



Amrop

Leaders For What's Next



Welcome to the
Flight Deck

A Global C-Suite Study

The Human Dimension of
Globalizing Mid-Caps – as Seen by their Leaders

Executive Summary

Introduction

This study is a deep exploration of the world of globalizing mid-caps. It draws upon 83 interviews conducted exclusively face-to-face with C-suite leaders from every continent. Lasting up to two hours, the interviews were conducted by Amrop Partners during 2013 and 2014, using a structured framework designed by researchers at IMD, the top-ranked global business school based in Lausanne, Switzerland.

Our focus: the human element:

- Talent Management at Top Levels
- Culture and its Implications for Performance
- Board Governance

This is your personal invitation to enter the Flight Deck of today's globalizing mid-caps - a place beyond public declarations or annual reports - to hear what C-suite leaders are confidentially, and often spontaneously, revealing - in their own words.

Welcome On Board.



Foreword

Large public companies (and, it seems, more and more state-owned enterprises) control a significant proportion of global assets and often garner the lion's share of attention from both business academics and professional service firms. At the other extreme, start-ups are all the rage in the New Economy and attract a large number of ambitious business graduates, as well as "emigrés" from the large company sector who are seeking a new beginning.

But what about those in the middle? The research base shows far more limited work on mid-caps, especially on their leadership, talent and cultural aspects (and why these are vital). Yet globalizing mid-caps can be trend-setters, in part because they are facing some of the classic global business dilemmas for the first time and may choose to address these in new and different ways.

We therefore set out to examine, up close and systematically, a diverse set of mid-cap companies as seen through the eyes of their leaders (typically founders, CEOs, or other Board Members). We did this by means of structured interviews and a qualitative study methodology known as 'content analysis', which treats the leaders' own words as data to be tallied, categorized, and compared across companies. The result is a set of findings that speak directly to the key issues on the minds of mid-cap leaders, "telling it like it is" and raising questions for all who work in, or with, these enterprises going forward.

Whatever your business, we hope you will find the insights in this report, drawn directly from the words of those running some of today's most successful and ambitious mid-cap firms, to be helpful and inspiring, and the questions it raises to be useful questions to apply to your own organization and/or those of your customers.

Headlines

1	Successful mid-caps take an ambitious, long-term view. Growth and globalization are high on the agenda, fuelled by stretch targets, sheer determination and a sense of 'no limits'.
2	79% were studying the successes (and failures) of other companies: growth and globalization strategies, culture, human capital development, innovation and entrepreneurship. But 21% had no role model and several believed themselves to be unique.
3	If many mid-caps already have a successful international business, only 9% felt truly ready for globalization.
4	Managerial and cultural capacity for globalization are top-ranking, critical issues. These closely follow concerns regarding global operations and production, market, economic and trading conditions.
5	<p>Three main factors are positioning successful mid-caps to win the war for customers and talent.</p> <ul style="list-style-type: none"> – <i>Freedom</i> – key functions and talent are given space to shape the evolving organization: Boards are given relative freedom by share- and stakeholders, passing it on (or reconfirming it) to CEOs and operating teams. Talent is free to act, fail, and evolve. – <i>Connectivity</i> – Boards have their finger on the pulse of the business and know the key market players and customers. Talent is exposed to new ideas and perspectives. Boards are connected internally and externally, as custodians of growth and globalization. Executives ensure talent is involved in innovation, engaged in informal learning, and moving across functions, divisions and geography. – <i>C-suite Stewardship</i> – mid-cap leadership means proximity, articulating in person a mission touched and felt throughout the organization. Many 'pilots' value their human touch: customer contact, direct stimulation of innovation and entrepreneurship, the live communication of mission and the surfacing, sponsorship, and development of high potentials.
6	Successful mid-caps strike a compelling balance between local autonomy and corporate influence. To reconcile consistency and agility, they are centralizing processes (e.g. HR, ICT) and decentralizing decisions, particularly in market-facing areas.
7	Globalizing mid-caps have powerful employer branding to attract leadership talent: We see high-visibility, internal talent pools, mobility between functions, divisions or geographies, competitive financial incentives and world-class learning and development.
8	Many mid-caps are ideally positioned to be innovation and entrepreneurship champions. Manageable size combined with global reach can enable broad-based innovation spanning products, processes, levels, and markets; networks characterized by intensive cross-border information exchange; and the freedom to experiment, fail and learn in local markets and quickly transfer that learning across the organization.
9	Mid-cap Boards are tailoring themselves for globalization. CEOs and Boards maneuver freely, while being positively challenged by objective, independent voices. Board composition is shifting to reflect globalization – via national, functional, and sectoral diversity.

Contents

This report is divided into two major sections. The first, ‘View From 30,000 Feet,’ addresses ‘macro issues’ – phenomena that apply across an organization (such as organizational ambition). The second, ‘Closer to the Terrain,’ more deeply examines the specifics of three critical organizational areas: leadership talent management (The Flight to Leadership), innovation and entrepreneurship (Becoming the Carrier of the Future), and Board Governance (The Flight Controllers). To help you navigate, the document is color-coded as below.

View From 30.000 Feet

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“From the very beginning we were open to listening. We started this company ‘from scratch’ with no know-how, with only financial shareholders. Our big competitors ignored us then – for which we can only be grateful now.”

- CEO, Central Europe

Part One

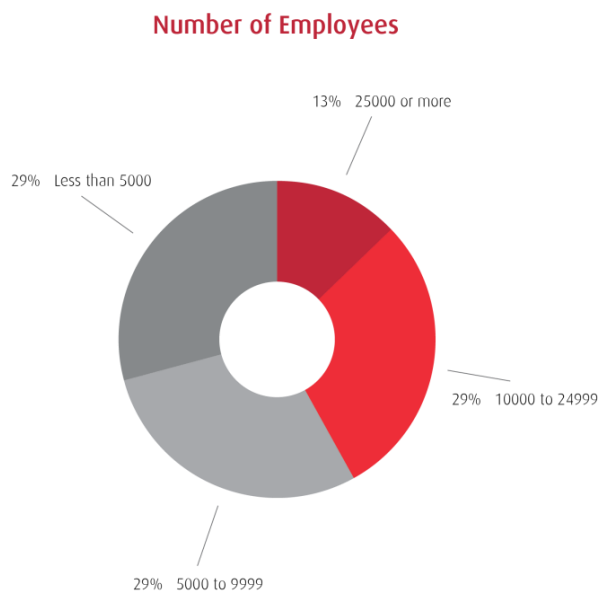
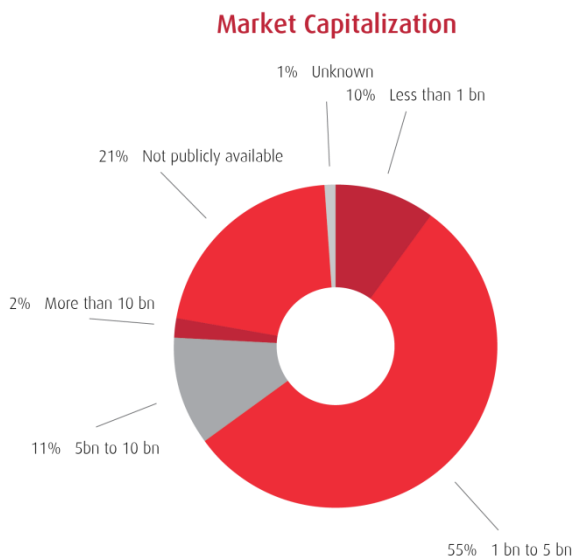
View From 30,000 Feet

1

Introducing the High-Flying Mid-Caps

Capturing the notion of a 'globalizing mid-cap'

The companies participating in the study were selected on the basis of a market capitalization of US\$1-10 billion. (Where the companies were not publicly listed, their asset base – as determined by public, or if unavailable, private sources – was used as a rough equivalent). We selected the majority of the sample for high growth – that is, greater than 10% average revenue growth over the prior three years. Most of the selected companies had roughly 30% of revenues, assets, and/or employees overseas. Where this was not the case, the *ambition* to globalize was high on the agenda. The number of employees ranged across the spectrum, from fewer than 5,000 to more than 25,000 (see chart below). To ensure global representativeness, companies were chosen to represent a wide spread of home countries from all regions of the world, and numbered in close proportion to their region's contribution to the global economy (see Appendix for this, and further demographic information).



Mid-cap Characteristics as Seen from the C-suite

Successful mid-caps take an ambitious, long-term view. Growth and globalization are high on the agenda, fuelled by stretch targets, sheer determination and a sense of 'no limits'. Here are a few of the particular characteristics they share – as evidenced by a significant number of the leaders we interviewed.

The sense of 'no limits' shines through.

One Vice Chairman from the Middle East sought to increase revenue from international markets from 5% to 30% within five years – “and we are determined.” Another, South American, mid-cap anticipated being “part of the top 20 multinationals in the world by 2020.” In Asia Pacific, a mid-cap CEO voiced a socio-economic ambition: “we see ourselves as an important link in the industrialization of Asia.”

Like athletes striving to be at the top of their game, a sense of 'good enough never is' emerges.

“I think we are always preparing ourselves to go to the next level,” a CEO from Asia told us. “It is about new technology, new products, creating new markets, building a fine global organization from India....There is always an edge that somebody has - customer service, supply chain, and so on. So I think there is a thin dividing line between pride and self-confidence and complacency and self-congratulation. I think it is for the leadership to find the fine line so that you keep your organization on edge.”

Competitive players, some mid-caps are coming up from under the radar.

A Director from South America demonstrated a healthy self-concept vis-à-vis the goliaths: “Our 2020 vision is ambitious and we are convinced that we can achieve it. There are two huge players but we do not feel small; we are winning step by step and will continue to do so.” Equally confident were two European CEOs. “The competition would grade us 10/10,” said one. Another combined humility and nerve: “From the very beginning, we were open to listening. We started this company from scratch, with no know-how, with only financial shareholders. Our big competitors ignored us then – for which we can only be grateful now.”



“Our 2020 vision is ambitious and we are convinced that we can achieve it. There are two huge players but we do not feel small; we are winning step by step and will continue to do so.”

- Director, South America



Admired Organizations

79% of mid-caps interviewed were studying the success (or failures) of one or more other companies, typically larger firms.

In all, they named 97 such 'role model' organizations. The mid-caps primarily sought lessons related to growth and globalization, even if (as we will see later) human capital and culture were also of critical importance.

1 - Entrepreneurship. Several cited companies that preserved entrepreneurship in the face of global expansion and whose founder - living or dead - remained the figurehead. "We honor Siemens as a global leader committed to the big dream of its founder, Werner von Siemens, more than 160 years ago," a CEO from South America related. "It has constantly translated that dream into execution, new products and innovation."

2 - Brand and retail models; customer-centricity. Here, major global players were primary models, particularly in their customer connectivity, transitions from regional to global brands and from a technology to a market focus. An Asian President praised Lenovo's regional to global journey: "It's not easy for a local technology company to reach that level in the most competitive, fast-changing industry." Meanwhile, "Haier is impressive in its design and quality. The company exports many products and earns credit in the market. It's not easy for a Chinese company reach such a level."

3 - Structural issues – operations and supply chain in particular. Given the demands of expansion, techniques for streamlining and synthesizing operational complexity were lessons our mid-cap CEOs were keen to learn. Several appreciated the portfolio management aspects of operations, such as this Chairman from Asia Pacific: "We admire [Wesfarmers'] approach to managing a group of individual businesses - and its management is driven by accountability." For a Board Member from Northern Europe, GEA Group was a role model in former times, "and still is in some areas, especially concerning the integration of acquired companies." A CEO from Northern Europe observed Schlumberger's handling of centralization and decentralization - its "switch from a centrally-led to a regionally-led organization. They have been able to enter into local oil companies (e.g. Saudi Arabia is not run out of New York). Finally, they have the guts to experiment with new business models."

4 - Human capital and culture. Statements regarding human capital and culture lessons tended to be integrated into narratives concerning other areas. A CEO from Northern Europe highlighted the preservation of human capital in the face of growth: "The big issue is to cope with a fast-growing organization and complexity. I admire Genentech a lot: they managed to keep the spirit alive; they empowered employees..."

"Schlumberger switched from a centrally-led to a regionally-led organization. With this approach they have been able to enter into local oil companies (e.g. Saudi Arabia is not run out of the New York office). Finally they have the guts to experiment with new business models."

- CEO, Northern Europe





55% were examining global leaders further along the globalization journey.

Across the spectrum of organizations under observation by our globalizing mid-caps, US companies were often exemplars. Yet only General Electric was cited with any frequency. GE exemplified many of the branding and structural issues concerning mid-cap leaders – beckoning encouragingly from a more advanced stage of the journey. Lessons ranged from the way it integrated acquisitions, united structural complexity with strategic simplicity, valued human capital and communication and maintained discipline as well as a dynamic approach to markets. “We’re modelling our approach on what GE did when they shifted their focus from aircraft engines to the broader market of aviation,” said a Board Member from North America.

16% were examining regional champions or peers for lessons closer to home.

As a mid-cap expands, preserving the vigour and optimism of a start-up is a challenge. The journey beyond regional excellence can be paved with difficulties. A CEO from Asia described asking his leaders to go the extra mile to keep the spirit burning: “Over the last nine months we have been increasingly spending time in Silicon Valley and other hotspots to learn how to blend, trying to keep a small company mindset... trying to have our top fifty to fifty-five leaders spend a week there to learn new technology, getting an exposure on how these companies function. So we are not shy about begging and borrowing.” A Chairman from the Middle East was “following up the companies in our sector that became a regional power and trying to understand how they achieved this goal, what kind of difficulties they had.”

Most mid-caps evidenced a keen focus on investment and finance. Some reported that observing others helped to sharpen this. A mid-cap in Northern Europe was observing a “peer group of financial-oriented plant engineering/mechanical engineering companies, for example KUKA which achieved an EBIT of around 12%. In former times, Eisenmann was a role model for us.”

21% did not name a role model - some mid-caps consider themselves to be unique.

Uniqueness can lie in the mid-cap growth path or in a specific culture. A CEO from Central America told us, “This model is a bit different: We have been more flexible in our way of growing, with the complexity this implies.” Referring to culture, a Global Head of HR from North America explained: “We’re unique in that we grew out of a utility mindset where the culture is home-grown, hardworking, straight up and honest, trying to figure it out.” A Vice President from South America described moving beyond role models: “My father did [have a role model] at the beginning: Avon. We wanted to change so that it wouldn’t be just ‘flat sales’, but a ladder. So we emulated Mary Kay. Nowadays we know what we want to be - and we are a hybrid. We don’t emulate; we have our own identity, our own DNA. Defining who one wants to be takes time.”

Others were ceaselessly picking strategies and practices from a range of organizations

A CEO from Asia summarized why: “There are different things to learn from different people. How do large project organisations complete their projects in time and manage them, whether in India or other places? For example, companies that have gone to China—how do they become successful; how have they protected their IP in China? These are different pieces of different things. It is difficult for any company to have one role model and try to cast your organization in that mould.”

Several considered themselves to be the role model

“I consider us as the role model,” said a CEO from Central Europe, “especially in the context in which this company has transformed from a communist into a capitalist model, from a state-owned into a private company, from the old-school type of organization into a modern one.”

Mid-caps have big ambitions and stretch targets.

How do you ensure that your overall organizational goals are valid and realistic? Stretching but possible? If so, what conditions are most likely to enable your organization and its people to achieve the stretch without snapping?

79% of mid-caps were studying the successes (and failures) of other companies.

Do you have a role model?
If so, who is this, and why?
Would you say that the strengths and weaknesses of your organization are being observed by others?
If yes, by whom and for what reasons?

21% had no role model.

Do you consider your organization to be a role model?
If yes, then why and how?
If not, why not?

Which large organizations are for you negative examples of growth and globalization? Why?
As your organization evolves, what do you need to be alert to?



1

Introducing the
high-flying
mid-caps

Leading
Questions

2

Global Trade Winds

If many mid-caps already have a successful international business, only 9% feel truly ready for globalization.

Some mid-cap CEOs had mixed feelings about moving into a bigger, more competitive airspace. Would they have the apparatus to fly successfully at longer ranges? The top-ranking critical issues were the ambiguities of global markets, global operations and production. These were closely followed by talent identification and development and change readiness. A Vice Chairman from Asia: “The biggest hope is that globalization will give you an opportunity to grow much faster and bigger, the biggest worry is that we were shielded without globalization - with this you are exposed to a much bigger canvas.”

Managerial capacity for globalization is insufficient.

Mid-caps have no illusions about the difficult talent journey ahead.

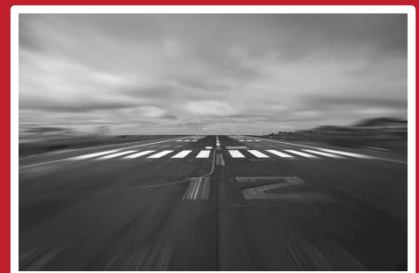
Hire aggressively to anticipate shortfalls, keep it lean, or take an incremental approach? A CEO from Central Europe admitted that with rapid growth “we need to not only retain but also attract new specialists and we are also the hunting ground. Our strategy now – take more people than we need.” Another preferred to keep the crew lean. However, “the fact that we don’t have any excess within the organization means we don’t have reserves. When we want to speed up with a project, we pull in someone who was already focused on something else.” A CFO from Northern Europe was taking an incremental approach – and prioritizing: “We have to focus on certain markets - we don’t have the managerial capacity to manage so many. And it’s also very difficult to find country managers who have this under control. And you need a certain size to be attractive. So we would rather be big in China, Singapore and have good management teams there, than to be in ten countries in Asia.”

Leaders of globalizing mid-caps will need to be particularly travel-resilient. A CEO from Asia sought “leaders who can have a technology conversation with a Chinese employee, go to Singapore to attend an industry forum meeting, then to India to resolve a customer issue, to negotiate a partnership in Silicon Valley, to do a business review in Peru or Africa...”



“The biggest hope is that globalization will give you an opportunity to grow much faster and bigger; the biggest worry is that we were shielded without globalization - with this you are exposed to a much bigger canvas.”

- Vice Chairman, Asia



Shifts in talent capacity demand more sophisticated talent processes - without over-complexity. “As we grow, it may require more complex policies to deal with people issues. We are still a close family business,” said a participant from South America. Another, from Northern Europe, wanted *less*: “Our incentive systems are much too complex. We should break away from linking incentives to budget goals.”

A transfer of focus to distant shores may compromise the employer brand in local markets. A CEO from the Nordics: “If we lose our strong position in our home region, then we will also lose the war of attracting top talent and be on a downward slope. We need to keep and expand these positions.”

Anxieties surround change-readiness.

As mid-caps enter new geographic territory, the stakes rise and multiply. The ability to anticipate and meet changing stakes provokes visceral language: “The fear is that if we are not ready we can easily be *lost in the wave*. We must be ready to embrace it and stand out,” says an Asia Pacific President, while in Asia, a CEO referred to “the *unknown something that is lurking* round the corner - there are a lot of inherent risks in the global business where it grows rapidly, uncontrollably.”

Leaders must transform their own positive attitude into a general cultural feature. “The biggest challenge is to keep people enthusiastic about new targets and opportunities and to understand the world market,” said a Global HR Head from North America. “They must be nimble. We need to create the right atmosphere at senior leadership level and build a safety net for people who want to take chances and risk failure. Agility is very important.”

In the face of expansion, it is important not to lose sight of the core. A Northern European CEO, for example, was unequivocal: “The main danger could occur if our culture and result-orientation weakened. We have the means to make more investments but we have to keep cultures and the fundamental values alive, despite distance or growing size.”

Leaders must not only overcome the difficulties of transmitting consistent messages across distances, but deal with different levels of development in regions of differing maturity. “We have only been truly global for about three years now. We have to better connect people across regions,” said a Chairman, also from Northern Europe. “In Europe, this is working well. People connect by themselves and address issues directly, asking for help and advice. On a global scale we are not that far, but this will become better as the organization becomes truly global.”

“The main danger could occur if our culture and result-orientation weakened. We have the means to make more investments but we have to keep cultures and the fundamental values alive, despite distance or growing size”

- CEO, Northern Europe



Managerial and cultural capacity to handle globalization are top-ranking critical issues.

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In which dimensions of globalization is your organization strong?

Where do you see a shortfall?

What could be the implications for performance?

Only 9% believed themselves ready for globalization – and some mid-caps expressed concerns about over-exposure as they entered a bigger playing field.

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If you had the choice to slow down - or for that matter, to speed up - the globalization process in your market(s), would you choose to do so? Why or why not?

In moving to a larger, global arena, what organizational characteristics do you need to preserve at all costs? What do you need to change?

What advantages or historical strengths are you prepared to sacrifice in order to achieve global success?

Anxieties surround change-readiness.

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To what extent are people in the wider organization engaged on the globalization journey?

Where do you see the biggest fear or resistance, and why? If the organization's leadership is positive,

How could you transform that positive attitude of leadership into a general cultural feature?



2

Global Trade Winds

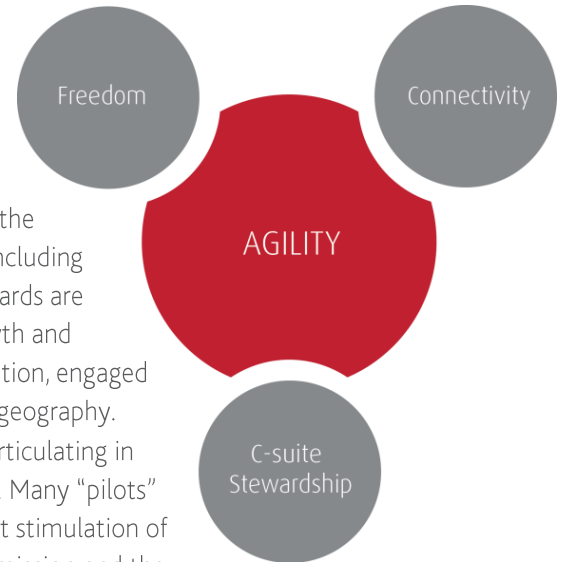
Leading
Questions

3

Key On-Board Conditions for a Successful Flight

Three main factors appear to be positioning successful mid-caps to win the war for customers and talent: freedom, connectivity and C-suite stewardship.

- 1 **Freedom** – key functions and talent are given space to shape the still-evolving organization. Boards, given relative freedom by shareholders and other stakeholders, pass it on (or reconfirm it) to CEOs and their operating teams. Talent is free to act, to fail, and to evolve.
- 2 **Connectivity** – Boards and C-suite leaders have their finger on the pulse of the business and know the key players in the market, including customers. Talent is exposed to new ideas and perspectives: Boards are connected both internally and externally, as custodians of growth and globalization, and executives ensure talent is involved in innovation, engaged in informal learning, and moves across functions, divisions and geography.
- 3 **C-suite Stewardship** – mid-cap leadership means proximity, articulating in person a mission touched and felt throughout the organization. Many “pilots” valued their own high-touch approach: customer contact, direct stimulation of innovation and entrepreneurship, the live communication of a mission and the surfacing, sponsorship, and development of high potentials.



Globalizing organizations increasingly need to be agile to win on two fronts: the war for leadership talent and the war for customers.

The next generation of leadership expects to be ‘self-determined’¹– to experience feelings of autonomy, competence and relatedness. This implies that they want to be empowered to make a contribution to networks that stimulate their development, and for that contribution to be recognized. Regarding the *customer*, organizations need the plasticity to evolve, attuned to intelligence on the ground, processing the information to anticipate and meet the shifting needs of markets in innovative and relevant ways.

Freedom and connectivity can lead to *agility*, particularly when underpinned by the *personal stewardship* of organizational pilots exercising a human touch. Successful mid-cap leaders communicated directly with their customers and employees, and those customers and employees, in turn, feel heard, acknowledged, and committed to the enterprise.

Could mid-caps inhabit a ‘vitality zone’?

Analyzing four mid-cap size bands, from 5,000 employees and under, to 25,000 employees and over, we discovered that these phenomena are by no means limited to the lower end of the size spectrum. Is the full range of mid-caps thus small and informal enough to allow connectivity, freedom, and CEO/Chairman stewardship, yet large and systematic enough to make the most of these features across a global footprint?

¹ Ryan, R. M., & Deci, E. L. (2000) Self-Determination Theory and the Facilitation of Intrinsic Motivation, Social Development, and Well-being. *American Psychologist*, 55, 68-78.

3.1 - Freedom

Boards are free – and give (or reconfirm) freedom to managers and their operating teams.

Reasons stated for the relative freedom by which leaders of successful mid-caps characterized their organizations included: fair decision making, growth, profitability and productivity, risk management and value added to invested capital. A Vice President from Central Europe commented: “the major stockholders trust the founder [who is still the single major stockholder]; therefore the Management Board has a great amount of independence in decision making.”

Setting clear roles for Board Members is an essential pre-condition for freedom. Furthermore, diversity in both demographics and roles can help optimize Board independence. A CEO from Central America reflected this: “The mix between independent directorship and owners, young and older, gives our Board the right balance and the empowerment to act with total liberty on all issues.”

CEOs are trusted by Boards to perform and deliver. “I have been given the opportunity of becoming a CEO with management autonomy,” said a participant from Central America, “because there is a Board Chairman who believes in me and my decisions. He has earned my appreciation and I have earned his trust, where at the end we both have the company’s wellbeing as a priority.”

Senior managers are given room to maneuver. Boards are stepping back and, with globalization, will continue to do so. A Chairman from Northern Europe illustrated this: “The owners have given room and power to the Managing Director level.....They have given a clear sign to Managers and empowered them, while they focus on their role as shareholders.”

Talent is free to act, fail and evolve.

Talent is given the freedom to innovate. An HR Director in Asia told us: “We encourage people to share ideas, work on them, and give them responsibilities to perform.”

However, for innovators to stay motivated, it is important for ideas to be evaluated and, if relevant, implemented. As a Chairman in Southern Europe put it: “We certainly try to execute good ideas generated bottom-up; this is the best way for people to feel ownership, to make them feel part of the project and really enjoy working with us.”



“The major stockholders trust the founder; therefore the Management Board has a great amount of independence in decision making. That is why the founder’s vision still can drive the company.”

- Vice President, Central Europe



Talent is given space to sink or swim – to surface, to be seen and to grow. Positive provocation can be a powerful way to identify and develop talent. A CEO from Asia illustrated this: “The top thirty people meet - pick two or three projects which are important and can be led internally. One of the thirty is picked to lead each project (maybe not from the direct domain of the project) - and asked to assemble a team of six to ten people, scope the project and go solve it. It’s a fantastic way to really find leaders - working across functions, putting a team together.”

Surfacing talent in an organic fashion demands open minds from management and from talent. “Most important has been not being afraid of giving opportunities to the young talented people deserving those opportunities, even at the risk of being wrong,” a Chairman from Southern Europe explained. Yet the talent itself needs to be “humble and capable of self-criticism,” he added.

The freedom of talent to experiment and fail emerges distinctly. “We did a lot of things by ourselves; development is impossible without some risks and innovations that we encourage,” said a CEO from Central Europe, while a CEO from Northern Europe thought in a similar vein: “We say: YOU are the manager and you have to take over innovative systems. I am ready not to penalize the ones who try, and to encourage the ones who test new models.” A participant from Asia raised three conditions for failure tolerance – self-reflection, sharing the learning and compassionate correction.



“Most important has been not being afraid of giving opportunities to the young talented people deserving those opportunities, even at the risk of being wrong.”
- Chairman, Southern Europe

Boards, CEOs and management teams are given freedom.

How much freedom do you have, as a Board and/or as a leader?

If too little, what would you do differently, given the opportunity to change the organization?

How will you make the case for more freedom? For whom? To whom?

On the other hand, are there occasions upon which you might welcome being more 'contained'?

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Setting clear roles for Board Members is an essential pre-condition for freedom.

To what extent are the roles of your Board Members not only defined, but understood and agreed upon by all?

What needs to change?

To what extent are individual mandates respected and exercised?

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Talent is free to act, fail and evolve.

To what extent does critical talent have the necessary freedom in your organization?

To what extent do people feel willing - and able - to make their own decisions? Do you notice any differences in this willingness and ability between generations?

In which functions, divisions, or geographies would more freedom be less appropriate?

What are the specific risks of freedom in your organization?

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3.1

Freedom

Leading Questions



3.2 - Connectivity

Boards have their finger on the pulse of the business and know the key market players and customers. Executives ensure talent is involved in innovation, engaged in informal learning, and moving across functions, divisions and geography.

The participation of relevant and well-prepared stakeholders means mid-cap Boards can be a lean and effective instrument of 'informed approval.' For example, a CEO related: "Our executive team does all the spade work. The Board gets very involved with the principals of the organizations we are seeking to acquire, checking the rationale of propositions put to us by the executive team."

Board access to information is engineered via committees and the involvement of operational stakeholders. While committees are relatively common - mostly addressing audit, finance and nomination - this is by no means the whole picture. A CEO from Southern Europe reported: "Board meetings are open to all executives, who participate in discussions related to their area of responsibility."

Connected Boards display a positive inward attitude and outward behaviour. A Managing Director from North America related: "They are visionary, operative, effective, realistic, have knowledge of the business, and we have excellent communication."

Board connectivity externally is supported by adding independent Directors - often beyond statutory requirements. An HR President in Asia explained, "We created very strong independent teams and to manage them we created independent Boards with independent directors, even before the [requirements in our country] got modified in 2013."

Talent is connected to new ideas and perspectives.

Learning about 'what works' is shared and replicated. Mid-caps learn much from themselves. Geographical lopsidedness can be resolved by transferring practices, and people, across entities of different maturities. A General Manager from Northern Europe said, "These [sales techniques] originated in mature countries. We must be able to take the best practices of more mature countries and adapt them. The reality is that it works."



"Board Meetings are open to all executives, who participate in discussions related to their area."

- CEO, Southern Europe



When learning, humility helps. “The ability to assimilate world class learning was key [for our global aspirations]. It’s a whole process and [we need to] be humble - and enact,” said a participant from Asia. Humility equally applies to learning from acquired organizations or subsidiaries. Complacency, too, is to be avoided. For example, a Vice President of HR in North America opined, “Best practices are common practices - that may not be what we need.”



Informal learning flows through a rich internal network – helped by leanness “We share and we communicate,” this CEO explained. “It is flat and small enough to create a lot of interaction up and down management levels.”

The dots are connected across the organizational network.

The need to avoid silos is critical. “We could not have accomplished [cooperation and winning] if teams were closed in separate units,” a CEO from Central Europe told us. In the same spirit, a peer from the Nordics emphasised: “We are challenged by international giants, such as Facebook, and we need to collaborate more internally to meet this competition.”

In most cases, teamwork is preferred over hierarchy to get things done. A CEO from Asia related: “A lot of collaborative problem solving happens in plants and at the business and global level. [With] SAP and Salesforce.com implementation, you bring global teams together so I think there are opportunities for people to contribute their ideas and be involved.”

Business planning is participative. “We spend a lot of money on training and education,” said a CEO from Central Europe. “We involve people in strategy development, we have a social network inside the company, our own Facebook [page], etc.” Meanwhile: “People at production sites are actively involved in management decisions,” a peer from the same region related.

Involvement and connectivity are backed by structures, frameworks and incentives. “Our organization has signed a supplementary agreement aimed at flexibility, between employees and employer, based on sharing successes,” said an HR Senior Vice President from Southern Europe. A South American CEO reported a similar, recent shift: “We have maintained some of the good characteristics of a family-owned company [people-oriented], but have transformed the old paternalism model into a meritocratic process...in setting goals and sharing results.”

Senior Management is the lynchpin between the flight deck and the terrain. Several described the regularity of contact. Said a HR Global Head in North America, “there are about 20 key people and the leaders ensure that they touch base with those individuals at every opportunity.” From the same region, another HR Director related: “The entire executive visits operations on a regular basis [8 times per year]. We talk with those employees formally around culture.” In Asia, a Managing Director related: “Any senior person travelling to any location will [meet] all employees at that location and talk [with them] about the company.”

Talent - also at Board level - is intensively transferred across functions, divisions and geography, both for talent development and to strengthen the organization’s network. One participant explained: “There is less growth [in Europe] but for us it is a school where we send people to learn the most mature market business techniques.”

Connectivity – internal and external - drives innovation.

Innovation spans functional boundaries. It is 'open source' – everyone, irrespective of level or function, can connect. A CEO from Northern Europe described this approach: "It's not about creating think tanks and saying: 'Oh, I need something from you.' You must go down to the shop floor, be as open as possible and tell people: 'Listen, if you have a new idea we can discuss it.'" Open source innovation can be productive. "Ten years ago we used to file two patents," a General Manager from Northern Europe told us: "today, we file more than a hundred per year. The culture of intellectual property has percolated, but is innovation confined only to R&D? No."

Innovation spans geographical and organizational boundaries. A South American CEO explained: "In partnership with technical universities for motors, such as _____ University in Germany, we built an R&D team of engineering experts and professors and their teams. We have to be where the best and most technologically advanced technologies are designed, tested and developed."

If customer need is a clear innovation motor for mid-caps (as for other companies), understanding this may be more than a data-gathering exercise: For example: "Our engineers have to be close with our major customers and develop a sense of what they really appreciate," according to this participant. "Our customers drive our innovations."



"It's not about creating think tanks and saying: 'Oh, I need something from you.' You must go down to the shop floor, be as open as possible and tell people: 'Listen, if you have a new idea we can discuss it.'" - CEO, Northern Europe

3.2

Connectivity

Leading Questions

Board access to information is engineered via committees and involvement of operational stakeholders.

?

How regularly do you invite key stakeholders *below* C-suite level to participate in strategic Board meetings?
What is their role?
To what extent is their input valued?

Connected Boards display a positive inward attitude and outward behaviour.

?

How well are your Board Members able to positively confront each other to expose underlying issues?
How would key internal stakeholders (beyond the Board) describe your Board's attitude and behaviour?

Board connectivity externally is supported by adding independent Directors – often beyond statutory requirements.

?

Beyond 'box-ticking' and regulatory compliance, how has the composition of your Board changed in this respect?
And, to what extent are you truly leveraging the added-value of those independent members?

Senior Management is the lynchpin between the flight deck and the terrain.

?

How 'switched-on' are the touchpoints between senior management and key staff, in terms not only of the *regularity* of contact, but the *quality* of exchange?

Innovation spans functional boundaries – everyone, irrespective of level and function – can connect.

?

When did your organization last implement an innovation that did *not* arise from a dedicated think-tank or department?
What was the nature and origin of that innovation?

Understanding customer need may be more than a data-gathering exercise.

?

Beyond Sales, Marketing and related ICT systems, who has direct customer access and for what purpose?

When learning, humility helps.

?

Being open to receive learning is one thing. Being able to *transfer* (or alter) one's own knowledge in an 'ego-free' way is another. To what extent are your people willing to donate their 'knowledge capital?' How adept are they at teaching others? At learning from them? What kind of intervention could help them to do it even better?



3.3 - C-suite Stewardship

Many mid-cap CEOs and Chairs have a distinctly 'hands-on' style

Big Data can enable unprecedented responsiveness to customer trends.

Yet, for some of our leaders, customer contact was still very much a

personal matter: "I got more and more involved in the large customer contracts, which are very important for us," said a CFO from Northern Europe. Another CEO in Asia Pacific cited the need to personally "know the pulse" of the market.

Senior customer contact is not just for 'grey hairs' or low-techs. One

Chairman was instilling the customer contact habit in his "best and

brightest." Another Board Member of a high-tech Northern European

mid-cap related: "All questions to analyze a customer have been

written down. Every salesperson has a book with these questions in his

own language. We only ask open questions. We are humble and

dignified."

The CEO or Chairman, often an entrepreneur him or herself, takes a

personal interest in innovation and entrepreneurship - directly

stimulating the spirit in employees. A CEO in Asia exemplified this:

"When I visit factories, I ask them: 'what innovation you have done

that makes you proud?' When you ask a question like that, I think

people understand the importance of innovation and many times they

have presentations on the shop floors to show me what they have

done. I ask supply chain people, I ask everybody."

The CEO or Chairman represents the mission of the organization – in

person – engaging in strategic exchanges on the internal front lines and

preferring live over virtual media. For one Vice President, this was a

family value: "I look to sell ideas and create passion through direct

communication, always face-to-face. This is what I learned in the process from the beginning, working with my

father and then by myself."

Geographical distance inevitably increases with globalization. If omnipresence is impossible, coverage can be,

(and often is) achieved by the careful prioritization of countries and markets and the inclusion of C-suite

colleagues. Indeed, some pilots extended the philosophy of proximity to the leadership team as a whole.

The CEO or Chairman is directly involved in the surfacing and development of high potentials. A Chairman in the

Middle East was engaging directly in talent development: "Taking all these changes into consideration, we are

now training our dealers and I am also one of the trainers."

Leaders emphasize approachability, humanity, and family feeling. Beyond pilots, the 'human touch' was, for many

successful mid-caps, an institutionalized quality, as for this Director in South America: "Profiting from business

without losing focus of doing good to people is the best way. You make people feel grateful, with a snowball

effect, with repercussion in all areas of the company."

"One of my main activities is meeting customers, because the customers grow the business. I need to know the pulse of the market. I need to know what's going on."

- CEO, Asia Pacific



3.3

C-suite Stewardship

Leading Questions



C-suite stewardship implies a distinctly 'hands-on' style.

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To what extent is this a leadership criterion for your organization?

Considering the pressure on newly appointed or promoted leaders to deliver on targets, how do you ensure that qualitative targets are given weight?

Geographical distance inevitably increases with globalization.

?

Omnipresence is impossible. Yet proximity is important. How are you setting priorities on where and when to be personally present?

To what extent do you plan this?

How are you drawing on the support of other members of your Board to ensure C-suite proximity?

Emphasizing the human touch – approachability, humanity, family feeling.

?

As you grow and globalize, how important is the human touch for your organization?

What changes have you observed?

How are you managing to preserve the original spirit?

The CEO or Chairman represents the mission of the organization – in person.

?

Thinking about your own internal communications, and given the online tools now available, how have proportions of live and virtual connections shifted?

With what possible consequences for employee engagement?

4

Piloting Skills: Agility and Consistency

Mid-caps have found a compelling balance between local autonomy and corporate influence. To reconcile agility and consistency, many are centralizing processes (e.g. HR, ICT) and decentralizing decisions, particularly to market-facing areas

Strategic paradoxes are part of leadership life. All organizational pilots face such dilemmas,¹ and mid-cap leaders are no exception. Should they emphasize logic or creativity? Should they take a deliberate or emergent approach to strategy formation? Should they stress profitability or social responsibility? How can they get the best of both worlds?

Mid-caps are most concerned with agility and consistency, centralization and decentralization. This tension between *agility* and *consistency* is described by the cultural model of Professor Dan Denison of IMD², who has demonstrated that both traits are correlated with financial performance. The *centralization and/or decentralization* dilemma is a periodic challenge of organizational design. The prevalence of this tension is unsurprising, given the rapidly expanding anatomy of many mid-caps. How are they tackling the issue?

Some are centralizing. For this President from Asia Pacific, consistency prevails: "In the past, the business was driven by local-oriented operations and organizations. Human resource management and talent development were in local focus as well." Not so today for this mid-cap - and many others.

Others are decentralizing. For example, an Asian Chairman thought differently: "Decentralized Structure. Effective empowerment. Decision-making delegated to the working level to improve reaction time to market."

¹*Strategy Synthesis: Resolving Strategy Paradoxes to Create Competitive Advantage* (Thomson Learning, 2005), de Wit and Meyer.

²*Leading Culture Change in Global Organizations* (Jossey-Bass, 2012), Denison, Hooijberg, Lane & Lief.



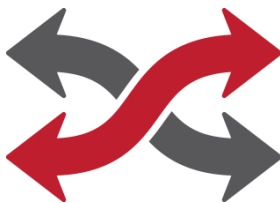
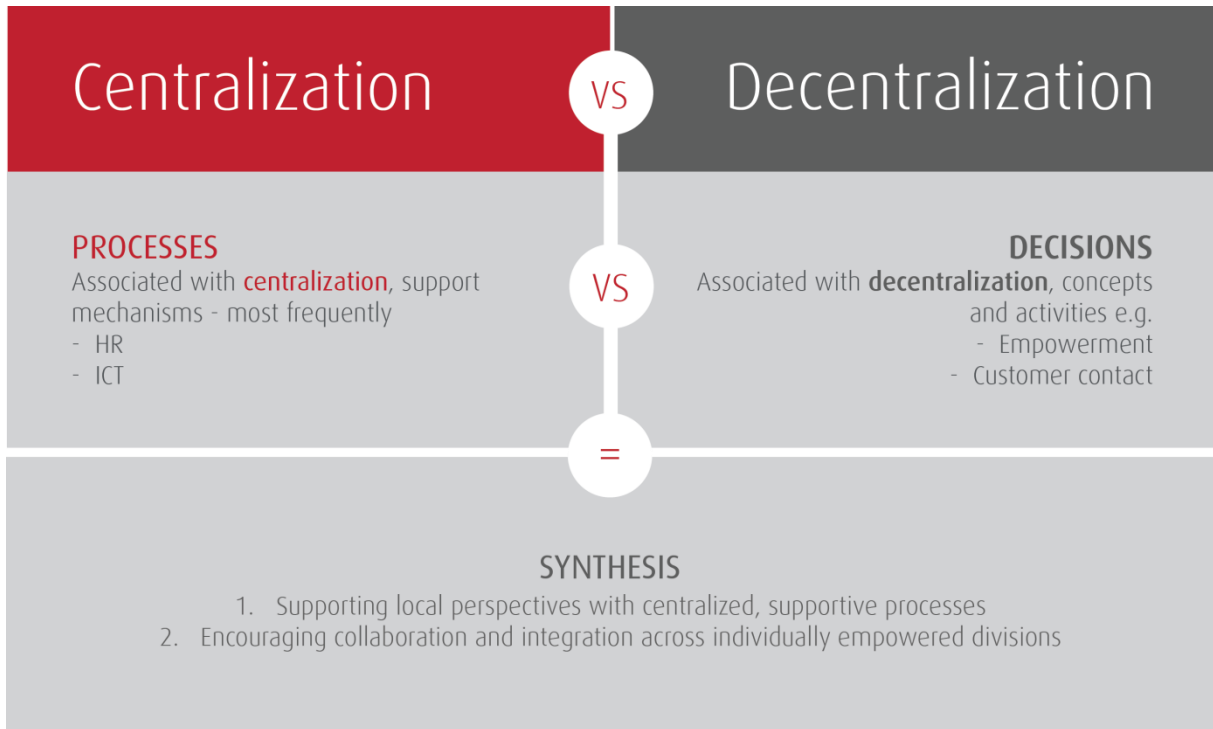
"We have centralized policy making, CSR, HSE, and we have built resources to have the same standards all around the world...We encourage local empowerment and give decisionmaking power to each subsidiary."

- CEO, Nordics



Getting the best of both worlds? “We have decentralized and tried to get the regions closer to the market,” the CEO of a mid-cap from the Nordics told us. “Examples of this are what we have done in Dubai, Kuala Lumpur, Istanbul and Shanghai where we have built engineering units. This way we get resources closer to the market. We have centralized policy making, CSR, HSE, and we have built resources to have the same standards all around the world. I think this will continue. We would like to be seen as one company and we need to centralize some of our business.” He concluded: “We encourage local empowerment and give decision making power to each company (subsidiary).”

Strategy synthesis



Mid-caps are most concerned with agility and consistency, centralization and decentralization.

How is your organization resolving these tensions?

What resistance are you encountering, if any?

How does this vary by business area, function, level of seniority?

How well equipped are your leaders to deal with these dilemmas in terms of mindset, skillset and tool set?

?

Some functions (e.g. HR, ICT) are most associated with centralization, processes and support mechanisms.

To what extent are the right HR or ICT strategists in the right spots in your organization?

To what extent are these strategists *skilled* in influencing key stakeholders?

To what extent are those key stakeholders *able and willing* to listen?

?

4

Piloting Skills: Agility and Consistency

Leading Questions



5

The Flight to
Leadership

Part Two

A closer look at the terrain

6

Becoming the
Carrier of the
Future:
Innovation

7

The Flight
Controllers:
Board Governance



5

The Flight to Leadership

Globalizing mid-caps have powerful employer branding factors: the freedom to swim in an internal pool and to catch the eye of top management. Talent enjoys mobility between functions, divisions or geographies, competitive financial incentives combined with the allure of growth and – often - world-class formal learning.

Go inside – internal talent knows the company and wants upward mobility (and is ready to leave if it is not on offer). *Internal sourcing may account for up to 70% or 80% of the total, and talent identification follows global HR standards: reviews, assessments, appraisals and feedback, career planning.* Yet, more than in larger organizations, management believe they know who their high potentials are. For a CEO from Central Europe (piloting a workforce of 12,000), talented people were visible, as they were clearly: “active, involved, want to develop themselves and are ready to contribute.” However, a Board Member from Central Europe had a problem. “The main challenge of a couple years back was a lack of good managers with knowledge to run a big, globalizing company – [so] we trained our own people. The flipside - they knew one organization only.”

Talent shortages in developing markets are a concern. Some mid-caps felt these could be solved by talent mobility - or by socially responsible education. A General Manager in Northern Europe posited: “We must be able to choose people who have true potential but who often, from the educational point of view, were left on rather low levels - especially in Africa.”

Go outside for technical or sector-specific know-how and, where necessary, specific senior positions. *The mid-caps typically reported partnering with executive search firms and universities. Admired organizations may also be a talent source.* Interestingly, among this group of C-suite leaders, social media was hardly mentioned (possibly a generational difference; possibly because of their level); classic networks figured slightly more. “We try to choose the best professionals on the market – they are usually well known,” said a CEO from Central Europe.



“The main challenge of a couple years back was a lack of good managers with knowledge to run a big, globalizing company – [so] we trained our own people. The flipside: They knew one organization only.”
- Board Member, Central Europe



Mid-caps are strong contenders for leadership talent, offering distinctive growth opportunities. A CEO from the Nordics described his firm as offering “attractive brands, a good reputation and responsibilities quite early in careers.” However, we question whether mid-caps are fully exploiting the potential of their employer branding.

External talent must earn the right to board the plane. “They need to match our corporate culture and bring specific industry know-how we do not have at our disposal currently,” said one participant. Acquisitions and mergers also bring in new faces – and potential clashes. An Asia Pacific President, whose mid-cap was based upon the merger of three organizations, reported being challenged by the need to unite people from these – along with fresh hires with no allegiance to any of the three.

Globalization and growth mean that diversity is of clear and rising importance

Among our sample, diversity was stimulated via talent identification, promotion, and targeted recruitment – but was rarely forced. Leaders identified gender diversity as important, but not to the point of having quotas for women managers. Several mid-caps reported having significant ground to cover in this area. Some welcomed changes that increased the number of technically-skilled women in the labor market. A CEO from Northern Europe saw: “More and more women going for technical studies, although our country is still lagging behind Southern countries, such as Brazil.” C-suite stewardship also extended to the development of gender diversity, we saw CEOs engaged in mentoring activities, training programs, or sponsoring an internal women’s network.

National and cultural diversity are also becoming critical. For example, this CEO from the Nordics reported: “it has changed dramatically over the years. Ten years back, probably 80-85% were from our country. Today, probably 40% are, and it is changing fast.”

Cognitive, behavioural and personality diversity are as important as demographics. Several CEOs seemed opposed to developing a single approach to leadership across their organization. “I am convinced that all of us are different,” said a CEO from Northern Europe. “This thing about leadership to be unified, to do the same things, frightens me a little bit.” Reporting good diversity in skills and personal characteristics, a CEO from Central Europe said he valued: “flexibility, acceptance, inside our company.”

“This thing about leadership to be unified, to do the same things, frightens me a little bit.”

- CEO, Northern Europe



“The combination of motivation system and corporate culture, ‘being a member of the winning team,’ leads to a high retention rate.”

- CEO, Central Europe



Growth and globalization - and internal talent sourcing - are raising the bar on formal education and training.

We found institutionalized structures to be widespread in the form of customized learning and MBA sponsorship - even across continents. Mid-cap corporate universities were often branded and involved several partners. C-suite members spontaneously associated leadership learning with prestigious academic partners. Apparently the digestion of business content (knowledge-building) drives curricula, more than behaviour change or strategy co-creation. For example, this CEO from Southern Europe described the purpose of his customized corporate university: “to *give them* all the relevant concepts and content about the renewables business [italics ours].” Despite significant investment, demonstrable ROI and agile solutions such as blended or e-learning were not obviously demanded by these leaders, despite these becoming clear trends elsewhere in the executive development world².

Money and growth carry motivational weight.

Basic, market-competitive money talks - especially in BRIC or CEE countries and more sophisticated financial packages are in place. Growth is a further motivator. “The combination of motivation system and corporate culture, ‘being a member of the winning team,’ leads to a high retention rate,” said a Central European CEO. His view is echoed by a peer from Central America: “I consider we are relatively good at retaining our employees, not only from the economic point of view, but also for the opportunities they are offered, our work environment and the growth the company has gone through in the last years.”

What mid-caps still have to learn about leadership talent management.

Keeping up with growth and globalization often puts pressure on talent management systems. A CEO from South America related: “keeping [our leadership development] program up-to-date with the needs of the business has been our biggest challenge.” Succession planning often needs attention. And the aforementioned freedom extended to the mid-cap talent pool can also have pitfalls; some participants reported seeing burnout or elitism arising from a kind of ‘Icarus syndrome.’

² *Securing the Future of Management Education: Competitive Destruction or Constructive Innovation.* (Emerald, 2014): Thomas, Lee, Thomas and Wilson.

We see the need to look outside for certain specialisms, or top managers. We noted earlier, too, that 79% of mid-cap leaders were observing the successes and failures of external organizations.

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Given this, which organizations, perhaps in different industries than your own, could be new sources of leadership talent to drive your organization towards 'what's next'?

If mid-caps offer employees unique opportunities for growth, allowance to sink or swim, and best-in-class training, could your organization also be the mid-caps' hunting ground for talent?

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What patterns do you see in talent departures?
How do you address this?

What are the key components of your employer branding, and how well do these reflect your unique qualities as a mid-cap organization?

How do leadership candidates perceive your employer brand?
How does your workforce experience your employer brand?

?

The internal pool is the prime source for talent.

When identifying leadership talent from within, how do you ensure that those internal candidates can also take an objective, external view, considering new and unfamiliar solutions to the challenges of the future?

Managerial capacity may be lacking due to several factors - for example, geographical imbalances such as insufficient critical mass in certain markets.

?

What is the state of managerial capacity in your organization?
Which functions will be critical in the next 3 years?
In which countries or regions?

5

The Flight to Leadership

Leading Questions



6

Becoming the Carrier of the Future: Innovation

Manageable size combined with global reach can enable broad-based innovation, spanning products, processes, levels, and markets. Successful, globalizing mid-caps are networks characterized by intensive cross-border information exchange and the freedom to experiment, fail and learn in local markets - and quickly transfer that learning across the organisation.

Innovation and entrepreneurship are closely associated concepts for several mid-cap leaders.

As a CEO from South America illustrated this: "We are fans of entrepreneurship practices. I think this emerges naturally from innovation projects." Meanwhile, for a CEO from Central Europe: "Innovation is the spirit of the extra-mile plus passion, willingness and readiness for change - and this is how I can also define entrepreneurship.

Innovation is more than an attitude – it is an imperative.

Often part of a mission statement, innovation figures at the highest level. A Northern European mid-cap: "determined that R&D innovation would be an obligatory subject every trimester within the Board." A South American mid-cap piped newly-raised cash straight into innovation – and organizational transformation: "The resources obtained by going public allowed us to invest in innovation and to strategically develop from a manufacturer into a retail chain."

Mid-cap resourcing of innovation will intensify as globalization steps up. For example: "We will continue to increase our R&D spending," said a Senior Vice President in Northern Europe, claiming "higher R&D budgets than smaller competitors. We can bring new technologies to market faster."



"We are fans of entrepreneurship practices. I think this emerges naturally from innovation projects."

- CEO, South America



Extrinsic motivation backs intrinsic motivation.

Accountability and goalsetting extend to innovation and entrepreneurship. An HR Group Director in Asia reported on the ways in which entrepreneurship was anchored in his mid-cap:

"Entrepreneurship brings energy to the organization and that energy drives execution. So the promoter [founder] wants N-1, N-2 and N-3 levels to take ownership of issues and resolve them." Ownership and resolution of issues was supported by the fact that: "Their goals are set, they are responsible and accountable."

Public recognition and budgetary incentives apply: "We have installed a yearly engineering meeting," a CEO from Northern Europe related, "where our top 300 managers listen to our top engineers and get educated on the best innovations. The best will be awarded with an extra R&D budget of €700,000, the second with €500,000 and the third with €300,000."

Focus is essential in challenging environments – and mid-caps are finding ways.

If the previously-cited mid-cap boasted *more* resources than *smaller* rivals, a pharma player had *less* resources than *larger* players: "As a medium sized company you put in, say, 10 million, but to have a successful market entry you need 100 or 500 million." As such, the need to identify and target the most promising technologies for investment was particularly acute, and here again, the organization was connected and learning: "that's why we spend a lot of time on the market, in cooperation with research institutes and universities in order to capture these external signals with breakthrough technologies that we have."

In the high-functioning company cultures, we saw examples of the tribe uniting in the face of difficulty, ambiguity or dilemmas. A Chairman from Southern Europe cited: "madness, conviction, survival instinct, and commitment to the project. Open mind on the top, and the team capable to drive." Furthermore, if hard business interest tends to drive formal learning, it can also mediate in the case of conflict, disagreement or shifts. A CEO from Northern Europe: "everyone needs to understand that we are working on market leadership: if you are in a region or country you are there to build or maintain that position. They need to figure out how to get there and stay there "

Some globalizing mid-caps are experiencing 'growing pains.'

For example, reconciling a clear and consistent mission with entrepreneurship is still a process underway. Or the rising need for legal or procedural compliance that accompanies growth and globalization can risk hindering creativity.

"As a medium sized company you put in, say, 10 million, but to have a successful market entry you need 100 or 500 million... that's why we spend a lot of time on the market, in cooperation with research institutes and universities in order to capture these external signals with breakthrough technologies."

- CFO, Northern Europe



“We often reflect on how we can associate the managers to the capital in a way that they put themselves at risk, become entrepreneurs as well.”

– General Manager, Northern Europe



Furthermore, as the mid-cap expands outward from the pioneering core, transferring entrepreneurship can be difficult - as reflected by this General Manager in Northern Europe. While he considered the founding family as “total entrepreneurs,” he reported: “We often reflect on how we can associate the managers to the capital in a way that they put themselves at risk, become entrepreneurs as well.” Furthermore, “we have sometimes been able to strike deals with partners who have brought their company [into our organization] and have become Directors within our company.” A Director from South America had succeeded in channeling entrepreneurship in another way: “We had executives that offered to be franchisors.” On the basis of this, “we formed our economic distribution network.”

Mid-caps risk losing their innovative vitality as they grow and globalize.

The focus is increasingly on innovating for efficiency. We observed a trend towards innovation as a way to maximize efficiencies. Illustrating this, a Board Member in Asia reported that: “The group is much focused today on improving the operation by looking at all business processes and evaluating if that’s the efficient way of doing it, taking away the non- value adding activity and speeding up the internal processes.”

Organic innovation is increasingly underpinned by programs and systems. The engineering of innovation itself is also rising - in the form of development programs, quality control circles, innovation committees, gateway processes, benchmarking and progress measurement. A CEO from South America, for example: “Created an innovation committee, chaired by a specialist from the USA, whose job was to broaden our view.” It led to “the creation of a Strategic Planning and New Businesses area, with its own Director.”

Finally, innovation is not a universal imperative.

While some mid-caps were fostering intense and rapid innovation, a smaller but still significant number set a slower, more deliberate pace. For some, the innovation speed may have been deliberately set to ‘moderate’, as for a CEO in South America who was deploying “a ‘Program of Continuous Improvement’ based on lean management and Toyota’s production system.” For others, the particular dynamics of their industry had simply made innovation less relevant.

6

Becoming the Carrier of the Future: Innovation

Leading Questions



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Innovation is more than an attitude – it is an imperative.

If your organization experienced an inflow of cash tomorrow, where would you inject it?
Reinforcing what exists, or generating the new?

?

Mid-cap resourcing of innovation will intensify as globalization steps up.

How do your resources compare to those of your closest competitor?
What inventive ways are you finding to make more of less? How do you manage to identify areas of focus?

?

In the high-functioning company cultures, we saw examples of the unity in the face of difficulty, ambiguity or dilemmas.

How strong is your organization's collective energy at the present time?
To what extent does difficulty unleash that energy, or for that matter, drain it?
If one participant cited 'madness and conviction,' what language are you hearing from the front lines?

?

Some globalizing mid-caps are experiencing 'growing pains.'

Where would you like to see more entrepreneurial thinking and acting in your organization?
Where do you see a need for rather less?

?

Mid-caps risk losing their innovative vitality as they grow and globalize.

The focus is increasingly on efficiency. Thinking about your innovative capacity, what tendencies are you noticing?
To what extent is there a shift towards internally-focussed efficiencies, rather than market-facing advances?
If 'efficiency' means finding the shortest route to solve a problem, what could be lost along the way?

?

Systemic innovation is – increasingly – accompanied by programs and systems.

If your innovation is 'open source' and loose, how do you prioritize, process and channel output?
If innovation is contained only within departments and functions, how could you loosen it up and break the silos?
In so doing, where might you meet resistance and how would you overcome it?

7

The Flight Controllers: Board Governance

Mid-cap Boards are tailoring themselves for globalization. CEOs and Boards maneuver freely, while being positively challenged by objective, independent voices. Board composition is shifting to reflect globalization – via cultural, functional, and sectoral diversity.

CEOs and senior managers may be free – but are supported by Boards. *Boards can act as a sparring partner, as for this CEO:* “I have used Board Members for a range of purposes. All have been supportive within the limits of their ability, time, contacts, and so on, to add value.” Boards also help focus: “The Board backs me up in the most basic things,” said another CEO. “The Planning Committee helps me a lot, to see what direction should be taken, but above all gives strength in our decisions.”

Trust in senior executives is balanced by risk management. “The CFO acts as a counterbalance to the market-oriented MDs,” says one Chairman, “and is focusing on the risk exposure of the Group.” Another Chairman explained: “Our Board and Management work together on growth. Management work on strategy for approval by the Board, and the Board continuously pushes management for growth.”

The view from the mid-cap flight deck is enhanced by strategic bifocals.

Long, medium and short term ambition, strategic focus and opportunism coexist at the top of the mid-caps. A Vice Chairman from Asia illustrated the way in which the CEO and Board focus were related, yet distinct, “The CEO’s role is to monitor the quarter-on-quarter performance. The Board’s is more long term - strategic direction, where we want the company to be a decade down the line.”

In describing the focus of their Board, interviewees cited the following: First, performance measurement/financial management; second, growth/globalization; third, talent management; fourth, investments.

“The current, small EC is more effective. I always use the rule of eight direct reports as the limit for having constructive thought exchange, interaction and commitment.”

- CEO, Northern Europe





Board composition and interaction are shifting to reflect growth and globalization.

Interviewees reported diversity to be a critical issue, in particular a spread of functional specialties, industry backgrounds and nationalities. Risk management, control, and investment complexity all increase with globalization; thus finance was the most highly sought-after skill. Also important was industry know-how (consumer and banking/financial services most of all). Gender, personality and generational spread were less evoked. International composition was key and for some, surprisingly recent, as for this large mid-cap in Asia Pacific: “Now we have a foreigner on the Board. I think this is the first time this enterprise has an expatriate.” Notably, the critical issue of finding or developing managerial talent to drive globalization was not strongly reflected by a quest for more – or better - HR specialists at Board level.

Board composition should reflect organizational composition – yet remain lean and focused. Leanness (a slight trend in our data), encourages focus. For this CEO, for example: “The current, small Executive Committee is more effective. I use the rule of eight direct reports as the limit for constructive thought exchange, interaction and commitment.” Meanwhile, a peer was facing a challenge: reconciling representativeness and leanness: “Now we are given only twelve members. We have to request to stretch to fourteen, so that we can incorporate [the necessary] skills. So, in terms of defining your independent Directors, currently you have a limited number. To increase that, you’ll increase the size of that Board until one day they say that it’s bloated.”

An HR President from Asia raised a further problem: “The challenge lies in keeping the attention [of independent directors] focused on the business because they are equally directors elsewhere and often some are unable to attend meetings. For them, we are one more business; so to occupy their mind share is the biggest challenge.”

Diversity requires complementarity. The importance of consensus and synergies is clear. Keeping business interest as the mediator can help, here, as in other areas. For this Boardroom participant: “The main value is integrity - discussing openly difficult issues in the company’s interest. The goal is to come up with a decision and to align.” Humility was less-mentioned, but important nonetheless. Being ‘open all hours’ (often the case for Boards and other teams scattered across the globe) can oil communication. Self-confrontation is vital, too. An HR Chief in North America exemplified this: “The Board takes it very seriously that their toes are equally held to the fire as is management’s.” Here, too, Independent Board Members have a role: as sounding boards, mediators, or ‘consultants’ in the design and build of new installations demanded by growth and globalization – local or new global governance structures, for example.

Historic power issues may linger. A Chairman from Asia Pacific referred to “dominance of authority by the Chairman as well as inadequate member rotation in the Board; no significant change so far - albeit an intention for improvement.” Some CEOs were simply dissatisfied with the perceived lack of dynamism of, or support from, their Boards.

Board Succession - mid-caps look inside first for new C-suite occupants. Many reported planting deep, cultivating one or two levels below the CEO (or equivalent), or maneuvering talent into this position. A more unusual solution was the creation of young crack teams – also a way of avoiding recruitment cut-backs, according to some leaders. “I made myself a covert mini strategy team,” says a General Manager. “Since I couldn’t overstaff, I employed extremely agile and relatively young people. I call them my Swiss Knives.”

7

The Flight Controllers: Board Governance

Leading Questions



Board composition and interaction are shifting to reflect growth and globalization. Diversity is a critical issue in terms of functional specialties, industry backgrounds and nationalities.

?

To what extent is your Board deliberately integrating new - perhaps unfamiliar - profiles?

What are the tough decisions regarding who will stay on the flight deck?

To what extent does your Board really agree on how diverse its membership should be?

What, if any, resistance are you meeting to changing Board composition?

Why, and how could this be resolved?

In its interactions, how effectively is your Board embracing and making full use of its diversity?

Board succession is primarily internally focused.

?

How are you ensuring that the Board selection process is inclusive, fair and objective?

When identifying Board Members from within, how do you ensure that internal candidates can take an objective, external view, considering new and unfamiliar solutions to the challenges of the future?

Globalization and growth are reflected in shifts in mid-Cap Board composition. Finance is a prime specialism, HR is less evoked.

?

Managerial capacity and culture are critical concerns related to globalization and growth. How do you ensure that strategic HR is positioned in your portfolio of specialists?

How can HR better exercise its critical role at Board level?

Mid-cap Board Members value the objective guidance of independent members - many want to augment their numbers or contribution

?

How satisfied are you with the proportion - and contribution - of your Independent Board Members? How are you striking the balance between representativeness and leanness?

8

What's Next?

Towards a Leadership profile and strategies for globalizing mid-caps: the Amrop view.

Our systematic examination of a diverse set of mid-cap companies, as seen through the eyes of their leaders, has yielded key findings and questions for all who work in, or with, these enterprises. How can we now translate just some of these into indicators to profile the mid-cap *Leaders For What's Next* and devise strategic talent initiatives?

Who are the mid-caps? 4 distinctive features emerge as key traits. Interestingly, these are 'geographically agnostic.'

- 1 Successful mid-caps take an ambitious, long-term view. Growth and globalization are high on the agenda, fuelled by stretch targets, sheer determination and a sense of 'no limits'
- 2 Freedom is a feature of successful mid-caps. Key functions and talent are given space to shape the evolving organization. Freedom also denotes allowing functional/business leaders to experiment, distinguishing them from large caps. Talent is exposed to new ideas and perspectives.
- 3 C-suite leaders are connected, visible stewards. Mid-cap leadership means proximity, articulating in person a mission touched and felt throughout the organization. Connectivity is a further feature. Boards have their finger on the pulse of the business and know the key market players and customers. The bridge between Executive Management and Boards further facilitates Board access to information
- 4 Many mid-caps are positioned to be innovation and entrepreneurship champions. Their ambition, sense of global opportunity, style of freedom and connectivity, tolerance for failure and more fluid organisation design – these are the bedrock that allows them to be more innovative and entrepreneurial. Many are passionate about innovation, and innovation champions in their industry.

Could globalizing mid-caps inhabit a 'vitality zone'?

Ample research has been conducted by academics and consulting firms into the challenges facing large multinationals. We know that many want to become more agile, and that this is difficult. Or that failure tolerance does not come naturally, but supports innovation. Based on our analysis of size bands, we argue that the full range of mid-caps is small and informal enough to allow features that enable them to be particularly agile, yet large and systematic enough to make the most of these features across a global footprint – inhabiting a niche that we can call a 'vitality zone.' We also find that these features are not limited to mid-cap organizations in so-called 'developing' markets. They also apply to mid-caps in the 'developed' world.



Preety Kumar
Member of the
Executive Board,
The Amrop Partnership



Implications and recommendations

What pitfalls could these positive mid-cap characteristics contain? What counter-strategies are successful mid-caps finding? What leadership profiling and related initiatives do we recommend?

1 - Successful mid-caps take an ambitious, long-term view.

Growth and globalization are high on the mid-cap agenda, fuelled by stretch targets, sheer determination and a sense of 'no limits'. Let's recall two five-year goals. One, to "increase revenue from international markets from 5% to 30%," another, "to be part of the top 20 multinationals in the world." Yet, however inspiring and visionary these goals, a potential pitfall lurks: *only 9% of mid-caps feel ready for globalization*. Managerial and cultural capacity are critical, some fear over-exposure: "the biggest worry - we were shielded without globalization – with this you are exposed to a much bigger canvas." How to match capacity with ambition?

An ambitious, long-term view	
Strength	Pitfall
Inspiring, visionary ambitions	Lagging managerial and cultural capacity
Risk	
Initiatives to fulfil ambitions surpass resources and could render the organization vulnerable	



What's Next: Inspiring and visionary ambitions matched by managerial and cultural capacity.

Organizational purpose.

To create the operating conditions for people and structures to stretch without snapping, the best mid-cap leaders temper envisioning with realism. So, as we shall see later, do their Boards. Ensure leaders have the self-governance to take distance from their personal paradigms and consistently check the feasibility of their personal vision for the organization. Conduct an objective talent assessment, accounting for the current situation and future ambitions. Test the 'globalization engagement' of the organization, identifying zones of fear or resistance, coaching and training to transform the positive attitude of leadership into globalization-ready attitudes and behaviours. This is as important as education in business content (the current tendency).

79% of mid-caps were selectively (and coolly) studying the successes (and failures) of other companies. Lessons embraced entrepreneurship, brand and retail models, structural issues (operations and supply chain), human capital and culture. Ensure leaders are mentally open to seeking and implementing lessons from outside – and can steer clear of 'copycat' thinking. This demands analytical ability to identify points (positive and negative) translatable into the specific context and DNA of their organization and, according to our hypothesis: *"learning from the Fortune 500, but not necessarily wishing to be like them..."*

Organization design must allow for upscaling whilst preserving the vital DNA of entrepreneurship and connectivity



Organization design.

Successful mid-caps balance local autonomy and corporate influence. To reconcile consistency and agility, they are centralizing processes (e.g. HR, ICT) and decentralizing decisions, particularly to market-facing areas in an interplay between 'hard' and 'soft' structures and reporting lines. Organisation design must allow for upscaling whilst preserving the vital DNA of entrepreneurship and connectivity. This objective must be assigned due space in C-suite minds and skillsets - leaders need solid experience of organization design and resilience to organizational turbulence. Check, too, their ability to coach others who may be experiencing difficulties. HR and ICT specialists must be able to operate fluidly in a globalizing environment, to think beyond national or regional boundaries and work in (increasingly) inter-cultural teams, synthesizing a global perspective with sensitivity to local needs. If centralizing or decentralizing, keep your radar attuned to bright talent in outlying divisions, units or geographies.

Talent management at top levels.

Mid-caps are looking outside for specific specialisms or top managers. If role model organizations contain lessons, they also contain talent. As many are in different industries, recruit beyond sectorial boundaries, leveraging mid-cap employer branding factors (see next). Equally, your organization could be the hunting ground! Analyze and address patterns in talent departures.

Mid-caps offer high-visibility, internal talent pools, mobility, competitive financial incentives, world-class learning. Some want to better leverage their employer branding. These positive findings may call for a re-evaluation of your employee brand³ Consider 3 dimensions: 'Experienced' (by organizational members), 'Declared' (design of messaging) and 'Attributed' (the image of external leadership candidates). The insights can help identify and close gaps and raise hiring efficacy. A further powerful mid-cap attraction factor is the money/growth blend – a winning team and competitive compensation.

The internal pool is the primary source for mid-cap talent, (up to 80% of the total). The talent identification practices of the mid-caps we interviewed follow global HR best-practices. Reviews, assessments, appraisals and feedback and career planning were all cited. Less typically for a large organization, high potentials are known to top management. Going inside allows mid-caps to leverage investment in talent, keeping vital intelligence in-house. However, do ensure internal leadership candidates are equipped for growth and globalization shifts and, in the words of one, are: 'active, involved and ready to contribute.' If formal learning curricula prioritize *internalized* business knowledge and strategy, (the trend) do give equal weight to *external* equivalents in content design and delivery.

³ Felix, (2009) Le processus de construction de l'identité organisationnelle : le cas d'un partenariat d'exploration

Managerial capacity may be lacking due to several factors, e.g. insufficient critical mass in certain markets. Smart players transfer knowledge between markets or move talent intensively across regions, divisions or geographies. Should you also be engaging in talent transfer, ensure that talent is ready and willing to be transferred - and can rapidly adapt to unfamiliar environments.

Rather than overlooking home-grown management talent in developing markets (who may have missed out on post-graduate education), other mid-caps offer them courses via universities or business schools. Identify senior, high-potential education candidates in developing markets – and check their openness and commitment to learning and development, even at an advanced stage of their career.

Mid-cap shifts raise the need for talent diversity. This is stimulated, but rarely forced. Cognitive, behavioural and personality diversity is considered to be as important as demographics. In talent recruitment or development, we recommend the professional assessment not only of business and technical competences, but of cognitive, behavioural and personality factors. Diagnostic approaches to leadership assessment in general, and cognitive, behavioural and personality factors in particular, demand rather more than 'toolkit personality testing.' Assessment must be just one phase in a clear and ethically-controlled path: from pre-analysis, to reporting, feedback and debriefing, concluding with follow-up and knowledge transfer. The assessee is a key stakeholder in this process and deserves careful, individualized consideration.

Board governance.

Mid-cap Board composition is shifting to reflect globalization – via national, functional, and sectorial diversity and the incorporation of independent members – often beyond statutory requirements. The challenge: to create the template for growth - whilst keeping the Board lean. Preparing Boards for globalization must embrace not only current realities and resources, but ambitions. A context driven evaluation is an essential first step. Yet the results may confront embedded perceptions, lead to tough decisions regarding existing members (who, in the case of mid-caps may be longstanding or founding members), and a need to re-build consensus. As such, external intervention, either from Independent Board Members or a specialist Board consultant is, in our view, vital. Objective analysis and dispassionate consensus-building can be invaluable in designing a lean, representative and sustainable Board.

Executive C-suite succession is, to some extent, internally focused, and potential candidates are often in the direct orbit of the CEO. Strategies to test their metal include invitations to present to Boards, or assuring their exposure to and understanding of local and global markets (talent mobility can support this). However it may not be enough. An internal focus indeed allows direct observation of high potentials over time. Yet, as for talent management at top levels in general, it is crucial to test the ability of internal C-suite candidates to take an objective, external view, considering new and unfamiliar solutions to unprecedented growth and globalization challenges. Once again, external assessment is recommended to test Board assumptions regarding known C-suite candidates (and this should be ethically-assured, context driven and delivering careful, individualized consideration, as

Preparing Boards for globalization must embrace not only current realities and resources, but ambitions. A context driven evaluation is an essential first step. Yet the results may confront embedded perceptions, lead to tough decisions regarding existing members and a need to build consensus.



mentioned above). If the results raise a need to extend your scope beyond the internal pipeline we recommend extending horizons not only beyond organizational boundaries, but beyond current sectors and geographies.

Finance is cited by our interviewees as a trending specialism on mid-cap Boards, HR less so. Given the critical importance of managerial capacity and culture related to globalization and growth, HR specialists must have a seat at the Board table, exercise their mandate - and be heard. The Amrop article: *'The 3 Roles of the New CHRO'* itemizes critical skills for the new CHRO strategist. They must have their own vision for their function and work proactively to build capability, infrastructure and monitoring mechanisms.

2 - Freedom is a further feature of successful mid-caps.

Our research revealed that key functions and talent are given space to shape the evolving organization. Boards are given relative freedom by share- and stakeholders, passing it on (or reconfirming it) to CEOs and operating teams. Talent is free to act, fail, and evolve. As this Chairman put it: "Most important has been not being afraid of giving opportunities to the young talented people deserving them, *even at the risk of being wrong.*" Therein lies the pitfall, as for this CEO in Northern Europe: "A believer always has a blind spot. So the risk is that in the enthusiasm, certain risks or assumptions are not seen or sufficiently taken into account. As a result, opportunities may come to a standstill." How to preserve freedom, whilst avoiding chaos?

Freedom	
Strength	Pitfall
Key functions and talent are given space to shape the organization	Freedom slips into negligence, 'laissez-faire' and communication breakdown
Risk Organizational drift, silent accumulation of errors	



What's Next: it's all about balance. Freedom balanced by self-governance, management infrastructure, clarity and connectivity.

Board governance.
Boards, CEOs and management teams report being given autonomy to perform and deliver by share- and stakeholders (once they have 'earned their stripes'). The freedom extended to C-suite members calls for a further aspect of self-governance. Particularly in the fast-moving and ambitious mid-cap environment, leaders must know their limits and have the courage to admit mistakes, raise their hand and seek support in a timely manner. Even then, the onus cannot be purely placed on self-governance. Extrinsic measures: accountability linked to a well-designed and orchestrated review and performance culture are equally important, anchored in a clear understanding of 'how things operate around here.'

Setting clear roles for Board Members is cited as an essential pre-condition for freedom – diversity is also supportive - in the words of one: 'the mix between independent directorship and owners, young and older...' In Board design, we propose two key steps. The first regards *team design* – clearly, Board roles must be relevant to business strategy. Yet, to progress from paper to practice, roles must not only be understood, but truly agreed-upon. The second, less obvious step, regards *team implementation*. This means that individual mandates must be exercised and respected by fellow Members. Getting it right may require external interventions to address both aspects - Board team design (a robust engine is in place) and team working (the engine is properly operated and run).



Leveraging the value of independent Directors must transcend 'box ticking' and regulatory compliance.

Furthermore, should your independent Directors have a seat on the Boards of other organizations, do check their commitment to yours.



Furthermore, to add real value to team design and implementation, external consultants or mediators need more than just an understanding of Board governance regulation, they must understand and account for multiple perspectives related to your organization's growth and globalization strategy and specific culture. Further, they must use the tools and approaches that have the best fit to these, using an 'outside-in' approach.

Talent.

Talent is free to act, fail and evolve. Some mid-caps design 'positively provocative' tasks to surface leadership qualities. Existing and incoming profiles must be at ease with role ambiguity, creating sense and clarity. Leaders must balance freedom and 'laissez-faire' in their style, identifying zones where freedom is less appropriate.

Connectivity – a distinctive feature of mid-caps – balances freedom

Organization design.

Several report the need to avoid, or break down, organizational silos. Entrepreneurship, a clear feature of mid-caps, also implies 'personal ownership' and a 'need for achievement.' A pitfall may be protectionism, or empire-building. When potential, entrepreneurial leaders proudly present their achievements, do check for this possible downside.

Board governance.

The engagement of independent Directors (often beyond statutory requirements) is a clear trend, connecting Boards to external, objective views. Benefits (raised by participants) include guidance in governance architecture, customer contacts, a fresh approach - and sustained objectivity over time. These indicators are just some illustrations of the ways in which the contribution of independent Directors can and should transcend 'box ticking' and regulatory compliance. Furthermore, should your independent Directors have a seat on the Boards of other organizations, do check their commitment to yours. Finally, evaluate their ability to deliver constructive criticism and handle push-back from your Board.

The best 'connected' Boards display a positive inward attitude and outward behaviour in their interactions with each other. Regarding 'inward attitude', some key indicators were identified by participants. One evoked a compelling trio of qualities: 'active, conscious and knowledgeable.' Others evoked the ability to temper envisioning with realism: being visionary and, inspiring, yet operative and realistic, with knowledge of the business and a clear focus on growth. Regarding 'outward behavior', one critical indicator, particularly for expanding mid-cap organizations, is the constructive interplay between 'guardians' and 'growers'; risk-managers (vital and mostly personified by the CFO) and risk-takers (entrepreneurs). What are the critical indicators for your

Board? Should Board interaction on these indicators be under par, a wider assessment may be called for, taking into account the perceptions of non-Board Members and conducted by an external, objective specialist.

As well as committees addressing audit, finance and nomination, involving operational stakeholders facilitates Board access to information. When joining Board meetings, operational stakeholders, (perhaps more than before), must prepare solidly, present incisively and strategically and handle questions and objections adeptly – on the basis of business logic and rationale. As such, an understanding of strategic imperatives, preparation, presentation and communication skills in unfamiliar and demanding settings are all critical and may need to be installed.

Senior management.

Senior Management connects the flight deck and the terrain – contact is regular and sustained. Yet, as important as regularity of contact is quality of contact. This means not only transmitting information from the flight deck, but actively listening to signals from the frontlines – also when under pressure. It is a leadership quality to test for, we argue.

Understanding customers may be more than a data gathering exercise, we find. Leaders/senior managers outside customer-focused functions (Sales, Marketing and related ICT systems), must relish direct interface with customers – no matter how lateral an exercise this may appear to be (for a finance specialist, for example).

General organization.

Innovation spans functional boundaries in many globalizing mid-caps. The avoidance of 'think tanks' is cited. To keep open-source innovators motivated, leaders must not only keep an 'open door' to ideas, but process relevant ones, we argue. This means being hot-wired to the organization's innovation network – knowing which stakeholder/s to contact with an unconventional idea from an atypical source – and how to influence them.

Talent must be open to receiving peer knowledge and willing (and able) to donate their own 'knowledge capital. More than competent practitioners in their domain, talent in globalizing mid-caps must be skilled and 'ego-free' teachers and coaches.

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3 - C-Suite Stewardship is a feature of successful mid-caps.

What does C-Suite Stewardship mean for these mid-caps? In a word, *proximity*: articulating in person a mission touched and felt throughout the organization. As for this Vice President: "I look to sell ideas and create passion through direct communication, always face-to-face. This is what I learned in the process from the beginning, working with my father and then by myself." And yet, between the ideal of preserving C-Suite stewardship in a globalizing organization, and the reality, gaps may yawn. As geographical distance increases with organizational expansion, how to stay close in a way perceived as equitable by organizational members? As one Board Member put it: "contacts aren't possible in a group of 55 countries as they were in a group of 10." Crucially, how can leaders truly maintain a helicopter view whilst engaged on operational frontlines? If our respondents mainly offered examples of stewardship, Amrop presents some recommendations for sustaining it.

C-Suite Stewardship	
Strength The organizational mission is touched and felt throughout the organization	Pitfall Overload for C-suite figureheads, micro-management
Risk C-suite loses strategic focus	



What's Next: Preserving the 'owner attitude' in an expanding and virtualizing world.

The CEO or Chairman represents the mission of the organization – in person – engaging in strategic exchanges on internal frontlines. Several interviewees emphasized approachability, humanity and family feeling. Beliefs and abilities linked to personal stewardship should be a role criterion for mid-cap leaders. Particularly, newly-appointed or promoted leaders are under pressure to deliver on quantitative targets, we hypothesize. As such, the way in which they exercise personal contact (a qualitative factor) should be given due weight as a performance indicator - during on boarding and beyond.

Live communication is clearly preferred over virtual media - and exercised accordingly. Leaders – especially virtual media virtuosos - must be able and willing to assure their physical presence in a compelling and credible way, and prioritize this medium.

For many mid-cap pilots, customer contact was still a personal matter, equally so, the stimulation of innovation and entrepreneurship in employees, and the surfacing and development of high potentials. More than an 'agent', C-suite leaders, if they are not themselves owners, need to possess and exercise the 'owner attitude.'

Expanding geographical distances with globalization can compromise proximity. In light of this, C-suite leaders must set priorities on where and when to be personally present, engaging fellow Board Members to ensure proximity is sustained – beyond peak and trough moments. In general, this area deserves continuous attention. To balance growth and upscaling with personal proximity calls for the design of a process (and its disciplined implementation) to enable a CEO or Chairman to represent the evolving mission on the ground without creating overload and loss of strategic focus.

4 - Many mid-caps are positioned to be innovation and entrepreneurship champions.

Manageable size combined with global reach can enable broad-based innovation. Here, too, there are underlying tensions. If mid-cap resourcing is set to step up with innovation, (as the study finds) the challenge will be to preserve the core and/or invest in the new. Equally, if mid-caps are increasingly installing systems and structures, then engineering must never paralyse the innovative spirit. Furthermore, as innovation proliferates, maintaining focus can be a challenge. Finally, how can mid-caps reconcile consistency and entrepreneurship, preserving entrepreneurship as they expand?

Innovation and Entrepreneurship	
Strength	Pitfall
Broad-based, open source innovation	Information overload, resourcing conflicts
Risk	
Over-engineering as a counter measure, imprisonment of the innovative spirit	



What’s Next: Preserving the innovative spirit whilst engineering focus and relevance.

Organizational purpose.

Often part of a mission statement, innovation figures at the highest level. If one mid-cap piped newly raised cash straight into innovation, the research in general indicates that innovation resourcing will only intensify as globalization steps up. In allocating resources for innovation, leaders must surface, debate and resolve the tension between preservation and creation – and have the mental agility to imagine different scenarios.

Focus is essential in challenging environments. The mid-caps interviewed are finding ways – engaging with the market, research institutes and universities to sharpen innovation. We also see examples of the ‘tribe uniting’ in the face of difficulty. Frequently, business interest is the decider. To keep focus, we argue, leaders need to be alert to the mood on internal frontlines and able to federate and unite employees. In the face of turbulence, empathy must balance with a firm grip on two guiding forces: business interest and cultural roots

Talent management

When it comes to innovation, motivation is backed by extrinsic motivation – we see examples of accountability and goal setting, public recognition and budgetary incentives. As such, leaders need a deep understanding of motivational factors to strike the fine balance between intrinsic and extrinsic motivation, we argue; allowing people to engage for the love of what they do, and compensating appropriately. One size certainly does not fit all. See the Amrop article: “Low Cost, High Stakes: Motivational Strategies for Hiring and On boarding.”



As the mid-cap expands outward from the core, entrepreneurship can – and should – be transferred. Examples from the Flight Deck included the association of managers to capital (to build their entrepreneurial muscle) or the creation of a franchise model (in response to internal demand for more ownership). Taking inspiration from such examples, leaders can and should design strategies to ‘institutionalize’ entrepreneurship.

This said, if entrepreneurship is certainly a striking component of mid-cap organizations, it is by no means desirable in all functions, at all times. Therefore we recommend double-checking the extent to which ‘entrepreneurship’ is truly relevant to a given role profile. Equally important is: to check the ability of entrepreneurs to interact with non-entrepreneurial profiles (and vice versa).

Mid-caps risk losing innovative vitality as they grow and globalize. The trend is increasingly towards innovating for the purpose of internal efficiencies. In terms of engineering innovation, development programs, quality control circles, gateway processes, benchmarking and measurement systems are on the rise. Hiring policy and target-setting may also be shifting towards internally-focused efficiencies, rather than market-facing advances. Therefore, when hiring for innovation, and in the definition of role profiles, we recommend staying alert to subtle shifts and taking care to preserve the critical balance between systemic, open source innovation and dedicated, efficiency-focused roles.



We recommend double-checking the extent to which entrepreneurship is truly relevant to a given role profile. Equally important is: to check the ability of entrepreneurs to interact with other profiles (and vice versa).



5 In summary

Profiling the mid-cap Leaders For What's Next.

C-Suite Leaders

Style

- 1 Bold envisioning balanced with realism: creating operating conditions for people and structures to enable organizational stretch without snap
- 2 Mental openness to learning from other organizations, analytical ability to identify points of relevance - translatable into one's specific context/DNA
- 3 A facilitative leadership style: giving freedom yet avoiding the slide into 'laissez-faire'
- 4 Openness to positive confrontation - particularly from Independent Directors
- 5 Prioritization of a credible physical presence, more than online/virtual communication
- 6 For non-owners: the 'owner attitude': customer contact, personally stimulating innovation and entrepreneurship in employees, surfacing/developing high potentials
- 7 Solid experience of centralization and decentralization. Resilience to associated turbulence and shifts. Ability to coach others experiencing difficulties
- 8 In allocating resources for innovation, reconciliation of the tension between *preservation* and *creation* and the mental agility to imagine different scenarios.

Attributes

- 1 Self governance to take distance - check feasibility of one's personal vision
- 2 Acute awareness of personal limits: know when to admit mistakes and seek support
- 3 A fundamental belief in personal stewardship, prioritizing where and when to be personally present, engaging and involving fellow Board Members.

Independent Directors

- 1 Skill in positively confronting Executive Board Members and managing push-back
- 2 Full role engagement – especially if active in more than one organization.
- 3 Connectivity to business, customers and internal stakeholders.

Upcoming Leadership Talent/Senior Managers

Style

- 1 Personal customer contact as a reflex – even if outside one's role scope
- 2 Regular contact with internal frontlines: lucid transmission of corporate messages, active listening to signals – also when under pressure.
- 3 An 'open door' to innovative ideas of direct reports. Knowledge of the stakeholder/s to approach with a proposal from an atypical source - and how to influence them.

Attributes

- 1 Operational stakeholders joining Board meetings: ability to present relevant information incisively and strategically, to adeptly handle questions and objections
- 2 Alertness to the mood on internal frontlines, ability to federate and unite. In the face of turbulence, empathy balanced with a firm grip on two guiding forces: business interest and cultural roots
- 3 Transfer of personal 'knowledge capital' via 'ego-free' peer teaching and coaching
- 4 Ease with role ambiguity, creation of sense and clarity
- 5 In general and especially as a (newly) centralized HR or ICT specialist: fluid operation in a globalizing environment, thinking beyond national or regional boundaries, inter-cultural team working, synthesizing a global perspective with sensitivity to local needs
- 6 Readiness for transfer across functional, divisional or geographical boundaries: rapid adaptability to new environments and roles
- 7 Deep understanding of intrinsic/extrinsic motivational factors: allowing innovators to engage for the love of what they do yet compensating appropriately. See the Amrop article: *Low Cost, High Stakes: Motivational Strategies for Hiring and On boarding.*



Initiatives for What's Next.

Board Governance

- 1 Build a Board to reflect your global ambition, re-examine the mix of leaders, skills and roles. Undertake an independent evaluation not only of team *design* but of team *implementation* in order to progress from 'paper roles' to 'role practice'
- 2 Involve Committees and operational stakeholders for context driven Board design.
- 3 Install Board evaluation: "*the most effective way to turn a good Board into a great one.*" Ensure this addresses inward attitude (tempering envisioning with realism) and outward dynamics – particularly between *risk takers* and *risk managers*. Check the style and contribution of Independent Directors (previous page). Install Board succession planning, extending horizons beyond existing pipelines, sectors and geographies
- 4 Ensure leaders with an organization-building perspective have a Board seat, exercise their mandate and are heard. See the Amrop article: *The 3 Roles of the New CHRO*
- 5 Look beyond financial indicators as success criteria for leaders - assign weight to personal stewardship during recruitment/on boarding and in designing performance indicators.

Culture and Talent Management

Review your organizational capacity within the context of your global ambitions.

- 1 Conduct an objective and fair assessment of talent strengths and shortfalls – accounting for the current situation and future perspectives
- 2 Test the 'globalization engagement' of the wider organization, identifying zones of fear or resistance, coaching/training to embed the positive attitude of leadership. This is as important as education in business content (the current tendency)
- 3 Design your Employer Value Proposition on your key differentiators: for example, *Ambition*, *Entrepreneurship* and *Freedom*. Survey leadership talent perceptions of your employee brand in light of the compelling features of growing/globalizing mid-caps. 3 dimensions: '*Experienced*' (by organizational members), '*Declared*' (design of messaging) and '*Attributed*' (the image of external leadership candidates). Decide where shortfalls should be corrected, create differentiated/sustainable messaging.

Be talent-sensitive – a key to organization building

- 1 When recruiting, look to role model organizations – also beyond sectorial boundaries, leveraging mid-cap employer branding factors. Analyze patterns in talent departures to peer organizations, devise remedial strategies
- 2 If formal learning curricula prioritize *internal* knowledge and strategies, give equal weight to *external* equivalents
- 3 Invest in further education to bring home-grown seniors in developing markets up to speed – a socially responsible, loyalty-affirming practice that preserves vital DNA
- 4 In leadership hiring, seek self-motivated entrepreneurial and innovative individuals. Seek cognitive and behavioural diversity, integrating leadership assessment into a clear and ethical process, avoiding 'toolkit testing'

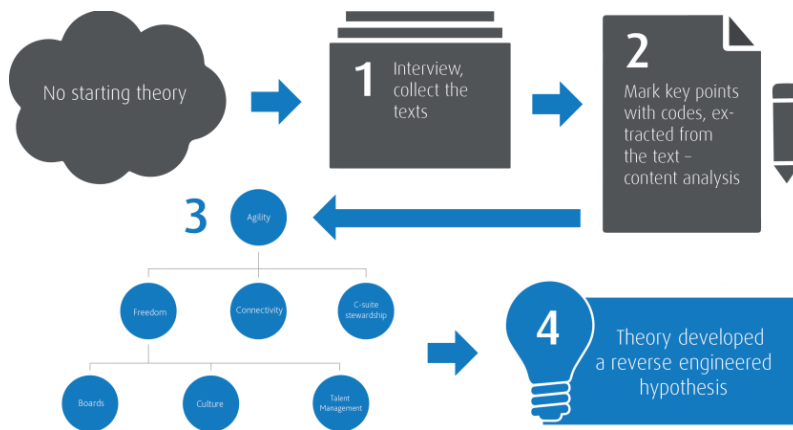
Calibrate your talent strategies to organizational upscaling and governance

- 1 In designing role profiles and talent development strategies, identify and adjust entrepreneurship indicators to fit your purpose. Check the ability of entrepreneurs to collaborate and interact with other profiles - and vice versa - and test for 'empire building.' Design approaches to 'institutionalize' entrepreneurship as necessary
- 2 When hiring, take care of your innovative vitality. Preserve the critical balance between innovation focused on *internal* efficiencies and *market-facing* innovation, between *systemic* innovation and *innovation systems or silos*
- 3 If centralizing or decentralizing, ensure your talent identification radar stays attuned to bright spots in outlying divisions, units or geographies.

Methodology



The study adopted the 'grounded theory approach' as illustrated below.



Sampling

- **Definition of mid-cap organizations:** participating companies were selected on the basis of a market capitalization of 1-10 bn USD (or asset base, where not publicly listed).
- **Definition of globalization:** the majority of companies had around 30% of revenues, assets or employees overseas. If this was not the case, a globalization *ambition* had to have been stated.
- **Geographical representativeness:** the number of companies interviewed by region reflected the composition of GDP represented by the region (World Bank figures, 2011)
- **Target audience selection:** all interview participants held C-suite level functions: 72% were at President, Managing Director or CEO-level. HR Directors or Vice Presidents represented only 13% of the sample, and were removed from the parts of the analysis relating to talent management to avoid bias.

Interviewing process

A formal interview protocol was developed by the principal researchers and used by all interviewers. To ensure all areas were covered, two versions, A and B, were distributed - the order of sections 'talent management' and 'culture' being reversed between versions A and B. All interviews, lasting up to 2 hours, were conducted exclusively face-to-face by Amrop Partners (native language speakers) between July 2013 and February 2014. The interviewing Partner was supported by a note-taker (also a native language speaker). Interviews were recorded and transcribed in English. All interviewers were trained in advance to maximize rigour and objectivity. Confidentiality protocols were strictly observed. (In the absence of a signed permission form or equivalent from the interviewee or designate, the name of the company is not credited at the close of the report).

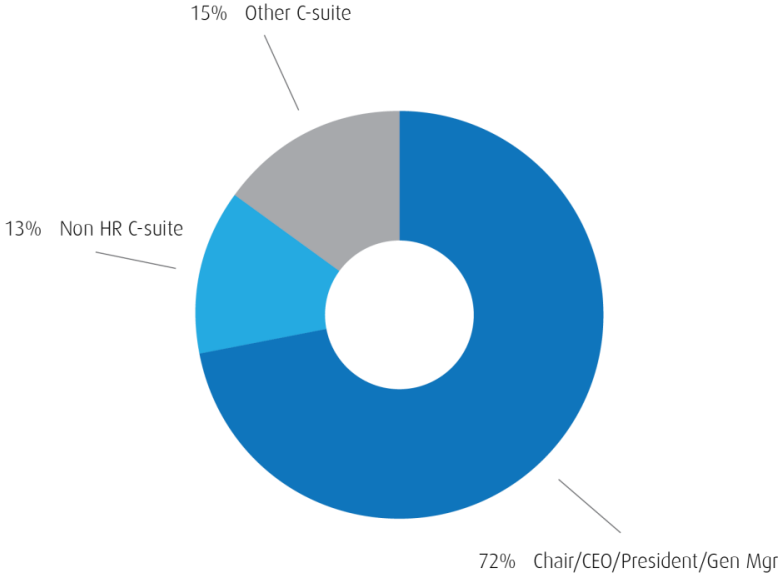
Analysis

Coding was conducted manually, following a categorization protocol developed by the Global Head of Content at Amrop and independent research bureau Panteia B.V, with the advice of IMD. The protocol was adjusted iteratively by the coding team until a robust coding structure was reached. The data was imported into category and sub-category nodes by Panteia B.V using NVivo™ content analysis software. Further content analysis was conducted in tandem by the above parties – each assigned to a different section of the data. All work was conducted under the supervision of Professor Maury Peiperl at IMD. For the purposes of anonymity, all references to a participant are in the male gender.

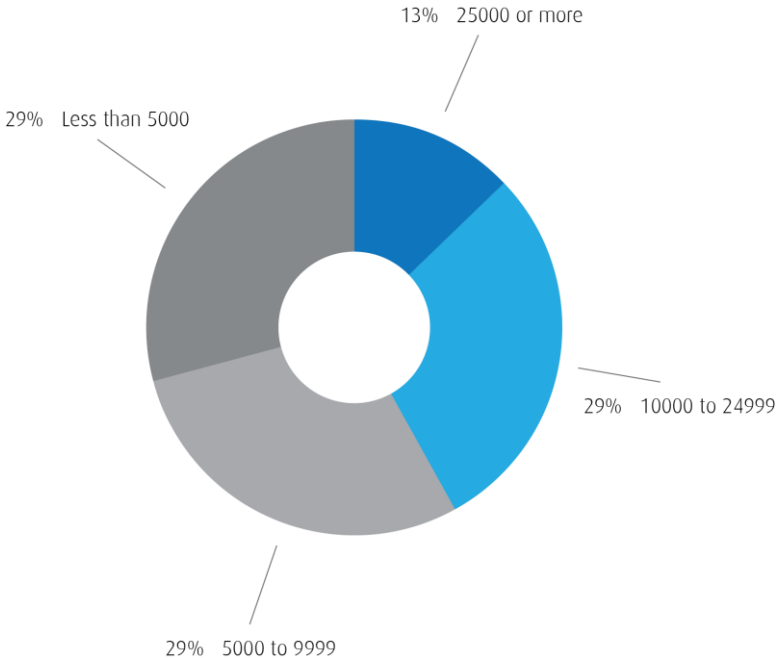
Demographics

The respondent base represented a cross section of industries. Here, we present other relevant indicators.

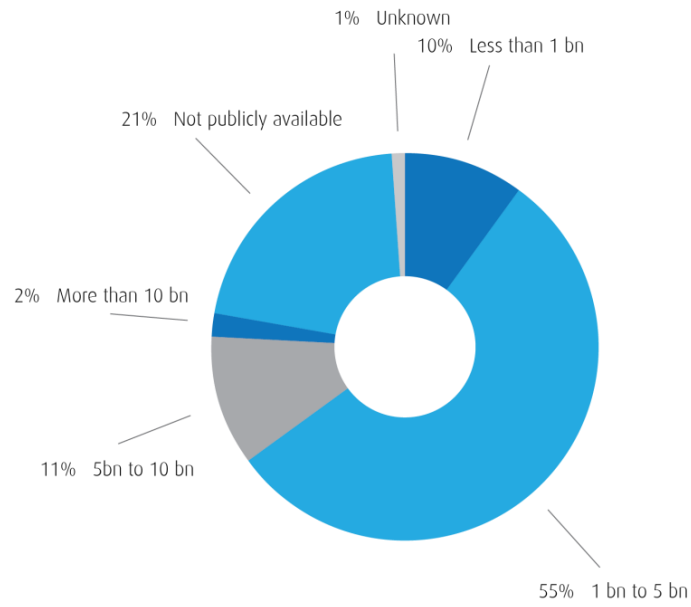
Functions



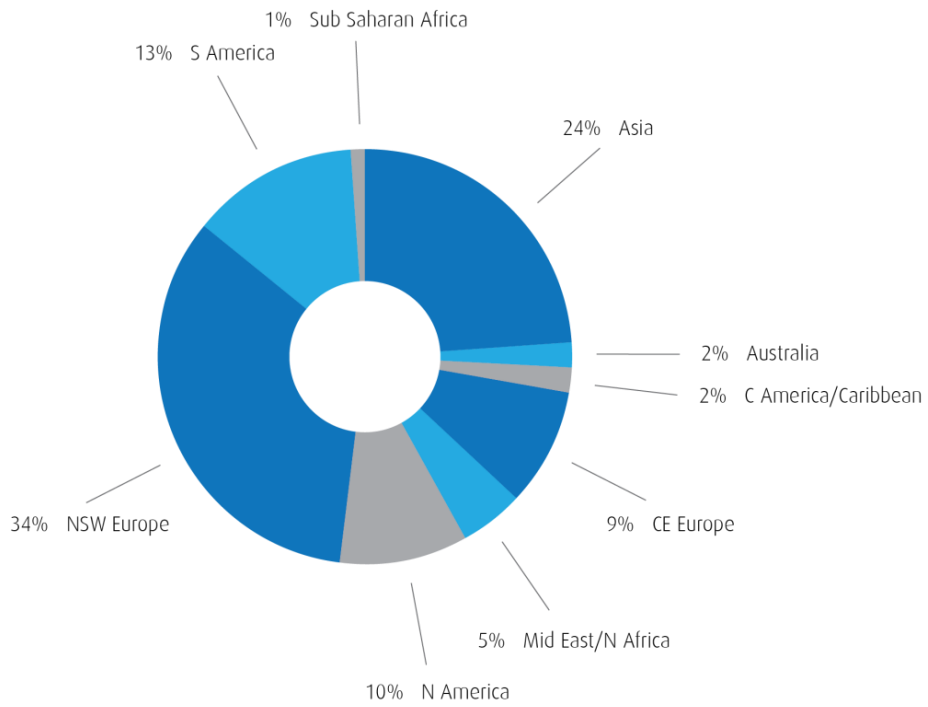
Number of Employees



Market Capitalization



Regions



Acknowledgements

Interviewees from the following organizations have given formal permission for their organizations' names to be published in the report. We sincerely thank them, and all interviewees whose organization names have been withheld to respect confidentiality, for their invaluable contribution to our study.

Telekom Austria AG
Aditya Birla Management Corporation Pvt. Ltd
Aimia Inc.
Ajegroup
Akçansa Cimento
Almacenes Exito S.A.
Asseco Poland S.A.
Astra International Tbk
Cardno Limited
Carl Zeiss AG
Ceva Santé Animale
Chiyoda Co. Ltd.
CIA Hering S.A.
PT Bank CIMB Niaga Tbk
Copa Holdings S.A,
Cott Corporation
Doğan Sirketler Grubu Holding A.S
Duratex S.A.
EDP Renováveis S.A.
Emera Inc.
Essar Group
Exxaro Resources Ltd.
Ferrari S.p.A.
Freixenet S.A.
Fugro N.V.
PT Garuda Indonesia (Persero) Tbk
GEA Group AG
Genpact
GMR Group
Grupo Argos S.A.
Grupo Celsa
Grupo de Inversiones Suramericana S.A
IAMGOLD Corporation
Incitec Pivot Limited
Infinitus (China) Company Limited
InterCars S.A.
Ipsen
ITO EN Ltd.
JCDecaux
Jotun AS
KEC International Ltd.
KIRCHHOFF Automotive GmbH
Localiza Rent a Car S/A
Lonza AG
Marico Industries Ltd.
Mota-Engil Engenharia e Construção, S.A.
NIBE A.B
NIS a.d. Novi Sad
OMV Petrom S.A.
Organización Corona S.A.
Palace Entertainment Corp/Parques Reunidos S.A.
Petrokimya Holding A.S (Petkim)
Petroleum Geo-Services ASA
QIWI PLC
RPG Enterprises Ltd.
São Paulo Alpagartas S.A.
Schibsted ASA
Shanghai Yongfeng Hot Dip Galvanizing Co. Ltd.
ShawCor Ltd.
Somfy SA
Tata Communications Ltd.
Ulker Biskuvi Sanayi A.S
Uralchem Holding PLC
Viscofán S.A.
Weg S.A.
Wienerberger AG
Wincor Nixdorf International GmbH
Yanbal International/Unique S.A
Yip's Chemical Holdings Ltd.

About the Authors

About IMD

Ranked No. 1 in executive education outside the US (2008-2014), No. 1 in open programs (2012-2014) by the Financial Times and No. 1 worldwide (2011) by Forbes, IMD is a world pioneer in executive education. IMD collaborates with individuals, teams and organizations to help them resolve real business issues, build capabilities and prepare for the future. Delivered from the campus on the shores of Lake Geneva in Switzerland and key locations worldwide, IMD's top-ranking programs and services combine practical experience, thought leadership and a global mindset.

The study was led on behalf of IMD by Professor Maury Peiperl, Professor of Leadership and Strategic Change, (now Dean, George Mason University School of Business), with the analytical support of Karine Avagyan, Research Associate.

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About Amrop

With more than 70 offices in 50 countries, Amrop provides services in Executive Search, Leadership Assessment and Board Consulting. It is the largest partnership of its kind. Amrop's Context Driven approach to executive search helps clients find Leaders For What's Next - top talent, adept at working across borders in markets around the world.

The study was led on behalf of Amrop by Preeti Kumar, Member of the Executive Board, and Steffi Gande, Global Marketing Director, with the support of Amrop Editorial Board Members Fredy Hausammann (Managing Partner, Amrop Switzerland), and Brigitte Arhold (Chief Operations Officer). Interviews were conducted by Amrop Partners, with training in interview methodology by IMD.

www.amrop.com

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