

PROPHET

Catalysts in Action: Applying the Cultural Levers of Transformation

A GLOBAL RESEARCH REPORT

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May 2020

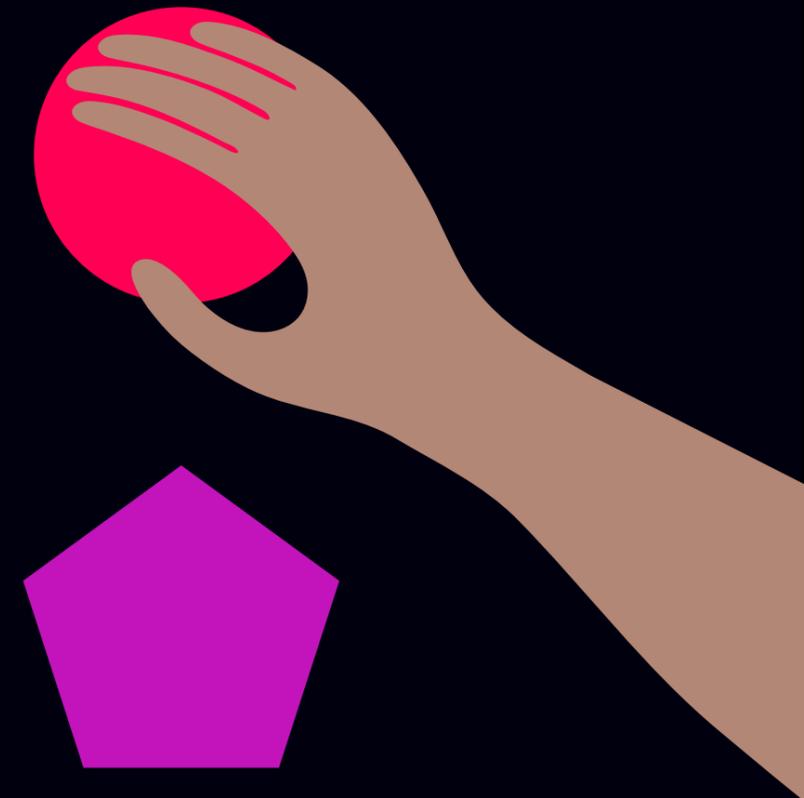
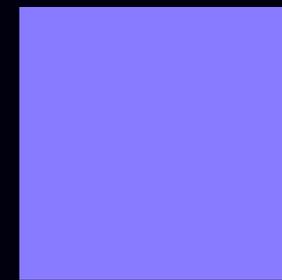
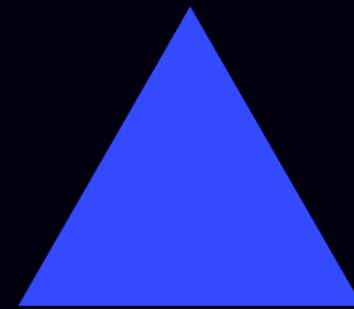
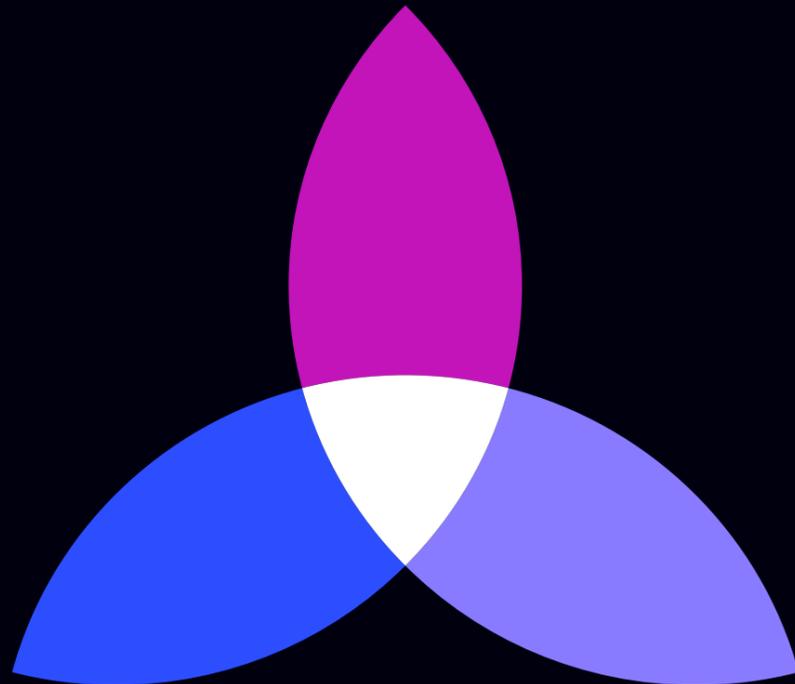


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Executive Summary



Transformation is more relevant than ever, as organizations must build the resilience required to serve their stakeholders in the midst of ongoing world-altering shifts, such as the COVID-19 global pandemic and its inevitable economic consequences. A proven transformation methodology is needed to bring clarity, focus and field-tested experience so organizations can continue to make progress, in good times and in bad.

Prophet's Organization & Culture practice is dedicated to this end. We use our Human-Centered Transformation Model™ to help organizations power their transformation from the inside-out. In 2019, our global research identified the cultural Fundamentals and Accelerators that underpin this model. Over the past year, we've seen these levers effectively put to work with our clients across multiple industries and geographies.

We've observed that transformation can be daunting and that organizations are often unsure where to start — or, if transformation is already underway, where to go next. Our 2020 global research has identified four pathways of cultural change that are intended to help organizations focus their efforts and make sustained progress toward transformation. These pathways are not intended to be prescriptive but rather, a helpful aid for how organizations might navigate transformation, based on overcoming primary roadblocks. We've also dedicated a chapter to the most critical characteristics for leaders to embody in bringing their organizations along on the transformation journey.

REPORT HIGHLIGHTS

1

THERE IS STILL NO SILVER BULLET

Organizations need to integrate all elements of our Human-Centered Transformation Model™: DNA, Body, Mind and Soul.

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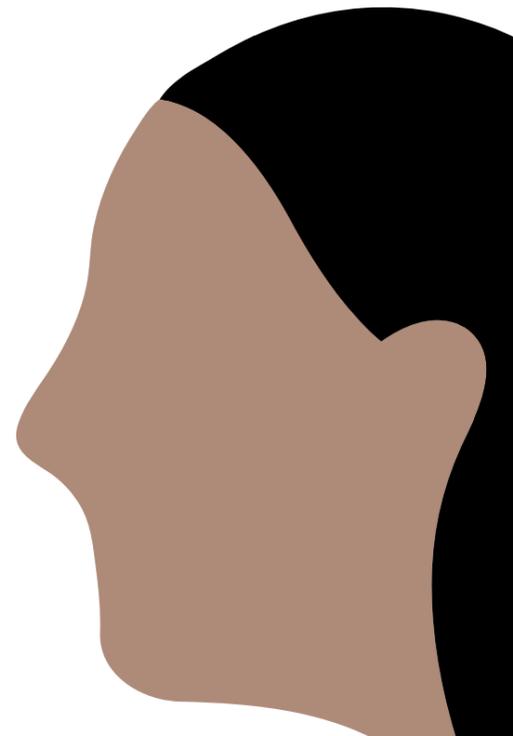
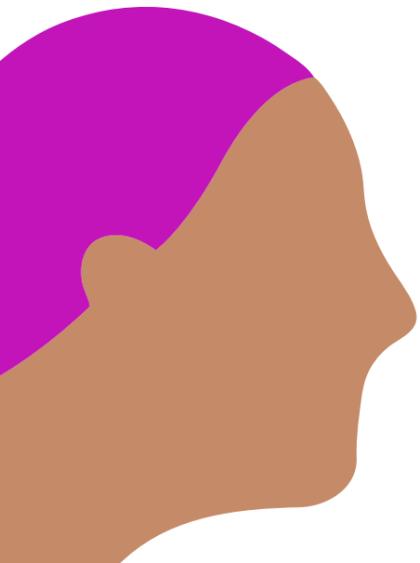
FOCUS YIELDS PROGRESS

At a given time, successful application of a targeted set of change levers will yield greater impact than balancing partial efforts across the broad set of levers.

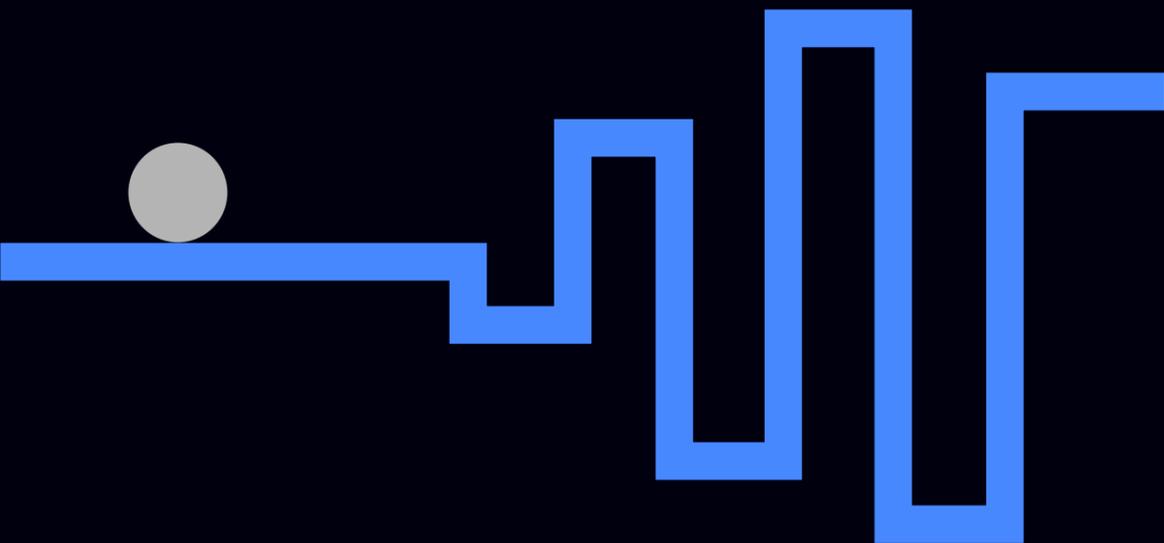
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TRANSFORMATION IS POWERED BY MANY DIFFERENT VOICES

Modern leaders around the globe are recognizing that deep cross-functional collaboration and engagement are required to make transformation work.



The Future is Here



TRANSFORMATION IS MORE RELEVANT THAN EVER

Following the completion of our research, and as we were in the process of interpreting its results, our reality was turned upside-down by the COVID-19 pandemic. As we completed fielding our survey, the urgency of transformation in the Digital Age still varied across industry and by company. Just a few weeks later, the long-heralded future for which companies had been preparing — a time when traditional physical channels and experiences were no longer relevant, legacy ways of working and skills were abandoned and a new operating model for the organization dawned — had arrived.

The upshot is that companies no longer have discretion when it comes to transformation for the Digital Age; it is their only option. Deferred digital decisions — which previously may have shown up as small chinks in a company's armor — have now exposed significant vulnerabilities in organizational cultures across industries and regions, shattering deeply ingrained assumptions about historical behaviors, skillsets, organizational designs and operating models.

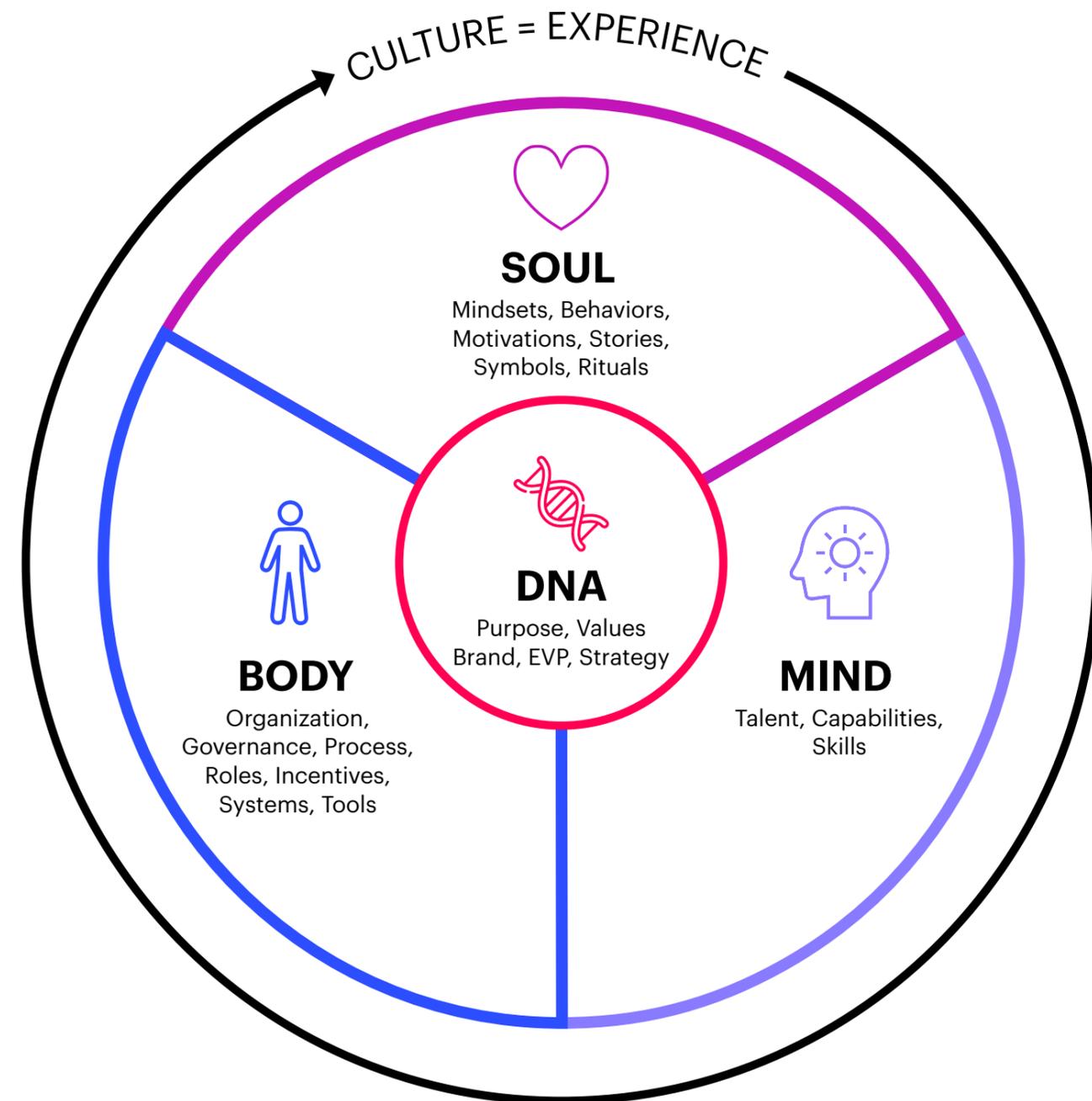
Companies rightly focused on adapting as best they could in the immediate-term to get through the pandemic, but this was just the start. Countries around the world are now facing economic crisis, as they've simultaneously mobilized to provide much-needed aid while their economies have faltered. The economic and societal consequences of COVID-19 are likely to have sustained impact, long after the health and wellbeing concerns have subsided. Companies must build the resilience needed to weather these types of life-, society- and industry-altering events and to continue to serve their customers, employees and stakeholders, in times good and bad.

THE METHODS OF TRANSFORMATION STILL WORK

Though the context for companies' transformations has dramatically changed, the core methods have not. Organizations benefit from a proven transformation methodology and best practices to help their transformations to be most effective. Our research has once again shown the need to address culture as part of an effective transformation, through a core set of cultural levers that enable success.

These cultural levers are rooted in Prophet's Human-Centered Transformation Model™, which acknowledges that just like the humans that comprise them, organizations have DNA and a Mind, Body and Soul. Successful transformation depends on these elements working in sync to drive the sustained cultural change needed to align and motivate an organization.

THE HUMAN-CENTERED TRANSFORMATION MODEL™



Our 2019 research identified two categories of levers of cultural change that are embedded within this model— **Fundamentals**, which are the essentials of change, and **Accelerators**, the hidden drivers which can make a significant difference to change.

Our 2020 research has again confirmed the importance of these Fundamentals and Accelerators, typically working in sync with one another, and the prevalence with which companies are deploying and applying them within their transformations:

75%

of respondents reported using each of these levers as part of their transformation (with the exception of “push decision rights downward” at 66%)

72%

of leaders are reporting that their transformation has been “extremely successful” or “very successful”

72%

have completed at least a phase or portion of their transformation



Fundamentals

Clarify **which leaders would lead** and / or align top **leaders to role model** changes

Develop a clear **roadmap**

Push **decision rights** downward

Develop **KPIs**

Develop **training to re-skill** existing talent and / or identify the **skills, capabilities and roles** needed

Develop meaningful mechanisms to **enable employees to adapt**



Accelerators

Set a **powerful, actionable ambition**

Align **incentives to drive cross-functional work**

Align **talent systems in service of the transformation**

Share **successes and lessons learned**

Recognize and reward **progress, not just outcomes**

DNA

BODY

MIND

SOUL

SHARPENING THE FOCUS ON CULTURE

Now more than ever, we believe companies need pragmatic guidance for ensuring culture is fully aligned to support transformation. Our intent has been to develop an actionable playbook for how leaders might apply the Fundamentals and Accelerators within their own organizations. This guidance will help leaders understand how and where to focus. Successful application of a few levers — and then expanding efforts from this initial foundation — will be more effective than balancing simultaneous, partial efforts across the full set.

Our aim in this report is threefold:

- 1 Help leaders understand where they might focus within the Human-Centered Transformation Model™, based on their organizations' greatest needs for cultural change
- 2 Identify the opportunities and pitfalls in trying to make progress against these levers
- 3 Provide best practices and stories of how other companies are moving forward

Additionally, as Prophet CEO Michael Dunn wrote earlier this year, leading in a time of crisis requires bringing “our ‘A’ game each moment, inspiring and drawing inspiration from teams all around us.” We’ve dedicated a chapter to defining the skills that are most important in taking a human-centered approach to transformation leadership (see section titled “A Modern Leadership ‘A’ Game”).

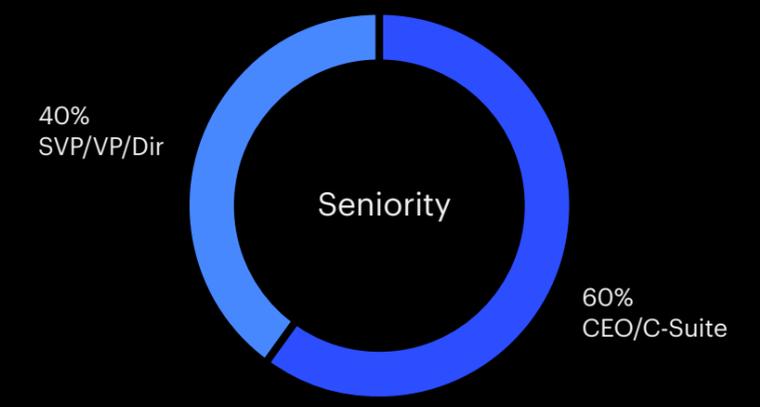
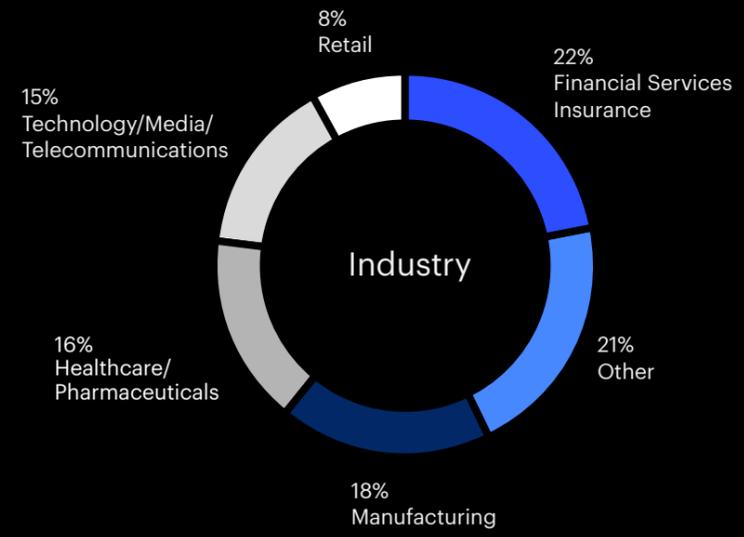
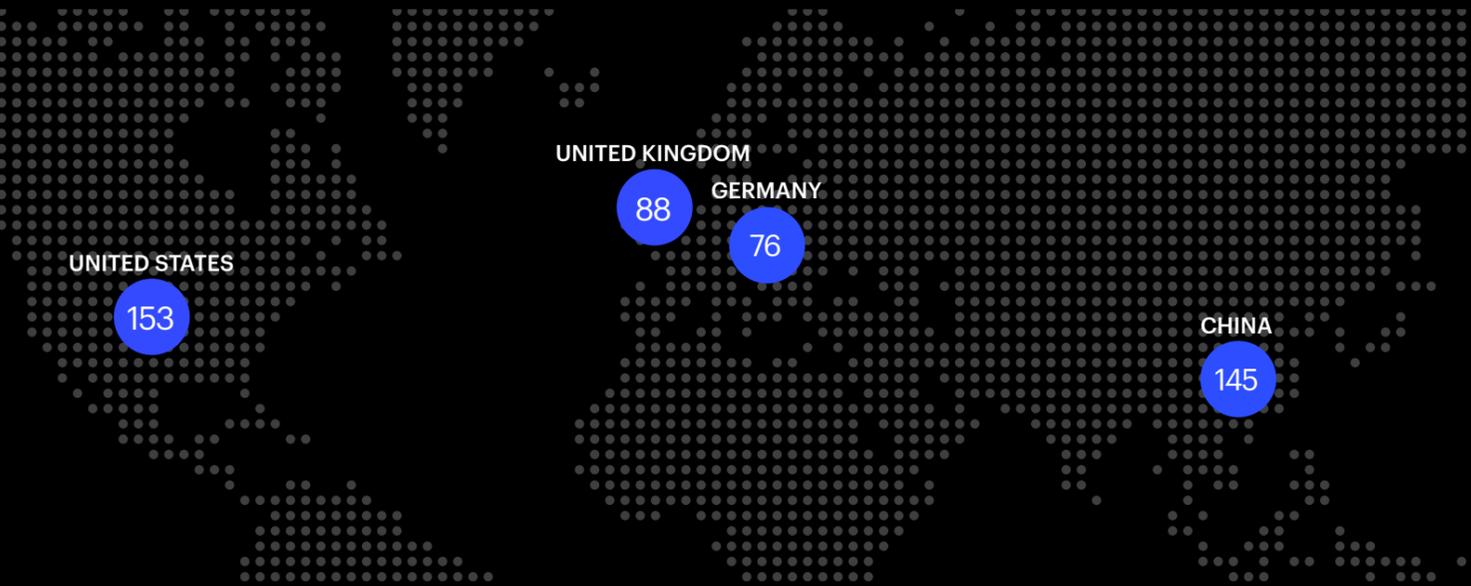
“Leading in the face of disruption requires a mix of characteristics that are difficult to harness, even when your business is at its strongest. Grit and empathy. Agility and decisiveness. Creativity and rigor. Generosity and fierceness. We need to bring our “A” game each moment, inspiring and drawing inspiration from teams all around us. If we can, we will all find a way through this, together.”

Michael Dunn
CEO, Prophet



Methodology

AND PARTICIPANTS



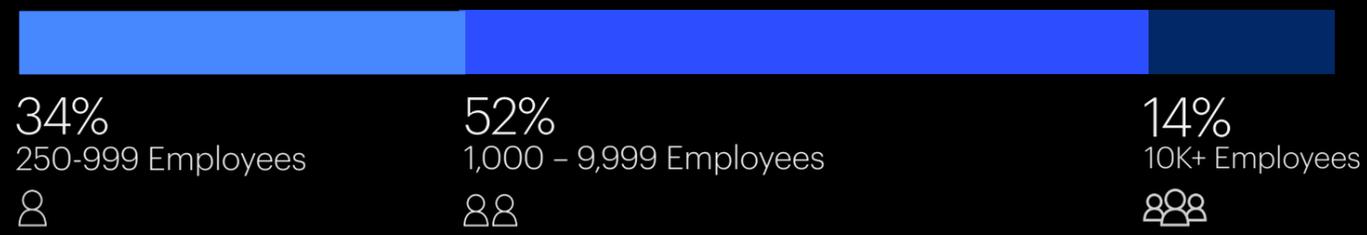
Executive Interviews

Survey Participants

25 Across industries, functional role, geographies and transformation 'maturity'

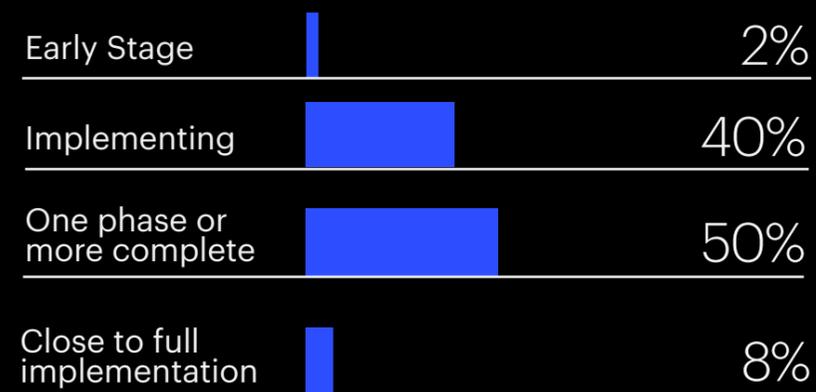
462 Across the U.S., U.K, Germany and China

Number of Employees

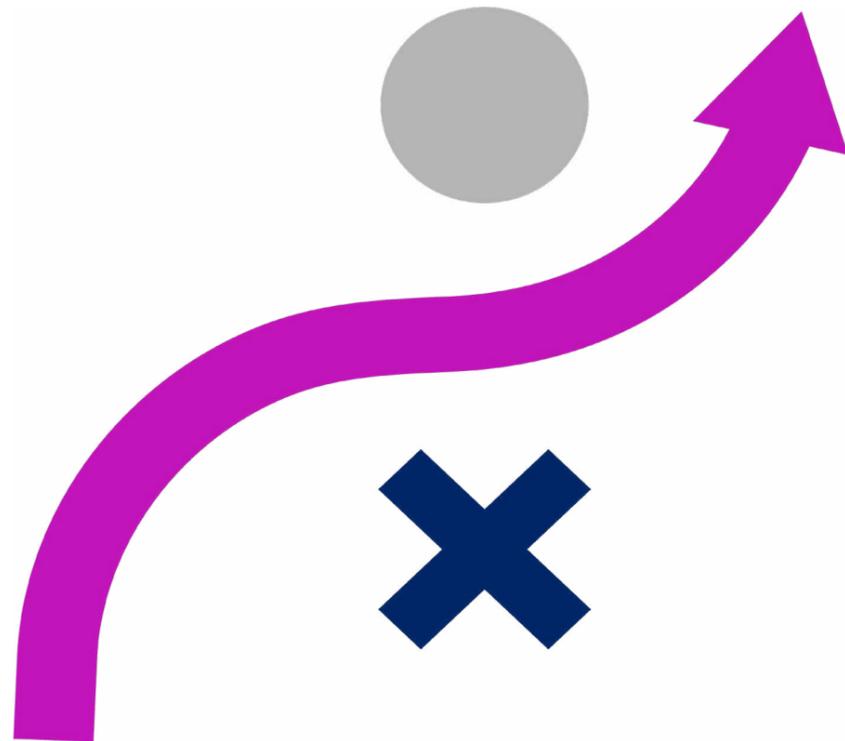


What Stage of Transformation Are You At?

67% In Progress ▼ **33%** Completed



An Actionable Playbook for Transformation Impact



Over time, we believe it's critically important for companies to apply all the Fundamentals and to implement the Accelerators that work best for their organizations. Our experience has shown, however, that leaders struggle with the question of, "Where should I focus?" — recognizing that it is difficult to give equal priority to the full set of cultural levers all the time.

PATHWAYS OF CULTURAL CHANGE

We turned to our data to determine if there are observable patterns in the levers that companies view as most important to transformation. Might this provide an even more targeted view of levers that produce meaningful cultural change when actioned together? The answer is yes. We observed four groups of levers, each of which were viewed as critically important by different leaders in our study. We've considered these as four different **pathways of cultural change**. Each pathway represents how a company might focus on producing the cultural change it most needs at a given point in time, in order to enable the next wave of change.

These pathways align to our Human-Centered Transformation Model™ and can be viewed as entry points, i.e., where to start to make tangible progress against a transformation mandate that may feel insurmountable. These pathways might also be viewed as ways to move through the model, i.e., where to focus next. They are not intended to be prescriptive, nor to indicate how one pathway ideally connects to the next, as this might be different for each organization. Rather, they are meant to be a helpful aid for organizations who are either challenged to figure out where to start within the transformation or would benefit from guidance on how to better target their change efforts.

The four pathways of cultural change that we’ve identified are: Defining, Directing, Enabling, and Motivating the Transformation. While all four pathways will be relevant at points in a time for a given organization, the way to determine which is relevant ‘right now’ is by identifying the primary cultural roadblock for a company’s transformation.

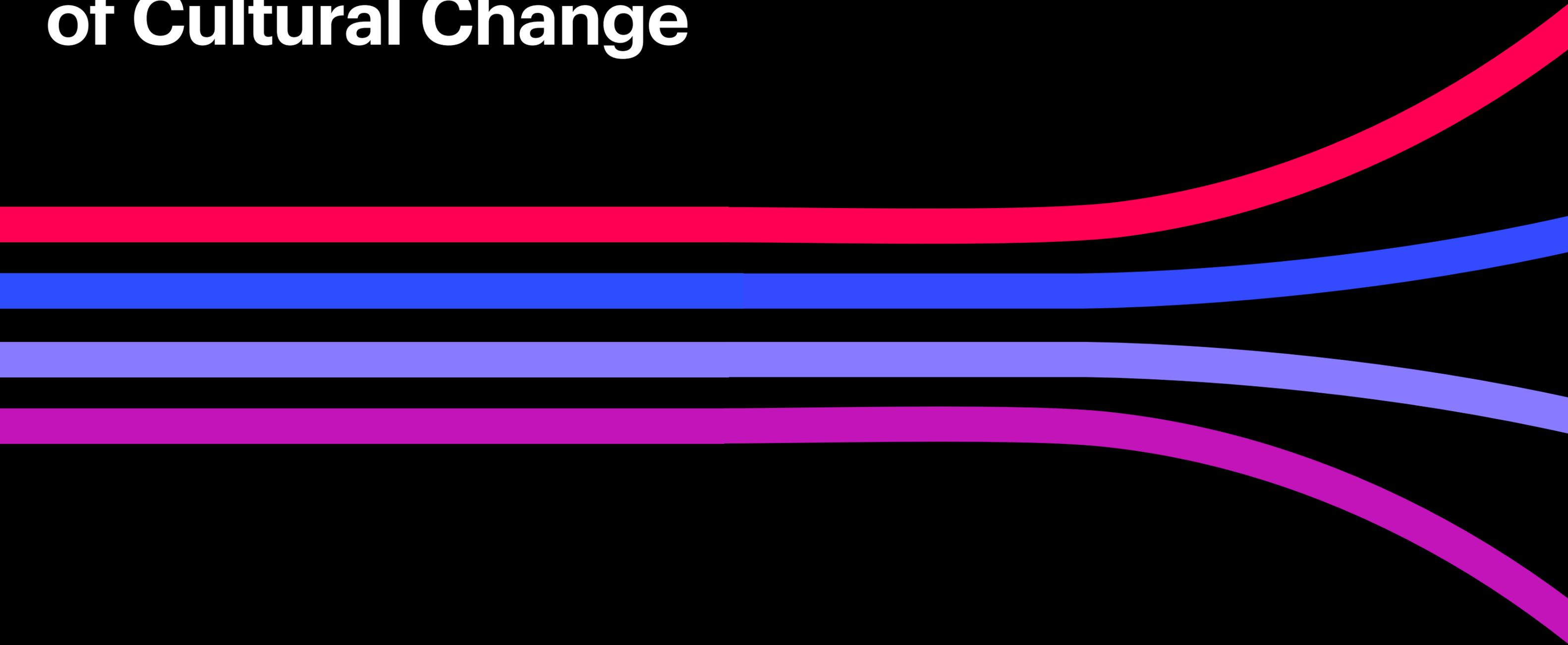
In this report, we take a detailed look at each of these four pathways, in terms of the levers on which to focus and what these levers look like ‘in action,’ with success stories and lessons learned from other companies within their transformation.

Our research has identified four pathways of cultural change

These pathways are most effective based on the primary cultural roadblock a company is facing in its transformation

Pathway	Focus of Change	Primary Roadblock	Cultural Signals
Defining the Transformation	Establishing the destination and leadership for the transformation	Lack of clarity	“We have a new strategy, but it’s not clear what we need to do differently to get there.” “Our leaders are not aligned.” “Our people aren’t clear on where we’re heading.” “We have so much ‘strategic stuff’ that our employees are confused.”
Directing the Transformation	Building an operating model that makes the transformation real	Legacy operating model	“Our processes and systems are outdated.” “It’s not clear who owns what.” “Decision making takes forever.” “We think we just have to communicate, and change will happen.”
Enabling the Transformation	Identifying, sourcing and developing required capabilities for transformation	Legacy talent model	“It’s hard to attract good people; they don’t seem to want to work here.” “We don’t know what new skills we need.” “We say that we’re agile but do we really know what that means?”
Motivating the Transformation	Igniting belief among leaders and employees in the transformation needed	Lack of alignment	“Old habits die hard.” “It’s not okay to fail.” “Leaders are saying one thing and doing another.”

The Four Pathways of Cultural Change



01. Defining The Transformation

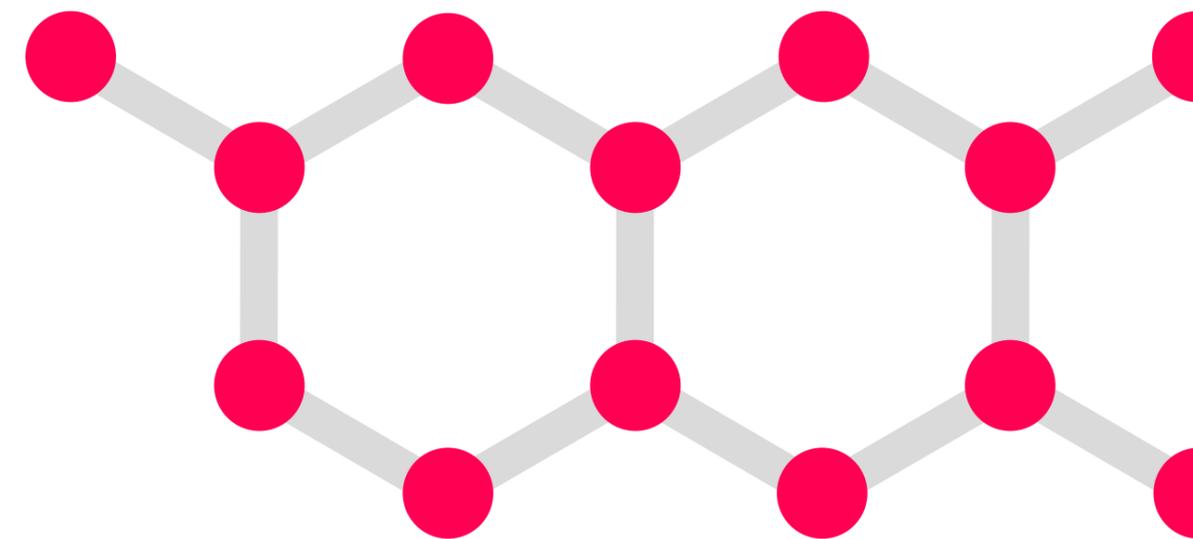
Consider this pathway to be the “control tower” for all other pathways. This is where a company solidifies its DNA: its business and brand strategy, purpose and values and employee value proposition. Once established, DNA serves to continually direct the ongoing change. Therefore, it’s essential for transformation to start here – full stop. DNA is where leaders commit to a unifying vision for where the company needs to go and the definitive “way” in which the organization will get there.

DNA is intended to be enduring, yet companies must continually revisit whether their DNA is in sync with long-term business objectives. The COVID-19 pandemic is an example of the type of forces that require a company to revisit its DNA. A company’s long-term response to the pandemic might entail evolving its transformation vision, the values for how its employees work together, or even the reason why the company exists in this world – its purpose. As DNA then shifts, the company must then pursue the other change pathways to re-align its transformation.

KEY CULTURAL LEVELS

■ Fundamental ● Accelerator

- Clarify which leaders will lead the transformation
- Set a powerful, actionable ambition



A DEEP DIVE: CLARIFY WHICH LEADERS WILL LEAD THE TRANSFORMATION

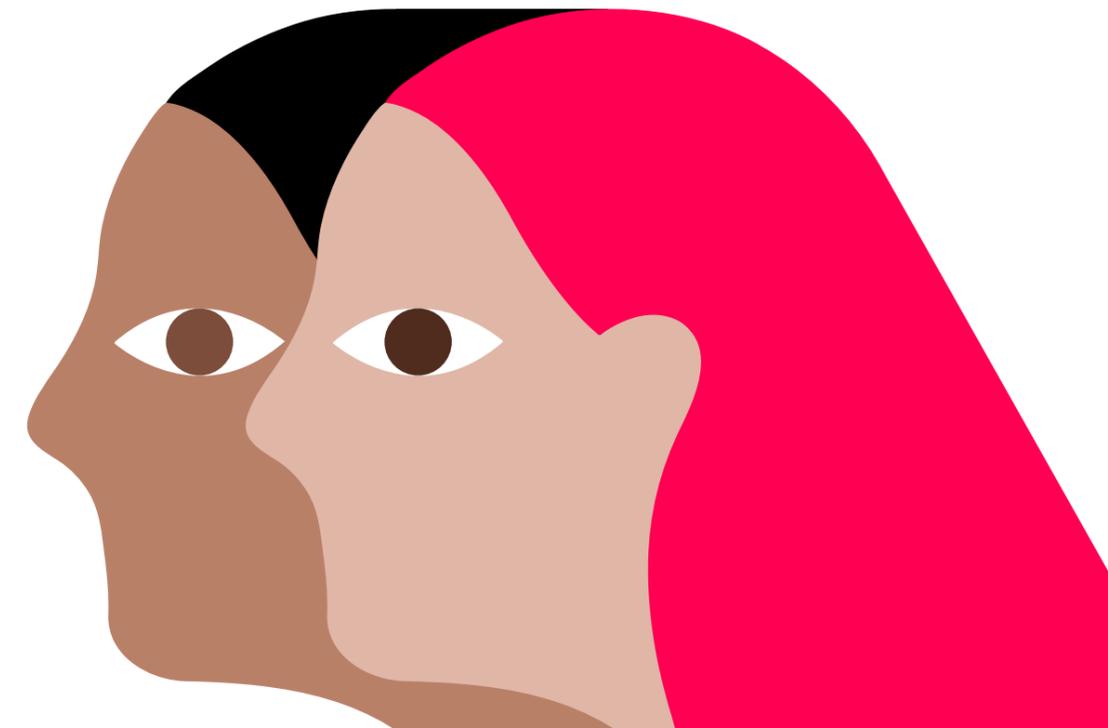
Clarifying which leaders will lead starts with determining from where to source this talent and how to best set them up for success. Most companies are sourcing transformation leadership from the inside; only 8% of our survey respondents reported hiring transformation leaders from the outside. Appointing leaders from within reinforces confidence in the existing workforce to make the transformation and better ensures that leaders bring the depth needed to drive transformation in every aspect of how the company operates.

These transformation leaders are still wearing multiple hats, however. Only 39% reported that leaders are in full-time transformation roles, with others balancing other full- or part-time responsibilities. This finding is not too surprising, as in our experience, transformation leaders often are sourced from parts of the organization that are central to the transformation — technology or customer experience functions, for instance. Said differently, their full-time responsibilities are already serving to lead the transformation.

In instances where leaders are being expected, however, to drive transformation as an additional responsibility, this creates a problematic dynamic where short-term business needs may impede progress and employees are signaled that transformation is something to be done “when we have time for it.” Organizations should ensure that they are enabling their leaders to treat transformation as ideally their full-time job, or at least the predominant focus of their role and objectives.

“If you do not engage middle management, if they are not your change agents, transformation won’t happen.”

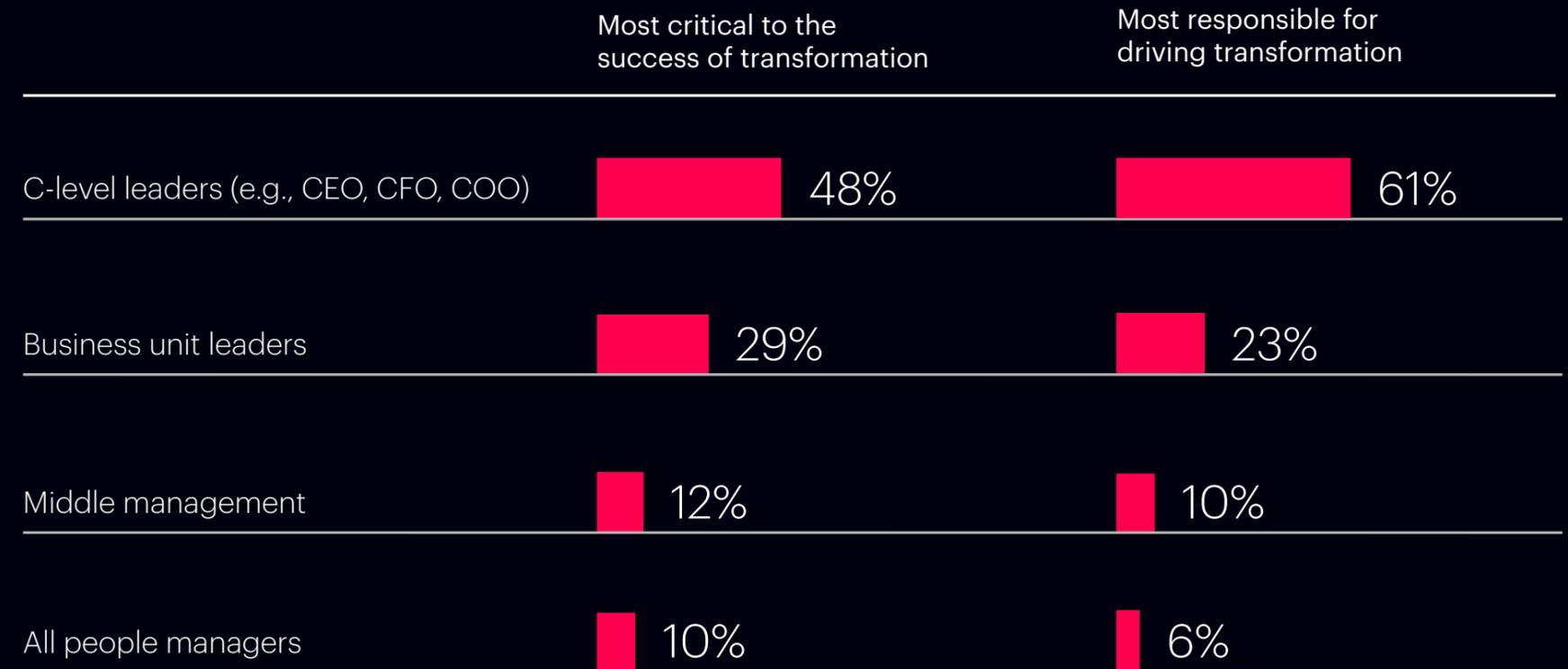
Jane Jin
Head of Global Internal Communications
Takeda Pharmaceuticals



A CAUTIONARY TALE

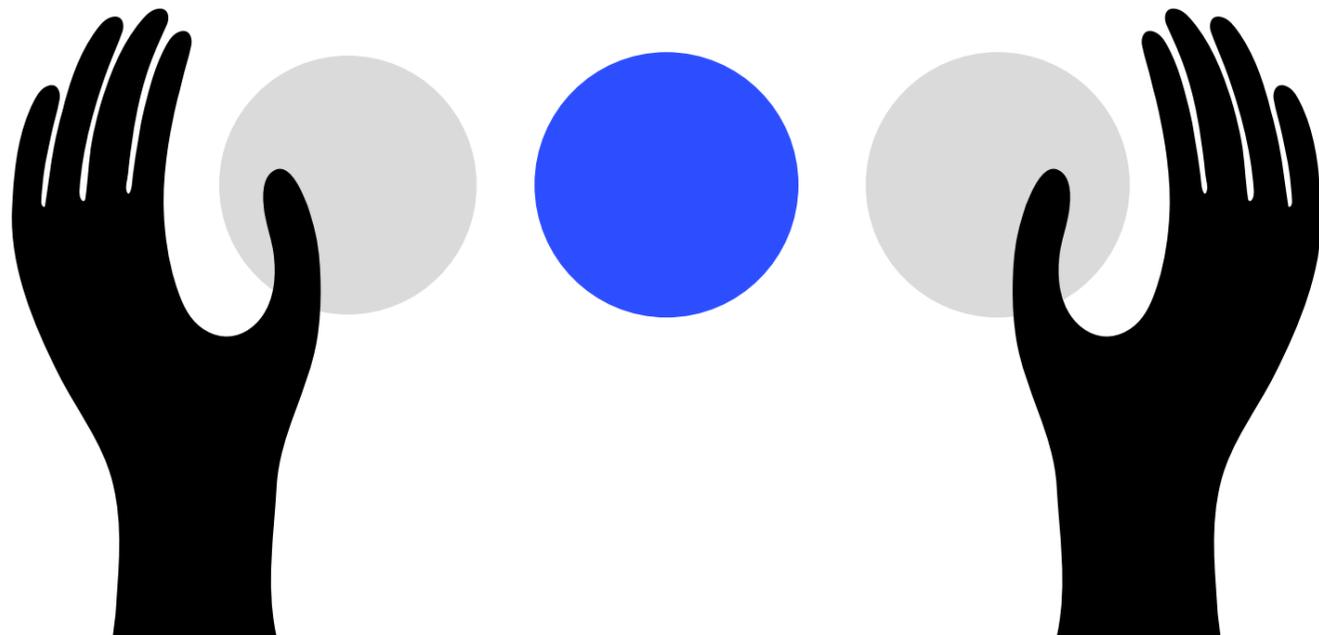
Not surprisingly, the C-suite is seen as most critical to — and most responsible for — driving the transformation. More concerning is the relatively low level of responsibility ascribed to middle management (or “line management” in some organizations) and the inference that middle management may not be empowered to play a critical role in driving the transformation. This group is often overlooked because they are such a large and dispersed audience. Yet, in our experience, successful transformation is dependent on creating a meaningful role for middle management, serving as connective tissue between overarching transformation objectives and how this connects to the day-to-day work of employees and what needs to change.

We asked survey respondents which level of leadership is most critical to the success of the transformation and which is most responsible for driving the transformation:



02. Directing the Transformation

Directing the transformation requires focusing on cultural levers related to the Body. This focus ensures organizations are taking a holistic view of the governance, processes, roles, systems and tools needed to enable an operating model that makes transformation real.



KEY CULTURAL LEVERS

■ Fundamental ● Accelerator

- Develop a clear roadmap
- Develop KPIs
- Push decision rights downward
- Align incentives to drive cross-functional work
- Set up a transformation management office that is empowered to lead

A DEEP DIVE: DEVELOP A CLEAR ROADMAP

In 2019, we wrote about the hallmarks of an effective roadmap; in 2020, our global research validated these characteristics as foundational to roadmap development. Specifically, clear roadmaps are:

Aligned to a powerful, actionable ambition

While more than half (57%) of companies with transformation roadmaps report linking them to a powerful ambition, this indicates a gap to be closed, i.e., this figure should be closer to 100%. Without the north star of an ambition, a transformation roadmap risks highlighting the work, with no clear payoff on the end benefits.

Holistic

58% of companies report that their roadmaps consider both customer-facing and organizational initiatives. It's important to connect these dots for employees so they understand how the customer experience will be changing as well as the organizational enablers required to get there.

Organized by business unit / function

80% of companies are organizing their roadmaps by business unit or function (as opposed to a customer-oriented organizing construct, such as the customer journey). While transformation teams need to be customer-first in their thinking, the primary purpose

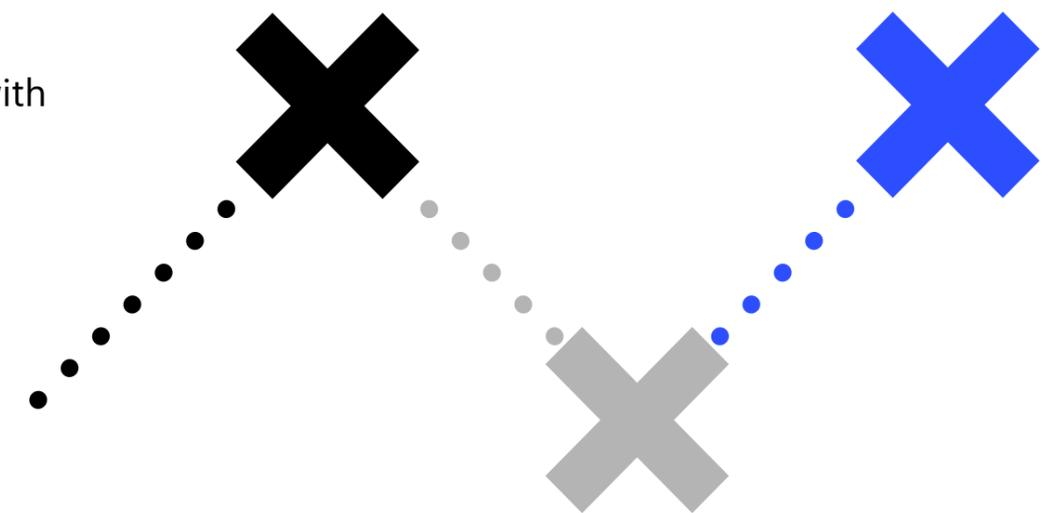
of the roadmap is to establish clarity and ownership, which a roadmap mirroring organizational design achieves most effectively. And while “sub-roadmaps” may be helpful to guide the transformation effort of certain teams, it's important that these retain connectivity to a master roadmap — again, for clarity and delineation of ownership.

Socialized across the entire enterprise

While 53% of companies make their roadmap visible to at least all people managers, another 27% have only made it visible to the C-suite. We understand taking a more guarded approach to the roadmap as key workstreams and ownership are being established, but over time an effective roadmap will be one that helps all employees globally connect their work to the organization's transformation goals.

Updated frequently

32% of companies are evaluating their progress against the roadmap at least weekly or bi-weekly, with another 42% doing this on a monthly basis.



AN EMERGING ACCELERATOR: SET UP A TRANSFORMATION MANAGEMENT OFFICE THAT IS EMPOWERED TO LEAD

Fewer than half of respondents reported making real progress in setting up an empowered Transformation Management Office (TMO). Those who have, however, are seeing powerful results. Companies that are empowering TMOs with greater oversight and decision influence are seeing more positive impact and greater transformation success than companies that have assigned more limited roles to their TMOs. TMOs should not just be focused solely on project management or information gathering. Empowered TMOs are shaping strategy into action, breaking down functional silos, driving aligned execution toward stated goals and coordinating key initiatives on the roadmap to ensure progress.

Impact of Transformation Management Office (TMO)	TMO Oversight and Decision-Making Influence	
	Full	Limited
Very positive impact	83%	41%
Positive impact in some aspects	17%	58%
No discernible impact	0%	1%
Some negative impact	0%	0%

Outcome of Transformation	TMO Oversight and Decision-Making Influence	
	Full	Limited
Extremely successful	25%	16%
Very successful	59%	52%
Moderately successful, not successful, or very unsuccessful	16%	32%

A CAUTIONARY TALE

One year after our initial research, pushing decision rights downward is still the Fundamental on which organizations are making the least progress. For many companies, changing the order of decision rights has been a stated goal. Yet, many still struggle in changing leadership's mindset around the benefits of ceding control on certain decisions or in building confidence and empowering the local level with the data needed to make informed decisions. Organizations that fail to empower employees with decision rights will struggle to find the agility needed to thrive in today's dynamic environment.

We asked leaders around the world what's been effective for their organizations in beginning to push decision rights downward:

"Several large global businesses have restructured how budgetary controls are implemented over the last few years, such that individual geographic units are given more independence on decision-making. It's about empowering the front-line."

Rahul Malhotra, Head of Brand Strategy & Stewardship, Shell

"The need to ask for permission in triplicate can be hard to move forward with. As our culture has moved to agile, that's allowed large, expansive decisions to be made at the 'front of the house' where employees are most informed."

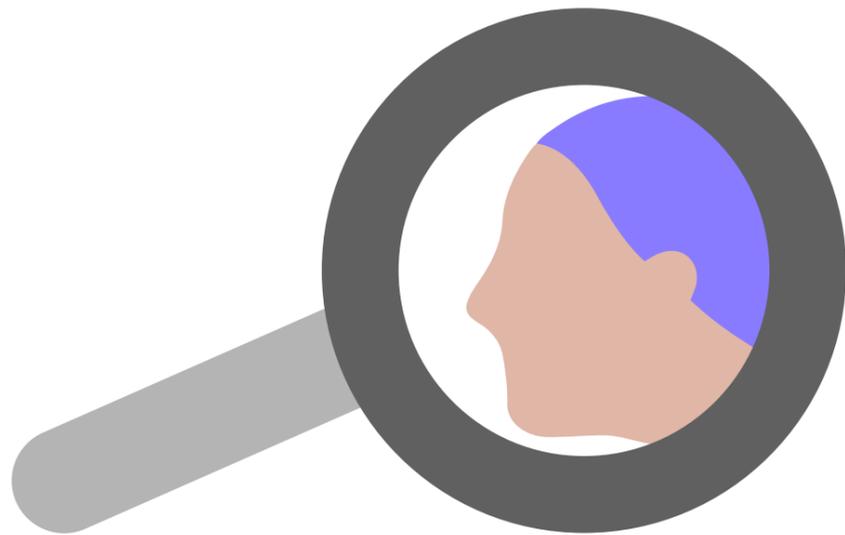
Rich Corbridge, Director of Innovation & High Street Healthcare, Boots UK

"We've only been able to push decision rights downward through the use of Scrum. The very nature of the way in which agile operates means that you have to push decision-making down and you have self-managed work teams - it seems to be going quite well."

Peter Dew, Chief Digital Officer and Chief Marketing Officer, DSM

03. Enabling the Transformation

Enabling the transformation requires focusing on the Mind within our Human-Centered Transformation Model™. The Mind is where organizations identify, source and build the capabilities required for employees to thrive and for organizations to succeed in the Digital Age. These organizations will benefit from a focus on upskilling their employee bases and upgrading the ways they identify, recruit and retain talent – resulting in a supercharged workforce, that is prepared to take ownership of operating in new ways.



KEY CULTURAL LEVERS

■ Fundamental ● Accelerator

- Identify the skills, capabilities and roles needed and/or develop training to re-skill existing talent
- Align talent systems in service of the transformation

A DEEP DIVE: IDENTIFYING SKILLS, CAPABILITIES AND ROLES NEEDED

Today, more companies are taking an inside-out approach to identifying needed capabilities. More than half reported conducting an audit with business leaders and/or employees on current-state skills gaps. A current-state audit is an important input, but overemphasis on this type of audit to identify desired future-state capabilities may be a risk. Often a rigorous current-state audit requires a great degree of time and effort of the organization and may consume resources at the expense of outside-in inputs, such as case studies, benchmarking, proven competency models or advisory support (which fewer companies in our survey reported leveraging). Balanced consideration of inside-out and outside-in inputs tends to accelerate to the “So what?” and prioritize resources for building toward the desired future-state.

To develop the required capabilities, companies are prioritizing investments into learning and development, including enhancing learning platforms to support “on-demand” consumption; introducing new training courses; and building new skills on the job through rotations, special assignments and playbooks.

“We needed to teach our people how to work in agile. We made training the top priority. Every Monday, we brought in experts to help our teams, and they learned by working side-by-side.”

Trung Vu Thanh
Head of Digital Banking,
MB Bank Vietnam

A CAUTIONARY TALE

No matter the industry, talent always seems to come to the forefront as among the top issues that are keeping executives up at night. As the values and norms guiding individuals’ career preferences have yielded more fluid and variable paths, it was already increasingly difficult to secure the talent needed for business growth. As employee preferences and behaviors shift in yet-unknown ways as a result of the COVID-19 pandemic, and companies rebalance talent demand and supply, a more dynamic talent marketplace is inevitable. Defining a compelling employee value proposition and delivering it through each aspect of the employee experience is certainly critical for any employer to attract and retain needed talent — but not sufficient.

Companies today need to reimagine where and how they will source the talent needed to power their ambitions. Automation also raises the need for companies to explore how to re-define roles to focus on value-added work and position technology to best enable human potential. A truly strategic approach to talent includes developing a clear blueprint for the capabilities, skills and roles needed to win in the future; a detailed view of when and where that talent will be needed; and a rigorous talent supply and demand analysis to identify early critical gaps. Precise understanding of key talent gaps facilitates informed conversations around where and how to source the needed talent, including buy versus build considerations, redeployment within the organization and exploration of new channels.

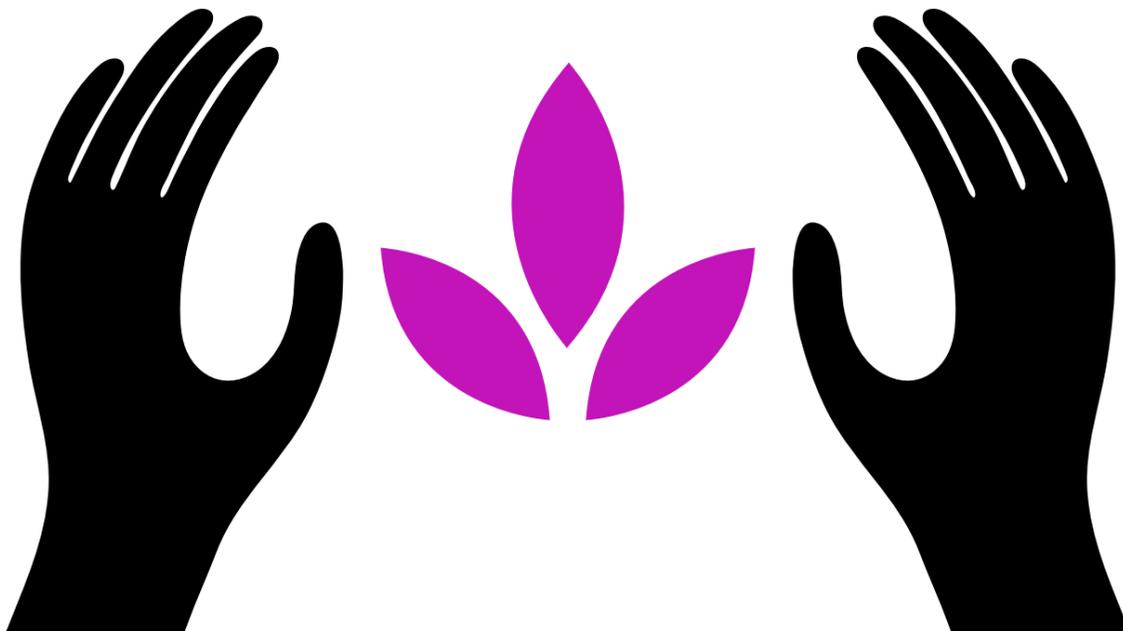
04. Motivating the Transformation

Organizations that are motivating the transformation must focus on the organization's Soul. In our Human-Centered Transformation Model, the Soul is where leaders are equipped to both talk and "walk the talk" around the transformation journey to create trust among employees to adopt and evangelize new ways of working. Stories, rituals and symbols help build belief among employees and connect their day-to-day work to where the organization is heading, i.e., to envision themselves as part of this journey.

KEY CULTURAL LEVERS

■ Fundamental ● Accelerator

- Align top leaders to role model changes
- Develop meaningful mechanisms to enable employees to adapt to the change
- Rapidly share successes and lessons learned
- Recognize and reward progress, not just outcomes



A DEEP DIVE: DEVELOP MEANINGFUL MECHANISMS TO ENABLE EMPLOYEES TO ADAPT TO THE CHANGE

Companies are exploring a range of mechanisms, from changes in employees' day-to-day roles (e.g., job rotations or special assignments), to investments behind learning and development (e.g., on-demand learning) and to supplemental support (e.g., mentoring).

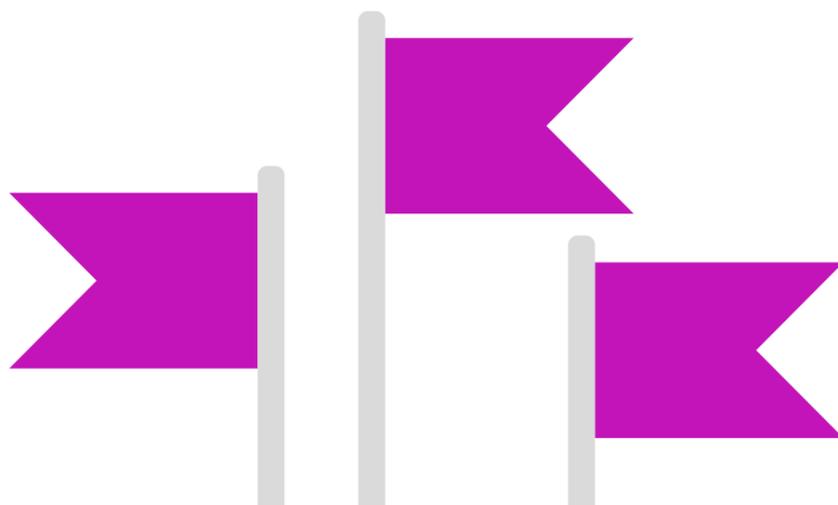
Faye Whitmarsh, People Strategy & Experience Lead at Nationwide Building Society spoke to us about her organization's approach to encouraging employees to experiment more:

"We have done quite a lot of work on what we call: Test, Learn, Adapt. We worked with a behavioral scientist to understand experimentation, which we see as the best way to get to culture change. Rather than having a big program, we wanted to do precise, small tests to make sure it works and scale it. First, we set up a number of small squads, which worked on breaking down barriers in the organization, such as simplifying policies. A survey was conducted to measure results and help squads determine where to prioritize their efforts.

We also built a Minimum Viable Product for something called a Team Talk, which is about having cultural interventions at a team level. As you go through the Team Talk, it gives you tools to run experiments but also insights on what areas you should be most focused on within your team.

We focus on questions such as: Do you feel empowered? Am I ready for the challenge? Do I have the resources? Do I have the skills? Am I really clear on the outcome? And do we have one another's backs? Which is all around psychological safety and belonging. This approach gives individuals insight into where the areas are on which you most need to focus and where your strengths are. And this gives teams a way of building experiments and testing them at a team level.

After building the Minimum Viable Product, we tested it with 40 teams – 20 teams as a control, 20 teams as a treatment. We also captured ideas along the way so they can be shared as we scale. We got the results back and in each of the three areas we tested there was a statistically significant improvement. One of the areas where we had an unexpected improvement was around well-being. This is about creating a safe space within your team and experimenting together to have high performance."



A champions network — one that serves as visible proof of leaders and employees who are bravely trying new things and holding others accountable for change — can also be a powerful mechanism. Joshua Sukenic, VP, General Manager, Digital Business Platforms at Dawn Food Products, Inc. talked about the importance of encouraging change among leadership, through a champions network:

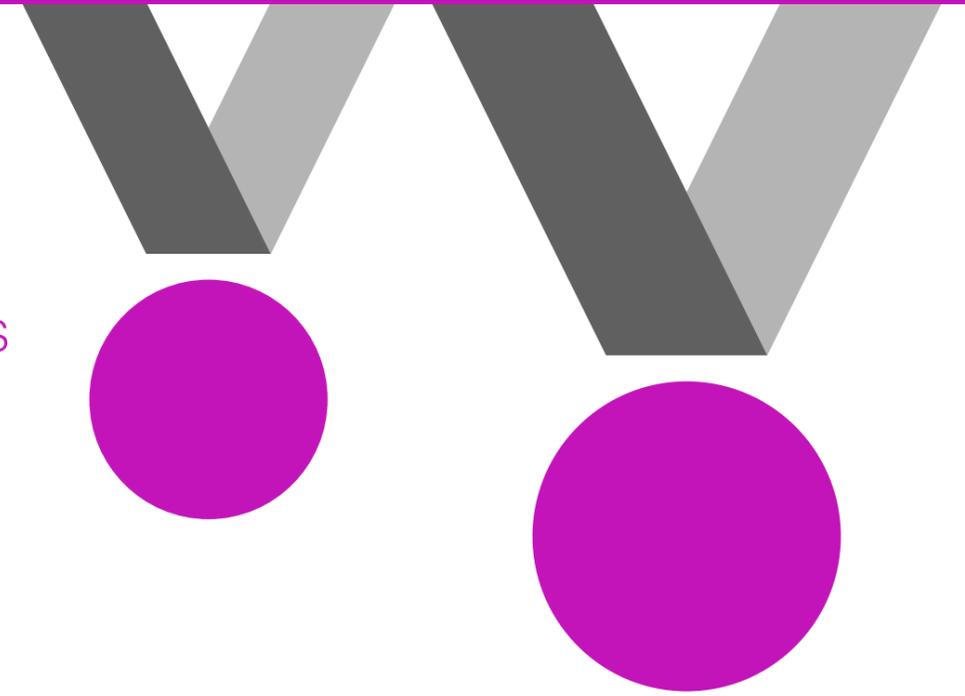
“The impetus around our Digital Launch Champions Program was the opportunity to change the ways of working for over 200 team members in the most effective way possible – have their peers show them and reinforce new actions! We found 30 or so of the 200 with the leadership and courage to be able to not back down from a challenge to advocate, support and candidly hold their peers (and managers) accountable and initiated them as part of our Digital Launch Champions Program.

The Launch Champions will get sneak peeks, first view of questions from the field and be empowered to train and act as subject matter experts for and amongst their peers and managers throughout our journey.”

Joshua also spoke to the power of symbols, which might be inspiring, sentimental, thought-provoking or in this case, even tongue-in-cheek. Whatever the type of symbol, it serves a purpose to remind individuals that they are part of a community, working together to achieve a common end:

“At the end of the Launch Champion meeting, we gave them huge gold (costume) chain necklaces with a medallion saying ‘The Future Is Ours.’ It’s a visual sign that we can celebrate progress and people who will support and hold others accountable.”

In sum, creating structured approaches to experimentation, developing a sense of psychological safety and trust, closely tracking what’s working and what’s not, modeling behaviors through a champions network and tapping into the power of symbols are best practices for helping employees adapt and be part of the change around them.

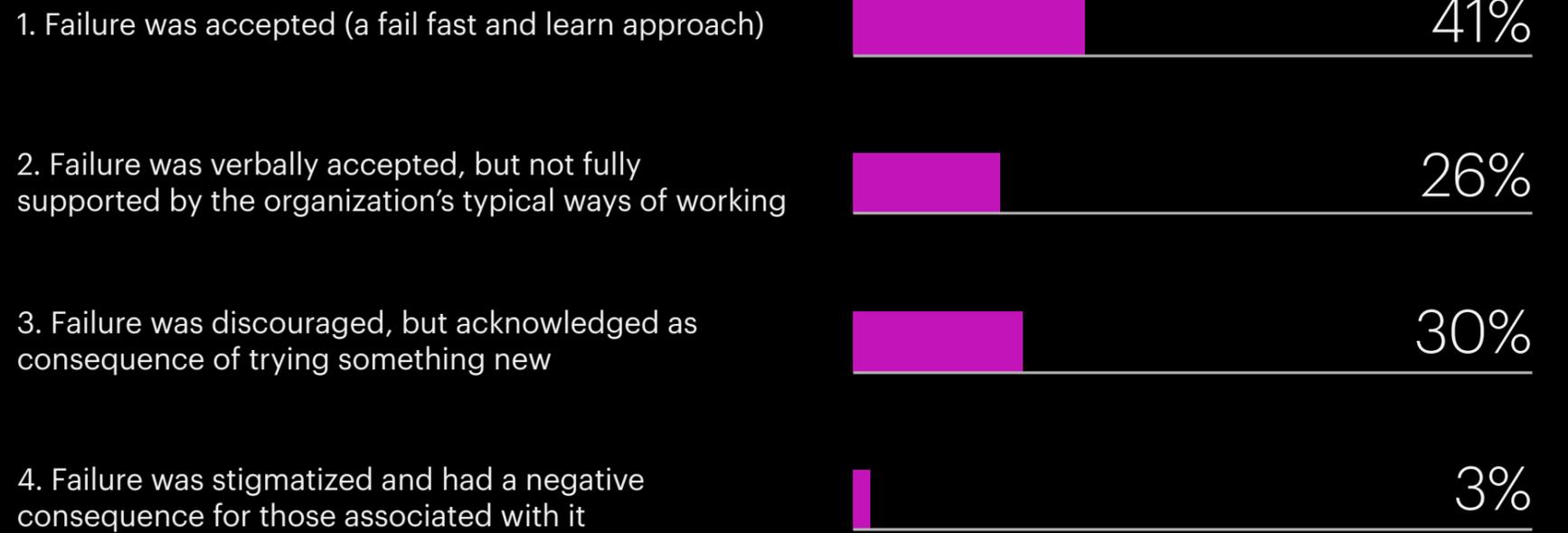


A CAUTIONARY TALE

Storytelling is a key mechanism to help motivate the change among employees, but the stories being told in most organizations today still have the rosy glow of success, while failures are less likely to be captured and understood. Only 41% of respondents reported that failure is accepted within their companies. Another 26% of respondents acknowledge a disconnect between acceptance of failure and how this is currently being supported by the ways of working within their organizations.

Tolerance of Failure

Total



Failure isn't likely to be accepted outright by organizations, nor should it be; business success is predicated on setting clear goals and KPIs and meeting or exceeding these. Failure along the journey to meet these goals, however, is where an organization finds opportunity. Getting it right from the start isn't an indicator of success, so much as an indicator that perhaps a team could have pushed past its comfort zone to think more expansively, try something new and iterate the next time. The only true failure in this context is the failure to learn, which impedes growth and transformation.

Many of the leaders we interviewed rightly acknowledge that it's human nature to want to avoid failure while noting the danger of not creating more space to do so. In particular, organizational addiction to "being right" may cause valuable learnings to be obscured. Also, fear of failure can drive teams to seek broad consensus, which slows decision-making. Several leaders discussed how they're working to change these dynamics within their organizations.

"We're trying to enable employees to fail on small things, such as experiments in the innovation lab, in order to achieve success on the big targets. We're trying to push to the limit in achieving our targets and use innovation, as more ideas will help us hit targets."

Trung Vu Thanh
Head of Digital Banking,
MB Bank Vietnam

"We are beginning to talk more about safety, in terms of psychological safety. When you talk about our Core Four operating principles and what safety means to us in the context of the work we do, this helps create the room for soft failures."

Kristen Weirick,
Global Head of Talent Acquisition and
Chief Diversity Officer, United Airlines



A Modern Leadership "A" Game



Clarifying which leaders will lead the transformation is fundamental to its success, but once in this role, what is required of transformation leadership? How might they lead in a human-centered way to define, motivate, enable and direct the change for the employees within their trust? This year, we sought to understand the most critical leadership characteristics for transformation, to help leaders prioritize areas for continued personal development. We believe these characteristics only become more relevant in challenging times and in fact, need to be amplified in their expression, to be authentically felt by employees.

Our data revealed leadership characteristics of near-universal importance, as well as those that particular countries in our study rated more highly. We hope this report helps to paint a picture of the traits that are critical to demonstrate as a modern global leader. Specifically, we saw interesting stories emerge around the following transformation leadership characteristics:

Inviting many voices

Agility and curiosity: A powerful combination

Empathy for the employee

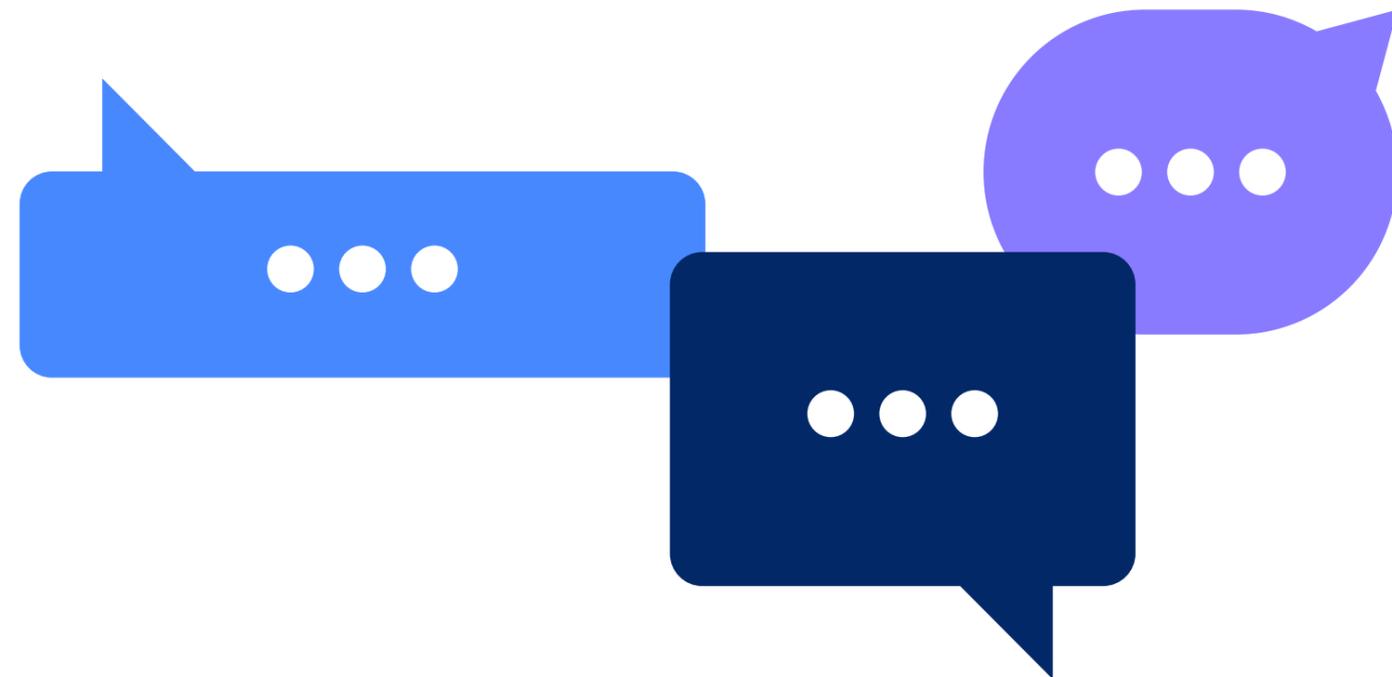
Bringing others along on the journey

Staying the course with a growth mindset

More substance, less spin

Inviting Many Voices

First, we wanted to highlight the one leadership characteristic that rated among the most important across each of the four countries in our study: **"Inviting of many different voices to contribute and be heard."** This resonated deeply with us. At Prophet, one of our core values is "many voices, one team," meaning we elevate each other's thinking and talents. We are heartened to think that we share this value with many companies around the world, as certainly, inclusivity is now viewed as absolutely critical. Our conversation with Mary Ann Villanueva, Head of Brand Culture & Engagement at Citi, reinforced that global leaders "who are inherently inclusive and collaborative and encourage good ideas to surface from wherever" are critical to enable organizational transformation.



Agility and Curiosity: A Powerful Combination

“Agility in responding and adapting to unforeseen events” rated highly as a critical leadership characteristic across the geographies in our study. Certainly in China, with COVID-19 fully present in this country as the survey fielded, this was no surprise. In other countries, the high value placed on this characteristic is an optimistic harbinger of leaders’ ability to effectively steer their companies through a global crisis. In fact, leaders have been preparing for this moment for some time. As inventor, futurist and Singularity University Founder Ray Kurzweil said in his essay *The Law of Accelerating Returns*¹, “The first technological steps — sharp edges, fire, the wheel — took tens of thousands of years...Now, paradigm shifts occur in only a few years’ time.” It’s paramount for companies to manage through this dynamic environment with leadership agility, increasingly combined with the tools of agile methodology.

This finding on leadership agility becomes even more interesting when seen together with “Curiosity to learn and try new things,” which also rated as a top leadership characteristic across regions. Agility alone helps companies pivot in new directions and create value in new ways. Actually generating the ideas for these new directions and ways requires curiosity. Curiosity directs leaders to read, see, explore and discuss, in service of sparking new ideas; trying new things; recognizing lessons learned; and applying agility to adapt accordingly.

“Curiosity and openness are crucial. You may know the ‘why’ and the ‘what,’ but you can figure out the ‘how’ as you go along. Being receptive to the reactions and creativity of others gives rise to different possibilities. It’s okay to not get hung up on the original idea. Stay very focused on the principles, the ‘why’— but the ‘how’ should have some flexibility.”

Mwana Lugogo

Chief Ethics & Compliance Officer,
Takeda Pharmaceuticals

1. Kurzweil, Ray. The Law of Accelerating Returns. <https://www.kurzweilai.net/the-law-of-accelerating-returns>. March 7, 2001

Empathy for the Employee

Real transformation should bring meaningful shifts in employees’ ways of working and day-to-day experience. Transformation leaders must truly see and understand employees’ sentiment toward these changes and respond appropriately to help employees feel they are able to safely navigate the change.

This needed degree of empathy was well-noted in our study, particularly within Europe. **“Empathy for how employees are experiencing the transformation”** was rated as the most important leadership characteristic among European respondents, with similar resonance in both Germany and the U.K. Many studies suggest the degree to which we are empathic is actually genetic, including evidence² that it is more prevalent in women than men. In fact, some research³ has uncovered evidence that Northwest Europeans, through their evolution, are attuned to empathy.

Whether empathy is born or made, the emotional insight and ability it brings to leaders to support people to adapt, learn and modify behavior is critical. Empathy suggests a level of self-awareness, often highlighted as a fundamental trait for effective leaders, as well as an awareness of others who can be frightened of change, triggering a sense of loss. Having — and being perceived to have — sensitivity toward the fears that employees are experiencing helps leaders retain trust and progress through change more smoothly.



2. Greenberg, DM et al. Testing the Empathizing-Systemising Theory of Sex Differences and the Extreme Male Brain theory of Autism in Half a Million People. PNAS; 12 Nov 2018; DOI: 10.1073/pnas.1811032115

3. Frost, Peter. Are Europeans Genetically Predisposed Toward Empathy? Unz Review, August 31, 2015

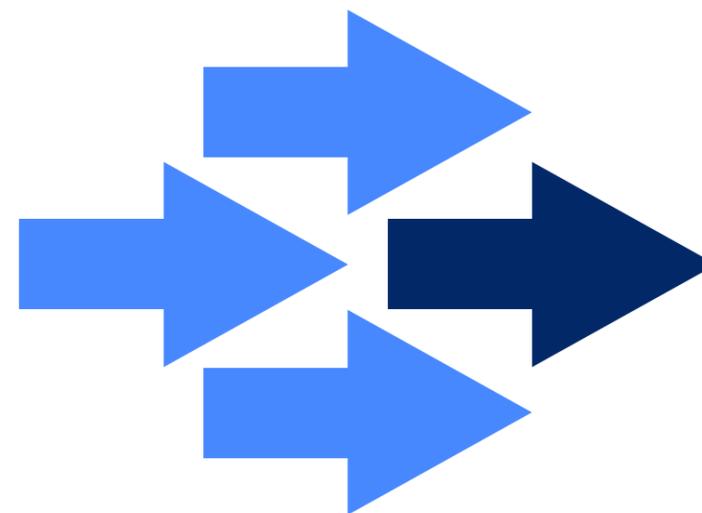
Bringing Others Along on the Journey

Transformation requires a high degree of personal growth among its leaders. It is equally important that leaders use the transformation to foster the development of others, ensuring that employees don't feel "left behind" in their ability to make meaningful contributions to achieving the company's ambition.

"Using the transformation as an opportunity to further develop organizational talent" was the highest-rated leadership characteristic in China and among the top characteristics in the U.S. Importantly, in China, this is also the top-rated characteristic that survey respondents perceived their companies' leaders demonstrating today within the transformation, i.e., leaders in China are seen as bringing their teams along on the journey with them.

Leaders in China have created safe spaces in which their teams are able to learn and develop. Specifically, 58% of respondents in China said that "a fail fast and learn approach is accepted," compared to 41% of our total sample.

79% of respondents in China noted that their companies "encouraged experimentation in executing alternate initiatives or approaches relative to their initial plans" for transformation. Leaders must demonstrate a willingness to develop talent during the transformation, as well as create mechanisms to enable these stretch opportunities.



58%

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79%

of respondents in China noted that their companies "encouraged experimentation in executing alternate initiatives or approaches relative to their initial plans."

Staying the Course with a Growth Mindset

Carol Dweck’s important work⁴ on the difference between a “fixed mindset” and a “growth mindset” has clearly staked its claim in hearts and minds, with prominent leaders such as Microsoft CEO Satya Nadella striving to embody and embed this within their companies. “**Growth mindset**” resonated in our study, as a top-ranked leadership characteristic in the U.K. and the most highly-valued in the U.S. One might wonder how a growth mindset fares within this COVID-19 context, when companies are more immediately oriented toward survival, let alone growth. We believe that organizations and leaders source growth in the face of disruption, with the innovation that emerges helping to further power transformation. Prophet CEO Michael Dunn puts it best, in our view: “When you find yourself drifting, draw on your strengths and lean into a growth mindset. Human-centered, digitally-powered, purpose-led — find your way to emerge from the COVID-19 crisis stronger and more confident than ever.”

More Substance, Less Spin

We also found it interesting to look at the leadership characteristics that did not rate as highly important across the countries in our study. Specifically, “**storytelling to take employees along on the journey**,” “**imagination to help employees envision the destination**” and “**bravery to show vulnerability**” ranked among the lowest in our list of 15 leadership characteristics tested. Initially, these findings surprised us, particularly as we considered the surface relationship between these characteristics and several of our Accelerators. We’ve come to the conclusion that these findings indicate employees are seeking more substance and less spin. Said differently, employees are first and foremost seeking clarity.

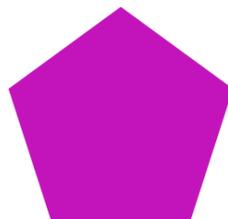
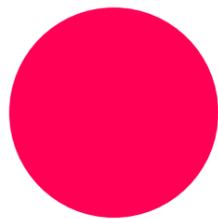
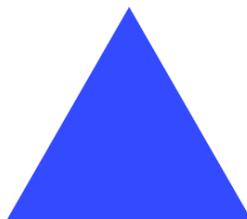
Stories, imagination and hero moments will fall flat, if not clearly grounded in transformation objectives and pointing in a clear direction. In times of crisis, such as the COVID-19 pandemic, employees’ need for substance becomes even more critical, as they seek to understand how their employers and other institutions are responding and to gain a sense of trust in the road ahead.

4. Dweck, Carol. *Mindset: The New Psychology of Success*. Ballantine Books, 2007

What Does This All Mean?

Putting this all together, an optimistic picture emerges of today's strongest leaders and their ability to navigate their companies through transformation. Importantly, these leaders also acknowledge the need to invite many different voices, bringing others into and along the journey. They are recognizing that transformation doesn't work without deep cross-functional engagement and collaboration. This type of effort requires employees to have a profound level of connection and clarity into the transformation so that they take pride in their contributions and deeply feel a sense of shared purpose. Prophet's Human-Centered Transformation Model™ is built around this need — to take a holistic approach toward motivating, enabling and directing many different voices to come together in defining and achieving the organization's ambition. If you're not clear where to start or how to focus these efforts, we're here to help you develop transformation strategies that will successfully drive uncommon growth in the Digital Age.

Ready to join us in navigating the future of your organization's transformation? If so, [please contact us:](#)



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