shape the cultures to help bring ambitions to life. Ensure that your people and organization strategy encompasses the development of the fitness and strength of structures, people composition, and cultures. Continuously developing contextual fitness and strength results in higher performance and engagement.

Align company values and leadership principles. Ensure they serve the organizational intentions and fit the context. Check the fitness of the values and principles so they represent core behavioral expectations to maintain performance and drive future business aspirations. Ensure they are used in employee development activities, talent attraction, onboarding, or senior leadership storytelling. Active codes turned into culture through leadership promote performance.

Empower and commit your people. Deploy priorities and principles through interlocking PIA Cycles throughout the organization's leadership teams. This applies to top-down or bottom-up approaches. Success requires involvement, interpretation, and commitment in the teams. Train them in running PIA sessions. Verify interpretations and commitment up the hierarchy. Drive alignment through follow-through to empower and keep your organization accountable for running and moving the business. Sending out PowerPoints is not implementation. Well-integrated PIA practices bring about successful strategy execution and process implementation.

Be contextual in your leadership. Develop your awareness of when to move your leadership on the closing-opening balance to focus your people's attention and efforts best. Be purposeful and deliberate on when to engage in directive or shared leadership based on what best serves the organizational intentions. Align on these balances when decisions made in your leadership team are to be deployed into the organization by different leaders. Aligning your leadership approach to serve the organizational intention and match the context yields better performance.

Reflect on the transferability of experience across contexts. One size does not fit all. What yields success in one context does not necessarily align well with a new context. Question personal experience and investigate the contextual assumptions when leaders or consultants suggest solutions. Doing so will save the organization significant learning costs.

Embrace that culture is owned by the leaders. Leave the assumption that others are in charge of the culture. Frame and facilitate desired culture change. Address subcultures and convert codes to action. Commit leaders to

engage. Change people to change culture if necessary. Be explicit. Involve. Interpret. Commit. Act. Align. Insist. Assuming ownership of the culture comes with significant positive engagement and empowerment effects.

Focus and tailor leadership development to match and shape the context. Require that your leadership developers contextualize training and development. Ask them to make it evident how the organizational intentions and operating conditions in the different parts of the organization translate into the chosen leadership approaches taught. Review the curriculum to ensure it covers the relevant parts of the seven categories of effective leadership practices. Focusing development activities results in higher conversion to action and return on training.

Link performance behavior, engagement, and leadership in your measures. Sharpen the focus on desired outcomes of leadership— pinpoint desired performance behavior in all departments. Require that any employee engagement or leadership survey measure links between employee engagement and performance behavior and leadership practices. Ensure that discussions of survey results end with commitments that convert to actions. Make the leadership teams accountable for these improvements. Such outcome focus creates transparency in leader assessment, enabling more focused leadership development and succession planning.

Promote organizational restructuring and mergers through PIA Cycles. Commit leaders to create a new shared culture and make structures work. Pinpoint the crucial cultures for success in the "tobe" setup. Set clear priorities and principles. Run PIA Cycles as an integrated part of the transformation process. Communicate from the beginning that these sessions will be recurring for a prolonged period. Train and keep leaders accountable. Repeat to make the organization act their way into a new understanding. This active integration work results in less organizational stress and higher transformation success.

Recruit and rotate people to match and move our context. Identify the moves you desire in your organization before replacing people leaving or hiring for new positions. Pinpoint the requirements from current and future organizational intentions. Convert these requirements into desired moves in the structures and cultures. Consider how to rotate to match people and aspirations best. Brief the talent acquisition team to find candidates experienced with these factors so they have a vision of what good looks like. Developing the business through deliberate staffing is a key performance driver.

Realize that onboarding is not enough. Introduce new leaders to the leadership context framework. Brief them to analyze the organization's current state during their first 100 days. Ask them to compare it to their previous experience and recommend optimizing the context for performance and engagement. Get their brief back into the leadership team to raise awareness of what is happening and decide on reinforcing and corrective actions. Do this once a month for the first 100 days. Doing so accelerates the performance of the newcomer and drives business development, leveraging their experience from outside.

HOW TO GET GOING

The first step is to analyze your organizational intentions. Understand the purpose, efficiency, innovation and change, and people focus. From there, track the fitness between intentions and the contextual factors that influence the organizational performance relevant to the intention. The analysis allows you to identify the handful of factors and the relations with other relevant factors to strengthen or reshape for optimal performance. Before you jump into action, the analysis should be compared to the operating conditions created by the external environment. The external factors' effects must be considered and matched, leveraged, or mitigated depending on how they help or hinder the desired performance. This diagnosis can be done with the content of this book or assisted by the online Leadership Context Inventory™. The LCI™ is a validated measurement of intentions, external environment, structures, and cultures. It allows leaders and consultants to start their process with a thorough report diagnosing the specific context in focus. Download an example of the LCI™ report on www.drnoerby.com. The diagnosis forms the offset for engaging in the contextual leadership disciplines: matching the context to lead effectively and shaping the context to promote performance and engagement. In either case, the diagnosis should lead to focusing on the three to five factors most relevant in your context and starting to work from there.

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PERFORMANCE BEHAVIORS, ENGAGEMENT AND EMPOWERMENT DRIVERS

Effective leadership calls for the leader to express behavioral requirements and explain how the requirements link to the desired business outcomes. It is the basis for effective feedback and employee development. In continuation, any leader must strive to understand the engagement and empowerment drivers for their people. The leader should work hard to create a motivating and inspiring work environment that results in engagement and intrinsic empowerment for the people in the organization. This appendix unpacks the performance behavior identified over decades of work performance research. It continues to describe the engagement and empowerment drivers confirmed repeatedly in engagement research. Use this appendix to build a language about which behavior you should ask for from your people. Review the organizational values and the descriptions of desired behavior to consider if they truly capture what is most important to realize the organization's intentions. See figure 94.

Figure 94

The Desired Outcomes of Leadership:
Performance, Engagement and Empowerment

Environment · Intentions · Structures · Cultures · People

Org. Citizenship
Task Performance
Adaptive Performance
Team Citizenship

Engagement & Empowerment

Leadership

Organizational Citizenship	• Followership: Coproducing leadership • Ownership: Initiating & taking charge
Task Performance	• Functional performance: Executing & raising ambitions • Planning & organizing: Looking ahead & being reliable
Adaptive Performance	• Adapting: Being flexible & coping with change • Learning: Developing & improving
Team Citizenship	• Supporting: Volunteering help & taking care • Playmaking: Reaching out & coordinating
Engagement & Empowerment	• The factors that build energy & helps convert the energy into work performance: Meaning, mastery, autonomy, influence, psychological safety, work & life strains

Data from Noerby (2021, 2023).

ORGANIZATIONAL CITIZENSHIP

Organizational citizenship is behavior that promotes the effective functioning of the organization. It is extra-role performance and goes beyond fulfilling the formal job demands. The behaviors make the organizational purpose and intentions a centerpiece in the way people in the organization go about their

work. Organizational citizenship relates to what is good for the organization and comprises (1) followership, and (2) ownership.

1. **Followership—coproducing leadership**—is about collaborating with the leader or a group of peers, suggesting courses of action and contributing in discussions to promote performance. Followership involves decision-making, prioritization, planning, and organizing. It is the active participation in coordination meetings, problem-solving, and clarification of competing priorities. Active followership is where the employee engages in coproducing direction, alignment, and commitment. Producing direction is interpreting the strategy and goals to understand how they translate into resource and activity priorities. It is about clarifying the direction set by the leader and organization. It is asking questions and aligning expectations to ensure decisions and actions align to the organizational intentions. Also, active followership involves contributing to developing shared understandings of purpose and agreement about how purpose should guide how the organization operates and acts. Active followership unfolds when a team engages in planning to ensure resource allocation, priorities, and decisions align with the communicated direction. It is clarifying mandates, voicing experienced misalignment, and making clear agreements committing others and oneself to responsibilities. It is delivering bad news to support the right decisions and having the willingness to surface unpopular views in the interest of the company's future. Finally, followership is actively assisting in making it clear to everyone in the team who has which roles and responsibilities in the assignments discussed.

2. **Ownership—initiating and taking charge**—is about standing up for the organizational intentions defending the organizational objectives. It is taking charge and making choices and decisions within the mandate without waiting for orders. Also, it is acting from an understanding of the purpose and making necessary decisions and taking actions beyond formal job mandates. Taking charge involves self-directed initiative based on understanding the leader's intentions and the organization's purpose and checking in afterward. Taking charge encompasses influencing others and pushing matters forward—that is, taking the lead influencing peers to decide, act, align, coordinate, and agree on timing. It is stepping up and leading in the absence of a formally assigned

leader. In a wider sense, it is organizational loyalty. We experience ownership when an employee promotes the organization to outsiders and defends the company against criticism and when she engages in building and supporting the employer's image to outsiders. Ownership involves recommending the organization's products and services. It is also championing and upholding the traditions creating esprit de corps and protecting the organizational pride and purpose. It involves advocating for alignment to the organizational purpose and displaying pride in organizational membership. When an employee thinks on behalf of the organization and takes the initiative to defend it against threats, she foresees trouble and voices the concerns internally. It is about conserving resources, housekeeping, and securing internal maintenance. It is the ownership mentality identifying oneself with the company or organization. Ownership involves enforcing compliance to rules and procedures. It is taking it upon oneself to follow the intent behind the company's policies, values, and principles and influencing and educating one's colleagues to comply. It is to look out for the company's best interests, engaging in preventive actions to avoid damage to the company.

TASK PERFORMANCE

How well does the employee live up to the demands and expectations in their job? The task performance concerns how well an employee, a team, or an organization fulfills the job responsibilities assigned. It is about in-role performance, the level to which the employee assumes responsibility for the mandate and accountabilities related to the tasks assigned to the job. Task performance comprises (1) functional performance, and (2) planning and organizing.

1. **Functional performance—executing and raising ambitions—**is about delivering on the quality and quantity performance levels expected, such as meeting the sales targets, processing the expected number of cases, or fulfilling the service-level agreement. Functional performance involves working accurately and effectively, converting a profound understanding of a functional field into the most appropriate trade-offs between task quantity and quality, resulting in high performance. It is about fully understanding all aspects of the job and fulfilling all aspects without neglect. Functional performance includes

maintaining high standards of work and understanding and handling task complexity. It involves staying updated and oriented about the knowledge that influences the job. Functional performance encompasses personal compliance to standards, work instructions, regulations, and policies central to the job. It is about following the rules and executing one's duties in a disciplined manner. Finally, it involves raising performance ambitions regarding the job, whether those ambitions relate to quantity or quality. It is the mindset of doing better tomorrow, the drive to raise and commit to the ambitions springing from a deep understanding of how the functional performance can be developed.

2. **Planning and organizing—looking ahead and being reliable—**are about setting and keeping deadlines, acquiring and prioritizing resources, and organizing work to deliver as agreed upon. It is when a team executes their assigned tasks while adjusting sequence and priorities to secure coordination to make their part fit into the rest of the operation, and when the team displays the awareness of fitting into the organizational performance rhythm. Planning and organizing require the foresight to avoid operational obstacles, choosing the right timing and order to solve the tasks. It is the practice of monitoring, controlling, and ensuring the optimal allocation and use of resources. Planning and organizing is the discipline of doing the most important things first, understanding need-to-do and nice-to-do and prioritizing accordingly. It is about planning the work and working according to plan, so it is easy for other parts of the organization to coordinate and rely on the projected activities.

ADAPTIVE PERFORMANCE

Adaptive performance relates to how well a team or an individual identifies and reacts constructively and effectively to shifting demands. The shifting demands can come from a dynamic work environment or changes imposed upon a team due to outside events. They can also come from operational changes that foster new competencies and practices. There are two facets in adaptive performance: (1) adapting, and (2) learning.

1. **Adapting—being flexible and coping with change.** Flexibility is the positive response to varying requirements, regularly changing plans and priorities that shift to follow consumer preferences, fluctuating

customer requests, rapidly developing technology, or fluctuations in a volatile market. It involves accepting low predictability and high uncertainty while maintaining focus on performing. Being flexible also includes an interest in engaging with and tolerating different work approaches and cultures. It includes treasuring diversity as a means of creative thinking and investing in understanding different perspectives. Coping with change, meanwhile, is about the reactions to more significant shifts in working conditions, approaches, and relations. It involves leaving former assumptions behind and instead embracing change and interpreting the new demands into actions. It is the acceptance and constructive response to changing work location, reorganization, or significant change of job content. It is staying calm under pressure, showing resilience, and expressing optimism. Also, tolerating ambiguity while changing and being willing to try new things is part of the coping behavior. Another part is focusing on how a change will bring future benefits to the company rather than investing energy in defending the past.

2. **Learning—developing and improving**—is about keeping knowledge up to date and developing competencies to improve performance. It includes voluntary engagement in improving abilities, skills, and knowledge. It is active participation in training sessions with a curious attitude, leaning into learning, and engaging in trying out new approaches. Developing is also the interest, willingness, and investment in sharing tasks and rotating roles to build shared competencies in the team. Learning involves role changing and role overlap with the intent of covering for each other and responding to dynamic conditions. In this manner, learning is related to adapting, as the learning mindset strengthens the adaptability. It includes informing colleagues to build collective awareness about who is doing what and teaching others the ins and outs of your job out of a belief that feedback from others improves performance. We also recognize learning when a team proactively seeks out and engages in training to expand their capabilities to contribute. Developing and improving is about adopting new methods and starting to use them with the mindset of investing oneself into experience-based learning.[67] It is investing oneself in evaluation and learning sessions with colleagues—engaging in continuous improvement with a systematic follow-up on performance followed by reinforcing and corrective actions. It involves generating new,

innovative ideas and the willingness to rethink established assumptions about how to operate.

TEAM CITIZENSHIP

Team citizenship refers to behaviors directed toward other individuals in the team or organization. It involves the extra-role efforts people engage in to be good team players, treasured colleagues, and members of the collective. These behaviors create cohesive groups, promote belonging and well-being, and make people feel like part of the community. Team citizenship comprises two facets: (1) supporting and (2) playmaking.

1. **Supporting—volunteering help and taking care**—involves engaging in preventing work-related problems by voluntarily helping others. It is about identifying and offering help when others need help with heavy workloads, catching up, or when an employee teaches a colleague or newcomer. It is sharing resources and calling attention to omissions or errors with the intent of helping. Also, engaging in constructively solving conflicts to promote cooperation, celebrating, and instilling optimism for the team to thrive and perform are all supportive behaviors. Supporting is caring for others and taking a personal interest in their well-being. It is also when a team member creates a positive social context by organizing small social events or team huddles. It is the attention to a good social work environment and the efforts to make it a workplace where everyone feels welcome. It is building and maintaining small rituals like celebrating birthdays, anniversaries, or weekly check-ins. It is passing along the information to include everyone and bring everyone on board. It is taking steps to make it safe for everyone to participate in collaboration without ridicule, unproductive criticism, and inappropriate conduct, to involve everyone and value everyone's input no matter their tenure or place in the hierarchy.

2. **Playmaking—reaching out and coordinating**—is about being active in creating good relations and collaboration in the organization and toward external partners. It is when employees clarify expectations, agree about how to act together, commit to mutual obligations, and provide feedback to optimize collaboration. Playmaking is proactive coordination to make projects succeed. It involves the proactive actions that optimize how other functions and people in the organization can

perform. It is the practice of providing advance notice to someone who needs to consider an incoming workload or dependency in their planning. It is understanding which stakeholders need to be involved and involving them to promote performance. It is about creating cross-functional and cross-organizational collaboration. It is keeping agreements and holding others accountable for the agreed-upon actions. It is clarifying commitments with others in the team and across organizational boundaries. It involves partnering with internal and external people to pursue performance, and it creates the foundation for effectively playing together.

ENGAGEMENT AND EMPOWERMENT DRIVERS

The last category of desired leadership outcomes differs from the former four. Task performance, adaptive performance, organizational citizenship, and team citizenship are all observable behaviors at the individual, team, and organizational levels. The four types of work performance are all under the direct influence of leadership and the leadership context. In continuation, they are also heavily influenced by six engagement and empowerment drivers.

Engagement

The level of engagement determines how much energy any leader or employee in a workplace accumulates to invest in performance and citizenship behaviors. Being fully engaged is a fulfilling, positive motivational state of mind that results in high levels of energy that can be invested in the work itself and in the employee's work relations. Engagement flows from within, from the interactions with colleagues at work and the context at and outside work. High engagement contributes to the resilience necessary to handle demanding conditions, challenging tasks, and high workloads. On the other hand, disengagement results in uncoupling yourself from the job. There is less energy to assume accountability and go beyond the minimum expectations to task and adaptive performance, resulting in withdrawing from organizational and team citizenship. Engagement determines the degree to which employees identify with their job roles and assume full responsibility or distance themselves and consider their roles "just a job."

Psychological Empowerment

The level of psychological empowerment works in concert with engagement and determines how much the intrinsic energy converts into work effort. Feeling full-fledged empowerment involves a strong inner belief that you are up to the tasks given and have the capacity and capabilities to meet the performance requirements. It makes you lean in and give it your best try without fear of failure. Empowerment flows from the experience of being allowed to take charge, plan, and organize your work—a sense of freedom to assume the responsibility for your area and tasks. It contributes to taking the initiative and being active in the involvement around decision-making and problem-solving. Empowerment reduces passive waiting and creates an active orientation to your work. Empowerment is an inner belief and feeling that you can influence your work situation and that you are a valuable contributor rather than just a small piece in the larger game.

The Six Engagement and Empowerment Drivers

Together, there are six engagement and empowerment drivers that determine the level of energy accumulated and released into work efforts: (1) meaning, (2) mastery, (3) autonomy, (4) influence, 5) psychological safety, and (6) work and life strains.

1. **Meaning** is the experience that the efforts you put in give you something rewarding back in return. It is about feeling worthwhile, valuable, and useful. It comes from understanding how your contributions link into the organization's overall purpose and recognizing how you make a difference. The experienced difference can be directed toward the organization's customers, colleagues and leaders, or a core or an add-on purpose the organization is pursuing. Meaning can flow from significantly affecting other people's psychological or physical well-being, life quality, effectiveness, or safety. Experiencing meaning results in a feeling of not being taken for granted, and meaningfulness results in pride and engagement. It makes you feel appreciated. It comes from positive feedback from the job itself, such as from customers or finishing solutions, and from recognition from peers and the leader. When you feel you belong with your colleagues, and you miss them a bit when you are not at work, that is an attachment that contributes to your experience of meaning. Meaning also flows from understanding the goal-path linkage, so you can see how you and your team fit into the overall value creation in the company. Meaning is understanding why your work and your contributions are important and matter to someone, such as to others in

the organization or to clients, a cause, or society (for example, saving energy or helping kids learn).

2. **Mastery** is your self-efficacy; that is, the belief that you have the necessary skills and capabilities to meet the performance requirements successfully. Mastery accumulates when you are in *flow*, the state of being fully immersed in your work—when you experience being adequately and positively challenged by your tasks. Not too easy, and not too difficult, but matching yet challenging demands. It builds with your experience of getting better and the fulfillment of solving challenging tasks. When you can apply multiple skills in your job, the mastery experience builds. It also builds when you experience being allowed to use your skills, being intellectually stimulated, and being challenged. Mastery builds when you feel that you add as much value as possible with your skill set. Ownership behavior is strengthened with increased mastery, and the same goes for playmaking.

3. **Autonomy** is the experience of freedom and discretion to decide how to organize, plan, and conduct your work. It is the experience of self-determination within the boundaries of your job or area of responsibility. It is the level of influence in choosing work methods, timing, pace, and order of doing things. Autonomy is about the influence on what you need to do, how you can go about it, when to do it, and whom you engage with to get it done. A part of autonomy is understanding the mandates delegated, the wriggle room, the obligations following interdependencies, and the boundaries for decisions and actions. With a clear understanding of the action zone, a team can assume ownership and fully act out the flexibility in organizing their work and the discretion in adjusting within their area of responsibility. Experienced autonomy fuels planning and organizing behavior, followership, and ownership.

4. **Influence** refers to being involved in decisions outside your job boundaries or area of responsibility. It is being involved with the leader, the leadership, the team, the department, and the overall plans that will eventually influence your area or job. It is influencing priorities, processes, policies, development, and choices beyond your tasks. Feeling informed about what is going on, the decision processes, and the background for decisions builds the strength of experienced influence. Having a say and active role in organizing and handling the interdependencies that go into and out of a job or area is essential to

experiencing influence. It is experiencing being involved in the strategy process, planning larger change initiatives, deciding on new procedures, generating ideas for further development, and other frame-setting activities with a broad reach. It is the experience of being asked for input, advice, and judgments as part of the leadership process. The propensity to engage in active followership and ownership goes up with experienced influence, and playmaking is also positively influenced.

5. **Psychological safety** is feeling sure that you can engage in your work without fearing negative consequences to your job, self-image, or status. It is the experience of an environment that allows you to engage in problem-solving and collaboration without safeguarding yourself. It is feeling safe about how to act within the ground rules and regulations of the organization, and understanding the norms maintained related to conduct, collaboration, conflict resolution, and followership. Hence, it is related to experienced fairness and justice in the way rewards, resources, opportunities, and attention are distributed in the workplace. It relates to the experience of fair processes and being treated fairly by peers and leaders. It is the perception of a nonthreatening, socially predictable, supportive environment. It results in feeling able to fully employ yourself into creating results and contributing to the joint performance. The quality of the relations between the member and the leader has a significant influence on psychological safety, as does the relationship quality between team members. Understanding and being aware of the norms—that is, shared expectations about behavioral dos and don'ts—is integral to building psychological safety. In a safe environment, people are likely to be themselves and say what is on their minds, creating an open communication climate. People will ask questions, seek feedback, report mistakes, and propose new ideas because they trust that they will be met with constructive responses. The willingness to take risks and try new things that might fail goes up with psychological safety. Predictability and consistency in social interactions builds trust and allows people to understand the boundaries between what is allowed and what is not. The more psychological safety is present in the workplace, the more you will perceive the workplace as where you belong. Psychological safety fuels supporting behavior, playmaking, followership, and ownership.

6. **Work and life strains** relate to the emotional, physical, and cognitive resources you have available to invest in your work. The more you have on your plate, in work life and outside, the fewer resources you have

available to handle work with engagement. The harder the psychological and physical demands in work, the less energy you have left to invest beyond the task performance. Hazards, danger, and difficult working conditions take a higher toll on the energy account. However, some activities fuel energy while others demand energy, so it is not just about being busy or not. It centers around how you experience the strains and challenges that are handled—some might take a heavy toll on the overall energy available. The available energy is always influenced by the accumulated load from life events and work tasks, and there is a finite sum of energy that needs to be distributed between the things going on. In periods with high emotional demands, such as if you are undergoing a family crisis outside work, your work engagement will likely suffer. The three energy sources—emotional, physical, and cognitive—are related, so heavy strains in one area will impact the resource availability in the other areas. The different energy areas influence us differently depending on our personality and experience. For some people, being physically tired or overworked results in emotional outbursts or less capacity to solve complex cognitive tasks. For others, ambiguity and unpredictability demand much energy, leaving less energy to engage in change, learning, or other work performance.

APPENDIX B

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NATIONAL CULTURE ANCHORS

TABLE 15. NATIONAL CULTURE ANCHORS

Country	Country Code	Authority Orientation	Rule Orientation	Unity Orientation	Time Orientation
Argentina	ARG	Position	Autonomy	Collective	Synchronic
Australia	AUS	Participation+	Alignment	Individual+	Sequential
Austria	AUT	Position	Alignment+	Individual	Sequential+
Belgium	BEL	Participation	Alignment	Individual	Sequential
Brazil	BRA	Position	Autonomy	Collective	Synchronic+

Country	Country Code	Authority Orientation	Rule Orientation	Unity Orientation	Time Orientation
Canada	CAN	Participation	Alignment	Individual+	Sequential+
Chile	CHI	Position	Autonomy	Collective	Synchronic
China	CHN	Position	Autonomy	Collective+	Synchronic
Colombia	COL	Position	Autonomy	Collective	Synchronic+
Costa Rica	CRC	Participation	Autonomy	Collective	Synchronic
Czech Rep.	CZE	Participation	Alignment	Collective	Sequential
Denmark	DEN	Participation+	Alignment+	Individual	Sequential
Ecuador	ECU	Position+	Autonomy	Collective	Synchronic+
Egypt	EGY	Position+	Autonomy	Collective	Synchronic+
El Salvador	ESA	Position	Autonomy	Collective	Synchronic+
Finland	FIN	Participation+	Alignment+	Individual	Sequential
France	FRA	Position	Autonomy	Individual	Synchronic
Germany	GER	Position	Alignment+	Individual	Sequential+
Greece	GRE	Participation	Autonomy+	Individual	Synchronic
Guatemala	GUA	Position	Autonomy+	Collective	Synchronic+
India	IND	Position	Autonomy	Collective	Synchronic
Indonesia	INA	Position+	Autonomy	Collective+	Synchronic+
Iran	IRI	Position+	Autonomy	Collective	Synchronic

Country	Country Code	Authority Orientation	Rule Orientation	Unity Orientation	Time Orientation
Ireland	IRL	Participation+	Alignment	Individual	Sequential
Israel	ISR	Participation	Alignment	Individual	Sequential
Italy	ITA	Position	Autonomy	Collective	Synchronic
Japan	JPN	Position	Autonomy	Collective+	Sequential
Korea	KOR	Position	Autonomy	Collective+	Sequential
Kuwait	KUW	Position+	Autonomy	Collective	Synchronic+
Malaysia	MAS	Position+	Autonomy+	Collective+	Synchronic
Mexico	MEX	Position	Autonomy	Collective	Synchronic+
Netherlands	NED	Participation+	Alignment	Individual	Sequential+
New Zealand	NZL	Participation	Alignment+	Individual	Sequential
Norway	NOR	Participation+	Alignment+	Collective	Sequential
Pakistan	PAK	Position+	Autonomy	Collective	Synchronic+
Panama	PAN	Position	Autonomy	Collective	Synchronic+
Peru	PER	Position	Autonomy	Collective	Synchronic+
Poland	POL	Position	Autonomy	Collective	Sequential
Portugal	POR	Position	Autonomy	Collective	Synchronic
Russia	RUS	Position	Autonomy+	Collective	Sequential
Saudi Arabia	SA	Position+	Autonomy	Collective	Synchronic+

Country	Country Code	Authority Orientation	Rule Orientation	Unity Orientation	Time Orientation
Singapore	SIN	Position	Alignment+	Collective+	Synchronic
Spain	ES	Position	Autonomy	Collective	Synchronic
Sweden	SWE	Participation+	Alignment+	Collective	Sequential
Switzerland	SUI	Participation	Alignment+	Individual	Sequential+
Taiwan	TW	Position	Autonomy	Collective+	Synchronic
Thailand	THA	Position	Autonomy	Collective+	Synchronic
Turkey	TUR	Position	Autonomy	Collective	Synchronic+
U.K.	UK	Position	Alignment	Individual+	Sequential+
U.S.A.	USA	Participation	Alignment	Individual+	Sequential+
Uruguay	URU	Position	Autonomy	Collective	Synchronic
Venezuela	VEN	Position+	Autonomy+	Collective	Synchronic+

Data from GLOBE (2022); Nardon and Steers (2009); Steers and Osland (2020); Trompenaars and Hampden-Turner (2012).

The + signs in the table indicate a high score on the value orientation. The table adds more countries to figures 80, 83, 86, and 89.

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CHAPTER 7
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CHAPTER 9

People

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APPENDIX A

Performance Behaviors, Engagement and Empowerment

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APPENDIX B

National Culture Anchors

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