

Changing Places

What Functional Leaders Can Learn from One Another

POINT
of
VIEW

You've heard the stereotypes and, in a frustrated moment, may even have uttered one or two of them yourself:

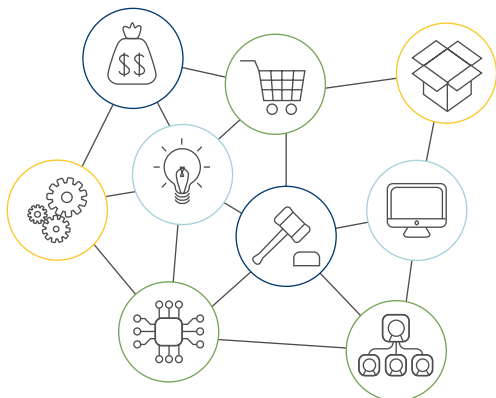
- **Manufacturing** is prepared to make any product you like as long as it's black.
- **HR** cares more about having the latest training program than about business results.
- **Legal** should not be involved until it is strictly necessary, otherwise, they will "prevent business."
- **Finance** leaders are focused on the numbers, not the business, and they don't collaborate well.
- **The sales team** is made up of "target beaters," focused on volume but not operations or credit issues.
- **Marketers** are enamored of big ideas and cool creative, but lack financial and analytical skills.
- **Procurement** just wants to buy as cheaply as possible, even if it causes a problem in the factory.
- **IT** are tech geeks advocating technology for technology's sake, or the "help desk" to be called only when there is a glitch — either way not very strategic.
- **R&D** comes up with amazing concepts that nobody can actually build.



As they move to more senior roles, executives in finance, marketing, IT, legal, HR and supply chain tend to develop distinct skill sets, vocabularies, mindsets and styles. These differences in styles, language and priorities across functions — the nuggets of truth that drive the stereotypes — can sow distrust, get in the way of hearing one another’s ideas or perspectives, and keep leaders from working together effectively. They also can prevent leaders from learning useful ideas and approaches from one another.

Yet the ability of top leaders to learn from one another and collaborate across functions and businesses has never been more important, as the most significant challenges facing organizations — business transformation, innovation, dynamic competitive and market threats, and increasing customer expectations — demand shared objectives, creative thinking and, often, a coordinated approach. Mobile, for instance, requires a “triangulation of all forces from customer experience to technology to marketing to sales to think about it,” said Erik Pearson, executive vice president and chief information officer for IHG. Leaders who understand the priorities, language, styles, strengths and weaknesses of other functions and business units are at a distinct advantage as the dependencies across the organization grow.

Drawing on data about the skills/styles of functional leaders, our experience assessing them and conversations with executives who have gained experience in multiple functional areas, we look at what functional leaders can learn from other functional areas and provide advice for integrating diverse perspectives to improve individual and team performance.




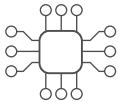




Getting past the stereotypes

Serving in another functional or business leadership role for a period of time is one way to see other functions in a new light as well as the limitations of your own experience. When he moved to general management from human resources, Juliano Marcilio was able to combine his expertise in talent management with a new view of the challenges of the business — specifically, the need for the sales organization to evolve in response to the company’s new, more complex multi-product strategy. Under his leadership, the unit changed the profile for new sales team hires, oversaw the creation of new training programs and implemented significant changes in compensation and incentives, improving the performance of the business unit. “By applying a much more insightful HR strategy, we managed to change the game,” he recalls.

Returning to an HR leadership role a few years later — as head of human resources for HSBC Bank Brasil — Marcilio drew on his general management experience to realign HR performance measures to the performance of the business. Creating measures for assessing the quality of management, they determined that, indeed, good managers had better business results, and learnings from that work fed improvements to the HR processes of the whole bank.

Like Marcilio, Alfredo Ferrari, now CEO of Siqueira Castro Advogados, found himself having to think differently when he moved from legal to general management. “I thought I could apply my legal training and modus operandi directly to GM. Being a GM is a different ballgame from my previous legal experience. A corporate lawyer sometimes does not have a full operational view of the business. A lawyer thinks, analyzes and ponders variables. A GM needs to say ‘yes’ or ‘no,’ has to take decisions and make them happen, has to forecast what is the best for the business,” he said. But Ferrari also found that his knowledge of the law and ability to consider tradeoffs allowed him to more confidently weigh risks and decide which risks to take. “A ‘normal’ GM would probably be more cautious, unsure about the true consequences for the company and maybe himself. On the other hand, when I said that something could not be done, my business team understood it.”

Breaking Down Stereotypes: Leaders' Unique Perspectives and Skills

Functional leader	The worst stereotypes	Unique perspective/What they're arguably best at	Top leadership capabilities	Differentiating styles
Finance 	Focused on the numbers, not the business	<p>“Financial conscience” for the organization</p> <p>Often the most balanced view in the room on risk/reward</p> <p>View of the investor</p>	Driving results and collaboration	Pragmatic and realistic, “hopes for the best, plans for the worst”
Technology 	“IT black hole” from which business leaders cannot get what they need	<p>Innovation and how technology can drive new revenue</p> <p>Other than the CEO, the only leader who truly has to understand and support the operations of all other functions</p>	Driving results and collaboration	Relies on instincts and considers long-term scenarios
Human Resources 	Political, bureaucratic, uncommercial	<p>The people/talent implications of business decisions and new stages of growth</p> <p>Deep organizational and behavioral insights into culture, diversity and team and individual dynamics around and performance</p> <p>Highly developed coaching and advisory skills</p>	Developing organizational capabilities and collaboration	Holistic perspective, tolerance, serves as the “conscience” of the organization
Supply Chain 	<p>The “nerdy” engineer type</p> <p>Highly tactical and analytical, missing the big picture</p>	<p>The link between the supply (operations) and demand (commercial) teams, focused on what generates the most value to the business</p> <p>Terrific insight into the cost of doing business</p>	<p>Driving results and leading people</p> <p>Process management</p>	Tough-minded and action-oriented, not afraid to take charge
Legal 	<p>Naysayers, black-and-white thinkers</p> <p>Prevent “business”</p>	<p>Able to weigh the legal risks against the business objective</p> <p>Forward-looking view of regulatory, legislative, litigation trends</p>	Collaboration and driving results	Mix of grounded sensibility and lightheartedness
Marketing 	Fluffy, creative types lacking financial acumen	<p>Ultimate consumer and customer insight</p> <p>Brings holistic view of the brand, including brand risks</p>	Strategic thinking (especially market insight and customer mindset) and collaboration	Creative and curious, strong external orientation

These kind of experiences that provide deep insight in new areas of the business or fresh ways of thinking from another functional or business area can be transformative, said Pearson, who went from a global team role running the internet business to a regional CMO role and ultimately into the CIO role. “Your ability to have a broader impact and influence organizationally on the company improves when you move from function to function or from the U.S. to China. It enhances your understanding of customers in different markets and different demographics and how that impacts your business decisions as well as your technology decisions,” he said. “These experiences also can increase the ‘speed of trust’ — accelerate trust in the organization so that people can make decisions faster and actually go to market faster.”

But even without changing roles, leaders can find ways to gain important insights that lead to new ideas and improved ways of working, breaking through stereotypes and political and bureaucratic divisions that get in the way of doing what’s right for the business.

“Solutions can emerge when you bring people together and get at what’s driving those perceptions,” said Richard Ware, who began in Mars R&D function, later spent time in supply chain and procurement, and now heads up supply chain, R&D and procurement for the company. For example, insight from marketing about the drivers of consumer decision-making helped R&D refine its approach to innovation.

Appreciating the unique perspectives and capabilities that other functional and business leaders bring to the table — and tapping their expertise — is a good way to start breaking down barriers.

“One of the best insights that we had from the marketing team was around the ‘laws of growth,’ and the realization that the world isn’t out there waiting for a better Mars bar,” said Ware. “There are reasons why people don’t buy our products that may become the barriers: ‘I can’t find it in the store.’ ‘I can’t afford it.’ ‘I don’t think of it, or it’s not relevant to me.’ Once you have the clearest possible articulation from marketing about the opportunities, product development can get much more to work.”

The ability to learn from other functional leaders requires both mastery of one’s own area — which earns leaders the right to contribute at a broader level — and the self-awareness to seek out the best ideas and approaches from others, said Robert F. Probst, executive vice president and CFO of Ventas. “Not everyone brings the same strengths to the table. By definition, functional leaders excel in different areas. Teams come to a better result when the best ideas are actively sought out from different people. Just as it is critical to know the complementary sweet spot of peers so those strengths can be leveraged, it is important to be self-aware, to keep an open mind and to listen,” he said. “For example, finance professionals, who might not have a reputation for not being as focused on softer skills, can learn from other partners like HR.”

Making Connections: How Functional Leaders Are Collaborating



Breaking down barriers: What leaders can do

Sharing ideas and best practices and improving collaboration across functions and businesses don't just happen. Organizations that do these things best have a shared vision for the business, maintain a culture that encourages learning and establish decision frameworks that ensure collaboration doesn't result in indecision.

Understand and tap the diverse strengths and ideas of different disciplines

Appreciating the unique perspectives and capabilities that other functional and business leaders bring to the table — and tapping their expertise — is a good way to start breaking down barriers. For example, our assessments of the core leadership capabilities of thousands of functional leaders have shown that IT leaders tend to excel at driving results and collaboration, while chief human resources leaders are strongest at developing organizational capabilities. Beyond the capabilities, functional leaders also develop a unique view of the business based on where they sit. Good supply chain leaders have a great view of the cost of doing business and the implications of decisions on the product and delivery, while strong marketing leaders can have the best insight into how decisions may affect the customer or the brand. Insights from other functions include the following:

- > From finance, a focus on ROI and P&L and balance sheet management, and the insights that drive investor perceptions
- > From general management, the discipline of evaluating issues first from a whole-business lens before the functional perspective, and a focus on finding ways to create value
- > From IT, the ability to “look around corners” and spot the threats that could transform or disintermediate the business; agile approaches to rolling out new ideas
- > From human resources, the drivers of values, behaviors and performance from a people perspective
- > From legal, the balancing of risks and rewards
- > From sales, the specific challenges and needs of customers

Absolute mastery of their own functions enables leaders

to translate between the function and the broader business, which is critical for promoting understanding, said Ware. “A key role as functional leaders is translator — translating what is important to the function in a vocabulary that the business can use and translating what's important to the business or another function into the vocabulary and actions the function can use,” he said.

Clearly articulate the contribution of each discipline in the larger business vision

“The most successful companies inspire people to see how they fit within the larger mission, creating the belief at all levels of the organization that what you do matters,” said Pearson. “Whether you're a developer, an analyst, a data scientist, whatever, what you do matters because it has a direct impact on our guests having the best stay or our employees having the best environment to work in or our owners loving our brand.”

For functional leaders, aligning with the business agenda means understanding how the function impacts the business and whether it's contributing to business performance or not.

“If you’re sitting in a function, you have to make sure that you understand the overall business agenda and are aligned with it so what you’re actually delivering is really driving the business objectives, because that’s the only thing that counts at the end of the day,” said Doug Baillie, who recently retired as chief human resources officer of Unilever. In a rolling two-year cycle, Unilever senior teams helped by HR conduct an audit of talent, organization, culture, skills and capabilities in their parts of the organization — be it a geography, category or function. “We ask: What’s our talent strength? What do we need to do in the organization? What skills and capabilities are missing, and what are the things we need to strengthen from a culture point of view? We map that against where the business is today and against their three-year strategic plan,” said Baillie, who came in to HR from a line leadership role. “From there, we focus on delivering no more than 10 people actions, which are owned by the business, in order to make sure what HR is working on is truly driving that business agenda. It’s the most powerful tool that I’ve seen for ensuring that our agenda is really aligned to what the business needs.”

The CEO sets the tone for collaboration by articulating the vision and demanding business metrics and performance objectives for functions and business units that are linked by the shared vision. “The CEO must tailor communication to each function, demonstrating the impact of each area on the work of the others and on the ultimate client. At Siqueira Castro, we have an all-hands 45-minute meeting every Monday morning, revisiting what our corporate goals are, what each major area is doing to achieve them and foster collaboration and communication. I ask each senior executive what they will do that week to move us closer to the goal. This clarifies everybody’s roles, to themselves and to the others,” said Ferrari.

The CEO also is critical to creating a culture that fosters an environment of constructive debate, Probst said. “The CEO needs to be a role model that seeks input across different areas. He or she needs to seek input and flip to either side of the table to encourage debate. The best organizations encourage their leaders to call each other out if they do not agree on an issue. Equally, then they need to coalesce and respond with one voice and with speed once a decision is made. The key to creating this kind of culture is trust, high performance in each function and a willingness to collaborate.”

Establish clear decision frameworks

When collaboration becomes consensus — and everyone has veto power — decisions can be delayed or perpetually re-debated. A key to effective collaboration is defining a clear decision framework that articulates who is responsible for making certain decisions and who has the right to contribute to or veto a decision.

“Tensions arise where there is a lack of clarity,” said Baillie. “In a matrix organization, two things can help. Firstly, minimize the number of points in the matrix when decisions get made and be clear who makes them. Secondly, accept that there will be conflicts and that conflict is generally healthy. The question is how conflict is handled when it does arise. Many matrix organizations suffer because conflicts brew at a very low level in the organization, rather than being escalated and resolved. Successful companies quickly surface and resolve conflicts.”

Ware agreed: “Succeeding today is about speed, so large companies have to figure out how to reduce the number of ‘maybes,’” he said. “One of my colleagues has a great line: ‘I’d like a yes, I can live with a no, what will kill me is the slow maybe.’ So we’re focused on avoiding the slow maybe.”



Authors

Thomas Daniels (New York), Norton Rizzato Lara (Sao Paulo), Henrik Maartensson (Brussels), Katie Mitchell Tucker (Atlanta) and Deborah Warburton (London)

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