

# The RESOURCE

## INNOVATION: THE NEW LEADERSHIP COMPETENCY

**A**s the economy becomes more globalized and commoditized, providing goods and services faster and cheaper becomes a goal with diminishing returns. Searching for a way out, companies are embracing a new business model, placing greater emphasis on innovation, creativity and design to distinguish their products and services. The brass ring from innovation is a breakthrough product that gives companies a significant competitive edge and a higher margin.

Most companies have already sought opportunities for customization and added value to already existing products to offset the increasingly narrow profit margins in their core manufacturing or service base. Some companies, such as 3M and Apple Computer, have a long history of innovation and design. Others have recently embraced this approach with success. Among them are Samsung, BMW, Procter & Gamble, and General Electric. Jeff Immelt, CEO of General Electric, states that new leadership traits emphasizing innovation are critical for long-term corporate development.

### Smaller Changes Add Up

Achieving success with significant innovation is quite difficult. *Business Week* magazine reports that 96 percent of all attempts fail to achieve their targets for return on investment. As a result, it takes a lot of courage for executives to fund innovative ideas, as most corporate cultures, for good reason, are risk averse. More often companies are placing their bets on smaller changes in processes and delivery that add up to create a better product or service for their customers. Even focusing on less than breakthrough changes, however, requires leadership to shepherd the changes through to completion.

Leadership for innovation requires a different set of competencies, not simply the ability to think outside the box. While imagination and creativity are helpful, a more facilitative style of leadership that encourages innovation may be most important. The leader himself does not necessarily have to come up with the creative ideas. Instead, he must provide a work environment that encourages creativity and innovation in others. The leader then must have both the insight to recognize an idea with potential and the willingness to take risks in moving the idea forward.

Most innovative leaders are focused on understanding how the customer experiences a particular product or service. Innovative leaders seek new and creative ways to make the customer's experience more satisfying. They work to discover what customers will need in the future, and they seek solutions that anticipate customer needs by having products and services ready when needed. Naturally, this requires a great deal of customer knowledge and intimacy.



While innovative leaders promote creativity as part of innovation, they also recognize the importance of discipline, metrics, and goals with appropriate financial targets. Indeed, innovation requires a great deal of hard work, measuring of progress, and focus in order for it to succeed. An innovative leader embraces good ideas wherever they can be found, whether within or outside the work unit.

### Promoting Innovative Work Culture

Selecting and developing leaders who will promote an innovative work culture is a new challenge for businesses. Companies that want to promote innovation, design and creativity need to develop a different leadership competency model, as well as a change in cultural values in order to embrace change, innovation and continuous learning as part of their business model.

Defining what innovation means for your company—both the results expected and the leadership behaviors required to make it happen—is the first step. Next is developing a new set of selection criteria. These must focus on the extent to which leaders are continuous learners and have the ability to recognize the need for change, as well as to facilitate change and innovation in their work units. The new criteria must include the ability to understand and anticipate changing customer needs. It will be important to look for leaders who do not just think and talk outside the box, but also have the courage to take educated risks that will increase the chance of success. Lastly, if leaders are to successfully implement innovation, they must have the leadership skills to manage project teams to accomplish goals.

Innovation is not simply the latest fad; indeed, companies large and small are betting their futures on it.

# MANAGEMENT COMPETENCIES FOR THE GLOBAL MARKETPLACE

**T**oday's executives are finding that a successful business strategy requires them to think and act both globally and locally as never before. As the cost of raw materials, technical capability, and production vary greatly from one part of the globe to another, profitability often depends upon finding the right global resources. At the same time, customers want the special attention that comes with being local, and they demand recognition of their perceived special needs. They also expect more expansive time for building and maintaining relationships.

Coordinating a business strategy that allows the flexibility to act locally while devoting time and attention globally requires a demanding skill set. Executives who can do this are in high demand, especially those who can travel and relocate as needed. Managing overseas assets, including human capital, is more important than ever as the dollars are higher and the impact greater.

As our customers have expanded their global operations, PSP has had the opportunity to expand its expertise in the assessment of international managers. We have been in a position to observe and learn those practices that are effective and those that aren't. The most critical lesson companies are learning is that they have less control at a distance despite the revolution in telecommunications. Problems can often go unnoticed or be hidden for a much longer time. Companies have often regretted allowing their overseas operations to become overly independent and isolated from their U.S. corporate offices.



## Effective Global Executives

Executives who are effective globally have the qualities often desired in ambassadors, and rightly so, as they are the face and voice of corporations to overseas employees and customers. The need for positive social skills and presence, along with the ability to build networks and strong relationships, is recognized as key to global managerial success. First and foremost, though, effective global executives have a good business sense. In addition to good analytical and critical thinking skills, other skills PSP has found to be required include:

- ◆ **Energy level** for handling increased work activity, longer hours and often extensive global traveling
- ◆ **Work composure** for having the flexibility to handle the pressures involved, maintaining a calm and professional manner even when under duress
- ◆ **Listening skills** for interpreting the nuances of communications with the ability to recognize what is not said as well as what is directly spoken
- ◆ **Appreciation for different cultures** for developing a greater understanding of what it takes to be successful operating in another country

Interviewing for the unique skills required for effectiveness in thinking and acting globally and locally is even more challenging than routine interviewing. Effectively evaluating these skills when interviewing candidates from other cultures is difficult for even the most skilled interviewer.

## International Assessment Online

PSP has validated its assessments for positions as varied as a Managing Director in Southeast Asia and a Director of Sales for Europe. PSP's online assessment sites have leadership and critical thinking tests that have been translated specifically for individuals who do not speak English. We have web sites adapted for Europe, Mexico and China. Companies can test employees online in Mandarin Chinese or in a combination of English and Chinese to ascertain strengths and weaknesses in language understanding.

PSP has conducted 360° surveys for career development, using our paired comparison approach, in countries across the globe, from Asia to Europe. The 360° paired comparison approach is particularly useful for countries where the culture has a strong desire to avoid controversy. The paired comparison approach does not require a good or poor rating, for example, as decisions are made on the relative strength of one skill or attribute versus another.

## All Executives Must Understand the World Marketplace

In today's global economy, all executives must develop an understanding of the world marketplace because it affects their companies either directly or indirectly. The natural barriers that exist because of distance, language and culture require constant chipping away. Companies need to promote continuous communication between their global enterprises. Techniques to do this include employee exchanges and face-to-face meetings, especially when working on critical strategic planning or starting up global project teams. Face-to-face meetings often help to smooth implementation of new policies and other changes. Global project teams are useful for integrating and transferring expertise within global operations. Rotating leaders and high-potential employees and exchanges for key personnel or positions are also helpful.

Companies that address the succession planning needs of their overseas operations early are better prepared for sudden problems. Knowledge of global talent allows quick movement of leaders to positions where they can contribute best.

The companies that have been most successful globally are actively involved with their overseas operations and promote a global perspective within their entire corporation. Then, when they have a problem anywhere on the globe, they have a number of highly experienced individuals who already have the working relationships and the global understanding to quickly identify a strategic response. Thinking globally and acting locally can happen only when steps are continuously taken to achieve a globally integrated company.

# MANAGEMENT TRAINING PLANS THAT WORK

**M**anagement training today is a multi-billion-dollar industry. In many companies, most management training activities are generic. Everybody on the management team gets time management training, or emotional intelligence training, or whatever the current fad may be. This is a “one size fits all” approach, which is used whether an individual manager needs it or not. While such an approach may get everyone on a management team speaking the same language, it is expensive and time-consuming—especially for managers who are already skilled in the competency being covered in the training.

No manager is perfect, and most managers have a “Swiss cheese” profile—one with holes in it. However, PSP’s research has shown that managers differ widely in their training needs. For example, some need better critical thinking skills, while others need to learn how to handle disagreement and conflict. Moreover, different managers prefer different training methods. Some like going to seminars, while others prefer to read books. Some like CDs and DVDs, while others want hands-on workshops.

## Training Needs Assessment Is Essential

A manager’s training needs are not always obvious. For example, a manager’s difficulty in managing conflict situations may stem from poor verbal skills, rather than from fear. A manager’s errors in decision-making may not reflect poor critical thinking skills, but rather impulsivity in stressful situations. If a careful **Training Needs Assessment** is not conducted, training might erroneously be focused on the symptom rather than on the underlying problem.



A careful Training Needs Assessment is the foundation of an

effective management training program, whether it be for an individual or for an entire company. Tied into a strategic leadership competency model, this assessment should include ratings from regular observers of the manager as well as career development testing. PSP’s **360° Survey** and **Career Development Evaluation** are ideal tools for such an assessment.

Once the assessment is completed, a **Root Cause Analysis** can be undertaken to establish underlying



problems and training needs for each manager. The Root Cause Analysis leads directly to the design of an individualized training plan. At PSP, training plans are individualized in two ways: first, in the specific areas in which training is needed; second, in the training methods used. Follow-through in management training and learning is much greater when training methods are customized to an individual’s preferred way(s) of learning.

## Coach-Managed Training Process

The next step in effective training plans is to pair the manager with a coach. The coach is an individual, usually inside the company, who has no direct supervisory authority over the manager involved in training. Through regular meetings, at least monthly, the coach helps the manager to prioritize among training needs and to manage the learning process. Indirectly, the coach also serves as an accountability mechanism for the manager. It is the coach’s job to help the manager glean lessons learned from training resource materials, and also to encourage application on the job of lessons learned. Usually, managers work on one competency at a time, spending approximately two hours per week in professional development training activities. Over a period of 12 to 18 months, most managers can complete work on one or two development opportunities, while still juggling the responsibilities of a full-time job and life outside of work.

## Follow-Up Assesses Improvement

Finally, effective management training plans include a follow-up step. It is important to assess improvement in each of the underlying development areas in order to complete the training process. Again, tools such as a 360° Survey and career development testing can be helpful in demonstrating measurable improvement in specific areas. Direct behavioral observations also help to measure progress.

Training plans undertaken according to these steps are not only individualized and cost effective, but they lead to better job performance by focusing on the most important areas that have practical and strategic application in the workplace.



# WHAT'S NEW @ PSp

- ❖ Launched PSP's Chinese language Web site, providing a full range of assessment tests and 360° Surveys online.
- ❖ Continued working on plant start-ups or expansions in the southeastern United States with international Spanish, Japanese and German companies.
- ❖ Initiated Online Testing with one of Australia's largest electric utility companies.
- ❖ Assisted in employee selection for accounting, engineering, production and professional positions for facilities in China.
- ❖ Assessed candidates for a human resources manager's position for a European technology company.
- ❖ Assessed several candidates for a managing director's position for a Pacific Rim company with offices throughout the South Pacific.
- ❖ Developed a measurement tool that combined performance management and career development for a large international pharmaceutical/chemical company, seeking to raise the bar on job performance.
- ❖ Conducted 360° Surveys with U.S. companies in the financial, manufacturing and publishing industries, seeking to improve leadership capabilities.
- ❖ Added 20 new PSP customers thus far in 2005.



HUMAN RESOURCE DEVELOPMENT

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## RESOURCES FOR INNOVATIVE LEADERS



We encourage executives to read the *Financial Times* regularly in order to develop a better understanding of the world marketplace through its up-to-date and interesting articles on international business. This London-based daily newspaper is available in print and online.

*New York Times* foreign affairs columnist Thomas L. Friedman explores the accelerating impact of globalization on corporations and individuals in *The World Is Flat: A Brief History of the Twenty-first Century*, a new book that has received much attention.

To help implement innovative thinking at your company, read *Ten Rules for Strategic Innovators: From Idea to Execution*, to be published in December by Harvard Business School Press. Authors Vijay Govindarajan, Professor of International Business at Dartmouth College, and Chris Trimble discuss what it takes to build a breakthrough business while sustaining excellence in an existing one. The authors give a preview of their book at Dartmouth's Tuck School of Business Administration in a two-day October seminar on "Strategic Innovation for Breakthrough Performance."

For a first-hand look at what it takes to be successful, get acquainted with Jack Welch, who retired in 2001 as chairman and chief executive officer at General Electric. In *Winning*, he describes his business philosophy and then takes a pragmatic look inside the company, at the competition, and at managing your career. This is the book Jack should have written earlier.

Management professor Andrew Hargadon considers breakthroughs in business to be a collective effort combining already existing ideas and technology in new ways. He discusses how companies can stimulate innovation in *How Breakthroughs Happen: The Surprising Truth About How Companies Innovate*.



***For recommendations on training resources on any management topic, contact PSP directly.***