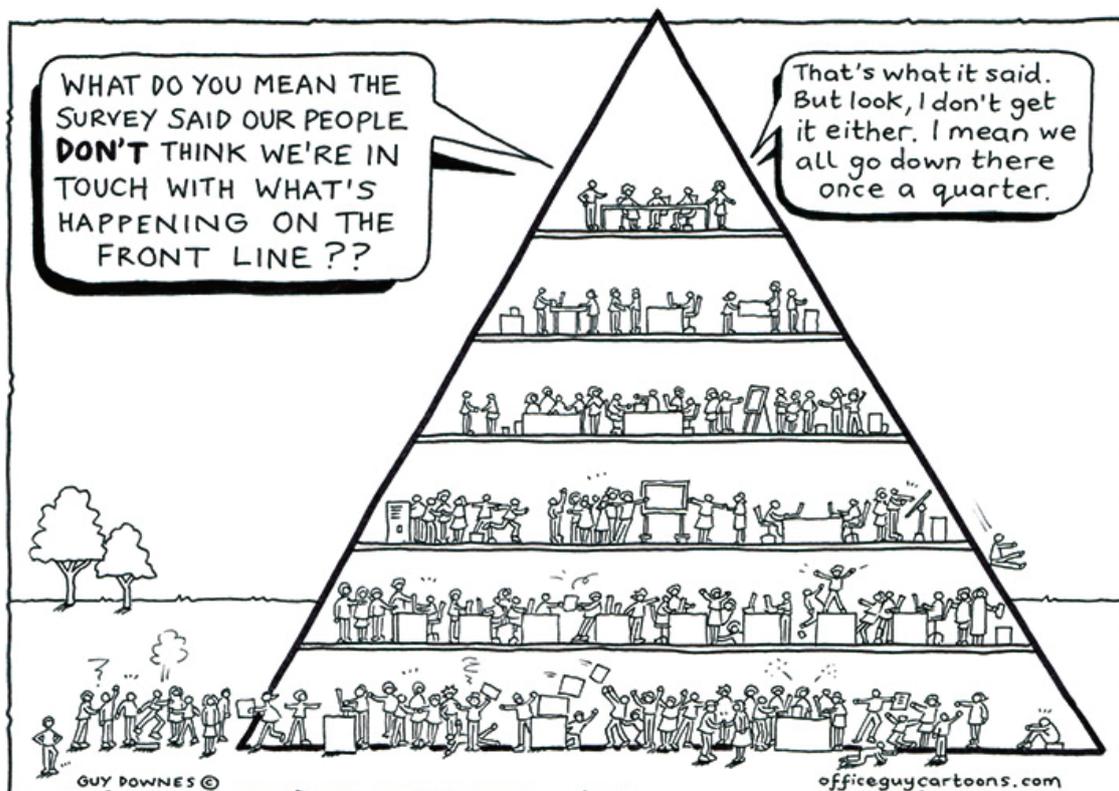




Where and Why leaders struggle...

Many problems in organisations can be traced back to poor leadership. Poor leadership is often that part of the iceberg that is not visible. The iceberg analogy is often used to illustrate that one often only sees a small part of a bigger problem. What the crew of the Titanic did not see was the part of the iceberg that ripped the fatal hole in the ship. Poor and ineffective leadership is often that hidden part of the iceberg. It's difficult to directly track someone being a poor leader on a balance sheet, unless they miss "the numbers".



Poor and ineffective leadership is often the result of leaders struggling with the personal and interpersonal components of leadership; just as critical to success as the technical aspects of their jobs. This is substantiated by research from the leadership advisory firm, Egon Zehnder. They found through a survey of 402 CEOs from 11 countries (executives who together run companies with \$2.6 trillion in sales) that:

- **68%** of respondents acknowledged, that in hindsight, they were not fully prepared to take on the CEO role;
- **50%** of respondents admitted that driving culture change was more difficult than they'd anticipated;
- **48%** of the CEOs surveyed mentioned that finding time for themselves and for self-reflection was harder than expected and
- **47%** of the CEOs surveyed responded that developing their senior leadership team was surprisingly challenging.

These findings might be explained by various large-scale studies that have found that leadership based solely on MBA-trained logic (technical part of their work) is not always enough for delivering long-term financial and cultural results; and that it is often detrimental to an organisation's productivity. In one study, researchers compared the organisational performance of 440 CEOs who had been celebrated on the covers of magazines like *BusinessWeek*, *Fortune*, and *Forbes*. The researchers split the CEOs into two groups — those with an MBA and those without one — and then monitored their performance for up to seven years. Surprisingly, the performance of those with an MBA was significantly worse than those CEOs without an MBA. Another study, published in the *Journal of Business Ethics*, looked at the results of more than 5,000 CEOs and came to a similar conclusion. To be clear, we are not saying MBAs are not useful in leading an organisation. But if a linear MBA-trained logic becomes the sole focus — at the cost of other skills, such as self-awareness and understanding others and the organisational culture — the leadership approach can be out of balance.

Bill George, a professor of leadership at Harvard Business School, and former CEO of Medtronic, indicates that self-awareness is the starting point of leadership. Self-awareness is the skill of being aware of our thoughts, emotions, and values from moment to moment. Through self-awareness, we can lead ourselves with authenticity and integrity — and in turn better lead others and our organisations. Unsurprisingly, self-awareness is omnipresent in various leadership models. After all, leaders are tasked with influencing and engaging their teams, so it is essential that they understand how their behaviours impact other people. And yet self-awareness is depressingly rare. For instance, psychological research suggests that there is less than 10% overlap between people's actual and self-perceived competence; mostly because people are not as adept as they think they are. When leaders

lack self-awareness, they often overindulge in toxic or undesirable behaviours — because they have no filter or ability to contain themselves. To be clear, everyone has a dark side, but when leaders are self-aware, they monitor their behaviours more effectively and learn to control their problematic tendencies, keeping these toxic assets in check.

McKinsey research argues that leaders do not pay enough attention to the “soft” organisational and leadership elements of project delivery, namely the mindsets, practices, behaviours and culture needed for success. Nischwitz indicated that it is “... soft skills that will help you set clear expectations, elicit clear commitments from colleagues, and bring sharp accountability. You will get the right things done consistently and that is not soft.” The same author states that soft skills are therefore not optional for leaders. Nischwitz also highlights research conducted with Fortune 500 CEOs by the Stanford Research Institute International and the Carnegie Mellon Foundation, which found that 75% of long-term job success depended on people skills. Only 25% of success depended on technical knowledge.

This is corroborated by research from Joseph Fuller, Professor of Management Practice at Harvard Business School, who claims that the emphasis on technical knowledge only is misplaced. During a recent speech to educators in Iowa, Mr. Fuller caused a stir when he proclaimed, “Forty-nine percent of all terminations are attributed to deficient soft skills, which by a factor of 2x, is the number one reason workers are fired.”

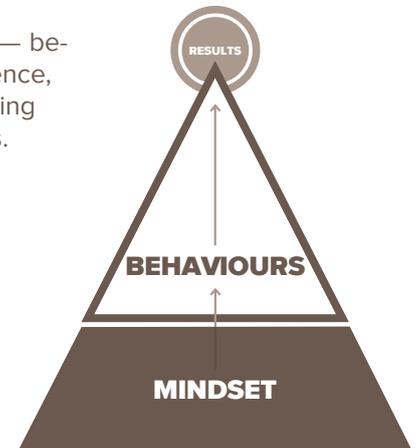
Notwithstanding the preceding literature and research, most organisations pay far more attention to strategy and execution than they do to what their people are feeling and thinking when they're asked to embrace a transformation. Resistance, especially when it is passive, invisible, and unconscious, can derail even the best strategy.

Business transformations are typically built around new structural elements, including policies, processes, facilities, and technology. Some companies also focus on behaviours — defining new practices, training new skills, or asking employees for new deliverables.

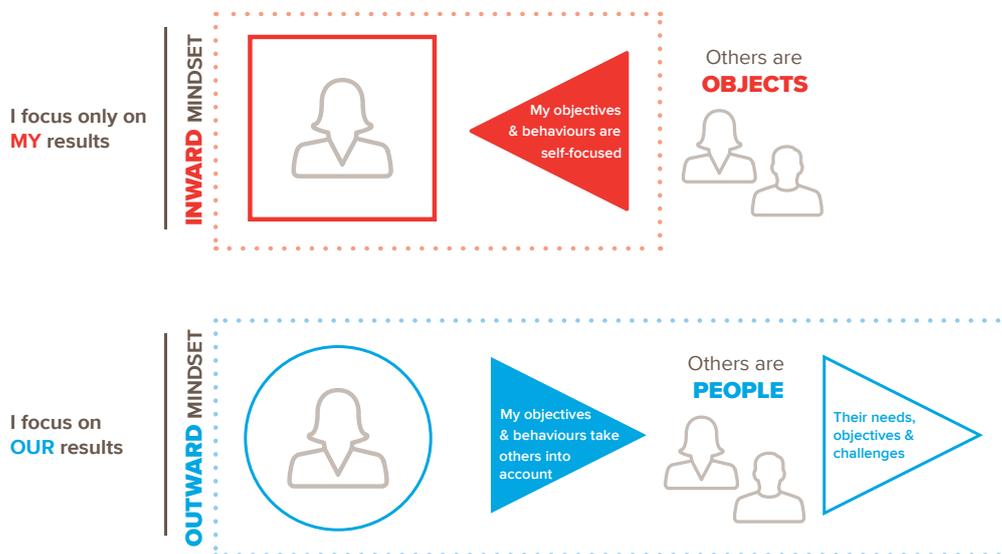
What most organisations typically overlook are the internal dynamics — what people think and feel — which must occur to bring any strategy to life. This is where resistance tends to arise — cognitively in the form of fixed beliefs, deeply held assumptions and blind spots; and emotionally, in the form of the fear and insecurity that change engenders. All of this rolls up into our mindset, which reflects how we see the world, what we believe and how that makes us feel. The Arbinger Institute provides a useful diagram to illustrate this.

Transforming a business also depends on transforming the mindsets of individuals — beginning with the most senior leaders and influencers. Few of them, in our experience, have spent much time observing and understanding their own motivations, challenging their assumptions, or pushing beyond their intellectual and emotional comfort zones.

All this explains why the most effective transformation begins with what’s going on inside people — and especially the most senior leaders, given their disproportionate authority and the influence they carry. Their challenge is to deliberately turn attention to begin noticing the fixed patterns in their thinking, how they are feeling in any given moment, and how quickly the instinct for self-preservation can overwhelm rationality and a longer-term perspective; especially when the stakes are high.



Arbinger’s research indicates that people operate at any given time primarily from one of two mindsets: An **INWARD MINDSET** or an **OUTWARD MINDSET**.



From an Inward mindset, people focus only on their own personal goals and objectives, without consideration their impact on others. With this self-focused Inward mindset, people see others not as people with their own needs, challenges, and objectives, but as objects. They see others primarily as:

- Vehicles to achieve their own objectives and results;
- Obstacles that are in their way or causing problems; or
- Irrelevancies that can be ignored.

With an Inward mindset, we are blind to what others need; and therefore, can frustrate others or create conflict. We might blame others for our frustrations or failures. Focused only on our own objectives, we might even hamper our organisation's effectiveness or results while thinking we're doing a good job!

With an Outward mindset, however, we see others as people who matter, like we do. We consider their needs, challenges, and objectives. And we focus on collective results. We feel responsible to do our jobs and to do them well; but also, to do them in a way that supports others in doing their jobs—because we know their jobs contribute to the organisation's results just like ours do.

When we have an Outward mindset—when others matter to us—we naturally want to be helpful to them. So, we adjust our own efforts to make their work easier however we can. Rather than blaming others for our frustrations or feeling like victims of our circumstances, we begin to see new possibilities and solutions to our most vexing or long-standing problems.

What kind of mindset change is needed for leaders and organisations?

Leaders can only resolve problems when they considering their impact on others and focusing on the needs of others, the team and the organisation. Shifting to an Outward mindset is the one change that most dramatically improves performance, sparks collaboration, and accelerates innovation and agility, to name but a few.

With an Inward mindset, organisations and the individuals in them may think only about their needs, challenges, and objectives relative to a given problem. Organisations may become more siloed, more conflict-prone, as departments and offices focus on solving only their piece of the challenge or problem. Organisations made up of individuals with an Inward mindset might try to protect the resources they currently have—at the expense of organisational interests. They might blame others for their inability to solve the problem.



With an Outward mindset, organisations and individuals focus on the collective result(s). They can have difficult conversations about resource allocation, roles and responsibilities without feeling the need to protect themselves or their areas. They might frame the problem differently, allowing them to see new possibilities for solutions and new directions for problem-solving. With an Inward mindset, people tend to avoid difficult conversations because they do not care enough about others and/or the organisation.

Contact us at the Arbinger Institute if you want to learn more about our processes to transform mindset. Our work is designed to provide you and your organisation with the knowledge, tools, and frameworks to develop the skills that will help you to become competent and confident with others, regardless of the challenge. Imagine what it would be like to work in an organisation and live in a community where a critical mass of people is working with everyone else's best interests in mind. It all starts with individuals and leaders who have the courage to choose to make a difference by being different – **to choose to have an Outward mindset.**

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