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Executive Search and Recruiting for the Consumer Products, Life Sciences, Specialty Chemical and Packaging Services Industries



## *The Human Capitalist*

*April 2010 Edition*

### **Leadership and the End of Management As We Know It**



#### **Leadership and the End of Management As We Know It**

The definitions of Leadership and Management are blurred by most. The measure of success in leadership and management can be clearly defined by many.

Two weeks ago I had the opportunity to participate in a leadership forum sponsored by the Hay Group and the University of North Carolina Kenan-Flagler Business School. Among the panelists were representatives from several of the "Best Companies for Leadership" from the recently published list in BusinessWeek magazine. I was able to glean some deeper insights from many of the executives including conversations with Laura Mattimore, Head of Leadership Development for Procter & Gamble from whom I better understand why P&G has developed more current C level executives that lead other Consumer Packaged Goods and Life Sciences organizations than many other companies combined.

During the forum we discussed the who, what, and why's about the companies that made the list. The best in class seemed to be cut from the same cloth and the recruitment and development of their Human Capital was the common thread.

#### **Significant Facts**

The top leadership companies not only entered the recession with strong leadership in place, they maintained their commitment to preparing and retaining leaders and are highly committed to developing leaders within their ranks, and continued to make leadership development a priority over the past year.

#### **In This Issue**

Consumer Goods  
Companies Specifically

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#### **Clients & Friends**

**Welcome to the April 2010 edition of "The Human Capitalist".**

As a Consumer Goods and/or Life Sciences Executive it's important to keep up with the ever changing challenges in today's work environment. The Human Capitalist offers many insights on how to meet those challenges.

If we can be of service in any way, please give us a

Ninety per cent of these companies agree that all employees have the opportunity to develop and practice the capabilities needed to lead others.

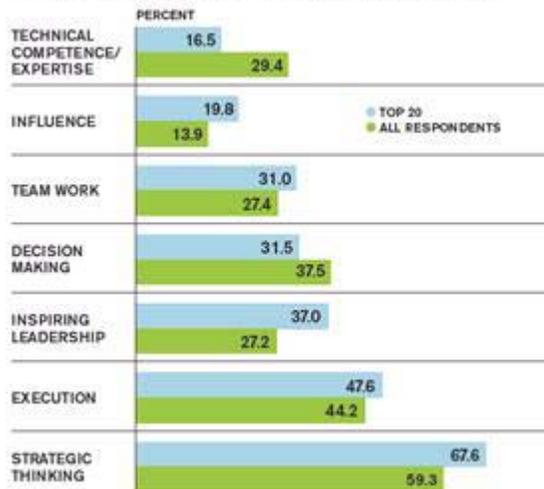
Nearly all the respondents in the Top 20 (85 per cent) said that employees are expected to lead, regardless of whether they have a formal leadership position.

The vast majority of the Top 20 companies said they actively manage a pool of successors for mission critical roles and noted that people stay at the organization primarily for growth opportunities.

About 66 per cent of the respondents in the Top 20 have a high proportion of women in senior leadership positions.

Top leadership rank technical competence/expertise dead last over influence, teamwork, decision-making, inspiring leadership, execution and strategic thinking, where most companies rank it amongst the most important attributes.

#### WHAT ORGANIZATIONS VALUE IN LEADERS



Source: Bloomberg BusinessWeek/Hay Group 2009 Best Companies for Leadership Survey

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**Consumer Goods:** The top consumer companies who made the 2010 list were: General Electric, 3M, Procter & Gamble, Wal-Mart, Nestle, Coca-Cola, McDonalds, Unilever, Hewlett-Packard and General Mills.

**Procter & Gamble Leadership Philosophy:** "The single most enduring thing P&G leaders can do is to identify and develop our next generation of leaders. If we can get the right

people with the right skills and experiences in place to run our business, the rest will take care of itself." - Laura Mattimore, Director, Leadership Development

***Nestle Leadership Philosophy:*** "Leadership at Nestlé is about a long-term commitment to growing the business while growing people and our leadership development efforts continue to stress the importance of learning from real, often international, experience, supported in more innovative ways aligned to people's changing aspirations and personal circumstances. This may include more short-term assignments, global projects, and even weekly commutes, as well as peer coaching and mentoring. Executive education will continue to play a supporting role." - Edward Marsh, Head of Talent & Organisation Development

***Coca-Cola Leadership Philosophy:*** "To deliver against our 20/20 Vision, our future leaders will need to effectively navigate in a changing world—a world where macro global forces require shifts in thinking, shifts in behavior, and shifts in our world view." - Glenn Rosen, Director, Global Talent Management

***McDonald's Leadership Philosophy:*** "Our future success requires leadership not just in management roles, but at all levels of the organization. So, we expect every employee to live McDonald's values and demonstrate leadership, no matter what level or position they hold. Our accelerated leadership development programs typically focus on four areas: 1) Leading McDonald's in a complex, changing world; 2) Creating a climate for continuous improvement and innovation; 3) Getting work done through others; 4) Sustaining McDonald's for the future." - David Small, Vice-President, Global Talent Management & Leadership Development

***Hewlett-Packard Leadership Philosophy:*** "HP's market leadership has been a direct result of having strong leaders skilled at inspiring and delivering innovation, excellence, and seamless execution. Our continued focus on attracting and developing the 'best of the best' in talent and leadership has been a key driver for our ability to win in the marketplace, and it will continue to be a guiding principle." - Marcela Perez de Alonso, Executive Vice-President, Human Resources

***Unilever Leadership Philosophy:*** "We've established a bold ambition to dramatically grow our business while simultaneously reducing our environmental impact. This is going to require both a lot of new ideas and leaders with different skills than we have today. We're committed to investing in the development of new leadership capabilities for this ambition because we're certain that the returns will be well worth it." - Sandy Ogg, Chief Human Resources Officer

***General Mills Leadership Philosophy:*** "We believe great brands and great leaders go hand in hand. From the CEO to the front line, we will continue to support the growth of all leaders. We've recently launched a multiyear 'Great Manager' initiative, aimed at building our solid base of managers throughout the company. We've all had great managers in our careers that made a huge difference to us personally. Our intent is to multiply those types of leaders at General Mills." - Kevin D. Wilde, Vice-President, Organization Effectiveness,

and Chief Learning Officer

**General Electric Leadership Philosophy:** "Today leaders are faced with so many challenges so often that any one set approach doesn't work 100% of the time. That's why we're focused on renewing our culture's focus on leadership development to reflect new realities. We're engaging our own leaders and a variety of outside thinkers to determine what it will take to lead in the 21st century." - Susan Peters, Vice-President, Executive Development, and Chief Learning Officer

**3M Leadership Philosophy:** "Investing in leadership development will remain a top priority. Our leaders provide the focus, power, and inspiration that have made 3M one of the most innovative enterprises in the world today. We recognize the powerful impact leaders have on the company's ability to continue delivering innovative solutions and social responsibility, so 3M will continue to encourage our leaders to look beyond themselves to the world in which we live." - Cindy Johnson, Global Director, Talent Development

**Wal-Mart Leadership Philosophy:** "The future of leadership at Wal-Mart is rooted in our history of servant leadership. Our founder, Sam Walton, best described his role as simply 'picking good people and giving them maximum authority and responsibility.' In addition to our formal programs, we have a natural process in which leaders help develop each other that comes from our culture. ...It is imperative to increase expectations of leaders to mentor each other around the world to influence greater collaboration, leading to higher performance and global success." - Roger Cude, Senior Vice-President, Global Talent Management

**Life Science:** Two years ago, five of the top 20 were Life Science companies. This year, there were none. The reason is the pharma, biotech and medical device industries are experiencing a major and very painful transformation.

"The old business model-centered around developing blockbuster drugs, huge margins, and intensive marketing to physicians by an ever-growing sales force-has run its course," says Matt Gurin, senior consultant and life sciences specialist at Hay Group. "The new model is still emerging, but it will be customer-driven, with a stronger focus on creating better solutions and not just new compounds." Another radical change: Sales will shift from a retail approach targeting individual physicians to a business-to-business model targeting larger entities such as insurers and prescription payers.

This shifting paradigm has profound implications for the ways life sciences companies do business-and the sector's leaders are keenly aware of that. Virtually all of them acknowledge the need to change old organizational structures, old ways of working, and old ways of thinking.

### **Management is Out of Date**

The principles upon which we run companies haven't evolved to keep pace with the rapid changes of 21st-century business needs.

Most companies continue to operate on management principles formulated in the last century and based on manufacturing needs.

Like the combustion engine, it's technology that has stopped evolving. This isn't good because management-the capacity to marshal resources, lay out plans, schedule work and spur effort-is central to influencing human behavior.

When management is less effective than it needs to be, companies - and people - pay the price. What constrains most organizations' performance is not their operating or business models, but their management models.

While most companies have methodologies for product innovation, rarely do they examine their management processes.

In recent years, there has been a push to systematically reinvent business processes and systems for the sake of speed and efficiency.

Curiously, so few companies apply any attention to the kind of innovation that matters most: management innovation.

### **Why Reinvent Management?**

Gary Hamel, author of *Leading the Revolution* and *Competing for the Future*, addresses the need to reinvent management in his recent book, *The Future of Management*.

Hamel posits companies will face do-or-die challenges in the near future that can be surmounted only with inspired changes in how we manage.

Without revamping management, companies will find themselves in the dinosaur bone yard, relics of outdated practices and bureaucracies that stifle innovation, dispirit employees, and cause obsolescence.

There have always been dinosaurs - companies like Kodak, Sony, Sears, and General Motors, which failed to reinvent themselves on a timely basis and paid the price.

In recent years, however, entire industries have suffered because they couldn't adapt fast enough. TV networks, newspaper publishers, record companies, traditional airlines, and giant drug companies struggle with outmoded business models. Some will eventually regain their footing. In the meantime, billions of dollars and millions of customers will be lost.

### **Overcoming Trade-Offs**

Modern management has succeeded in conquering many industrial challenges. The

management principles we use today tackle problems like:

- Breaking complex tasks into small, repeatable steps
- Enforcing adherence to standard operating procedures
- Measuring costs and profits
- Coordinating the efforts of tens of thousands of employees
- Synchronizing operations on a global scale

However, these achievements come at a price. While the machinery of modern management forces diverse, opinionated and free-spirited human beings to conform to rules, there are big trade-offs.

Conformity squanders human imagination and initiative. While it brings discipline to operations, it slows things down. Discipline and conformity imperil organizations' abilities to react to market needs and adapt quickly. In today's climate, rapid adaptability is crucial.

While the management system, as we now know it, has multiplied the purchasing power of consumers worldwide, it also requires them to spend hours captive in jobs with routines they may or may not enjoy.

Modern management has helped make businesses dramatically more efficient, but there's little evidence it has made them more ethical or socially responsible.

Gallup surveys reveal two-thirds of employees are not engaged or are actively disengaged. Conformity to rules and operating procedures, when rigidly enforced causes:

1. Slower adaptability
2. Less employee initiative
3. Less engagement
4. Less creative thought
5. Fewer innovative ideas

Perhaps it's time to renegotiate the bargain. How can we learn to coordinate the efforts of thousands of individuals without stifling imagination? How can we build organizations where discipline and freedom aren't mutually exclusive?

In this new century, we can strive to transcend the seemingly unavoidable trade-offs that have been the unhappy legacy of modern management.

### **What's Different Now?**

There are undoubtedly seismic winds of change afoot: world-flattening communications, China and India's rise to power, climate changes, and religious unrest. But what distinguishes our business climate is the accelerating pace of change.

In the near future, the adaptability of every society, organization and individual will be

stressed as never before.

*"It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change."* - Charles Darwin

Great changes and perturbations create opportunities, as well as challenges. Organizations and individuals who can rapidly shift their strategic missions and manage change well will survive.

The most critical question for every 21st-century company is: "Are we changing as fast as the world around us?"

To thrive in an increasingly disruptive world, companies must become as strategically adaptable as they are operationally efficient.

To safeguard their margins, they must become gushers of rule-breaking innovation. If they're going to out-invent and outthink a growing pack of upstarts, they must learn how to inspire their employees to give the very best of themselves every day.

### **Strategic Inertia**

Large organizations are not usually strategically nimble, innovative or highly engaging places to work. Many factors contribute to strategic inertia, but three pose the most serious threats to rapid adaptation:

1. Management teams' tendency to deny or ignore the need for a strategy reboot
2. Too many compelling alternatives to the status quo, which lead to strategic paralysis
3. Allocational rigidities that make it difficult to redeploy talent and capital behind new initiatives

The problem is, management orthodoxies are often so deeply ingrained in executive thinking that they're nearly invisible. They are so devoutly held that they're unassailable. They ignore the warning signs until a crisis forces them to change.

Changing the way we manage can deliver potent advantages to the innovative company and produce seismic shifts in leadership. Technology and product innovation, by comparison, tend to deliver small-caliber advantages.

A management innovation creates long-lasting advantage when it meets one or more of three conditions:

1. The innovation is based on a novel principle that challenges management orthodoxy
2. It is systemic, encompassing a range of processes and methods
3. It is part of an ongoing program of invention where progress compounds over time

Here's how some companies created management innovations in the last century:

1. GE's industrial research laboratory, as well as its commitment to improving management talent
2. DuPont's development of capital-budgeting techniques with ROI calculations
3. Procter & Gamble's approach to brand management
4. Visa's groundwork for industry consortiums
5. Linux's open source development and online collaboration
6. Toyota's problem-solving contributions from front-line employees
7. Whole Foods Market's recognition of the power of community, teams, rewards and compensation systems

### **Management Innovation Defined**

According to Gary Hamel, a management innovation is "a marked departure from traditional management principles, process and practices, or a departure from customary organizational forms that significantly alters the way the work of management is performed".

Management innovation changes how managers do what they do, including:

- Setting goals and laying out plans
- Motivating and aligning efforts
- Coordinating and controlling activities
- Accumulating and allocating resources
- Acquiring and applying knowledge
- Building and nurturing relationships
- Identifying and developing talent
- Understanding and balancing the demands of outside constituencies

Management processes like strategic planning, capital budgeting, project management, hiring and promotion, employee assessment, executive development, internal communications and knowledge management are the gears that turn management principles into everyday practices. They establish the recipes and rituals that govern managers' work.

While operational innovation focuses on a company's business processes (procurement, logistics, customer support), management innovation targets a company's management process.

### **How to Become a Management Innovator**

Innovation is always a numbers game: The more you do it, the better your chances of hitting a winner.

As with other types of innovation, the biggest challenge is generating truly novel ideas. It's possible to increase the odds of a "Eureka!" moment by assembling the right ingredients.

Some of the essential components include:

- A recurring problem that demands fresh thinking
- Novel principles or paradigms that illuminate new approaches
- Careful deconstruction of the conventions and dogma that constrain creative thinking
- Examples and analogies that help redefine what's possible

Let's explore these four elements.

### **Commit to a Big Problem**

Big problems don't always produce big breakthroughs, but little problems never do. If you want to turn your company into a management innovator, Hamel suggests you commit to solving a big problem in a fresh way. Ask these questions to stimulate your imagination:

1. What are the tough trade-offs that your company never seems to get right.
2. What are big organizations bad at doing?
3. What emerging challenges does the future have in store for your company?

### **Search for New Principles**

Novel problems demand novel principles. If you want to prime your company for continuous, preemptive strategic renewal, new principles will be needed:

- Variety
- Competition
- Allocation flexibility
- Devolution
- Activism

These principles have not been inherited from the Industrial Revolution, but they will be necessary in the future.

The machinery of bureaucracy was invented in an age when human beings were seen as little more than semi-programmable robots. If you want to build an organization that unshackles the human spirit, you're going to need some decidedly unbureaucratic management principles.

### **Deconstruct Your Management Orthodoxies**

A lot of what passes for management wisdom is unquestioned dogma. Management is not ordained. It does not operate according to scientific laws. You must loosen the grip precedent has on your imagination.

As a management innovator, you should subject every management belief to two questions:

1. Is the belief toxic to the ultimate goal you're trying to achieve?
2. Can you imagine an alternative to the reality the belief reflects?

Few companies have worked as systematically as Google to broadly distribute the responsibility for strategic innovation to workers. The conventional view of the CEO as the strategist-in-chief is merely a convention. It's not entirely wrong, but it's a long way from being totally right. When you closely examine other management conventions, the space for innovation grows.

### **Exploit the Power of Analogy**

If your goal is to escape the straitjacket of conventional management, thinking then study organizations that are decidedly unconventional. An organization like Alcoholics Anonymous manages itself well with self-organizing groups. Bangladesh's Grameen Bank has also invented new management thinking.

Where can you look to hunt down equally unlikely analogies that suggest new ways of tackling thorny management problems?

### **Get Innovative**

How have your company's existing management processes exacerbated big problems you need to solve?

There's no doubt that with each passing year, the present is becoming a less reliable guide to the future. So far, management in the 21st century isn't much different from management in the last century.

You can wait for a competitor to stumble upon the next great management breakthrough, or you can become a management innovator now.

In a world swarming with new management challenges, you'll need to be even more inventive and less tradition bound than all those management pioneers who came before you.

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### **About Hunt Executive Search, Inc.**

Hunt Executive Search, Inc. is the preeminent supplier of human capital to the Consumer Products and Life Sciences industries.

Our clients include large publicly traded multinational consumer packaged goods and pharmaceutical manufacturers, medium size and small family and/or private equity owned

companies, retailers, wholesalers and brokers. For these clients we have placed executives in top-level positions at C Level, General Management, Sales, Marketing, Product Supply, Manufacturing, R&D, Finance and Human Resources.

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In closing we would like to thank you for your time in reading our newsletter. Please enjoy and apply the wisdom in the Human Capitalist. We welcome and appreciate any and all feedback and requests

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