

Leadership

Joining Forces

What happens when
the CEO and CHRO
work hand-in-hand?

The Case of Stora Enso

AMROP INTERVIEW
with
Jouko KARVINEN
Lars HÄGGSTRÖM

By Richard WALKER



Amrop

Leaders For What's Next

Joining Forces

When Lars met Jouko



For a CEO, it is getting more and more critical to understand and build on the different perspectives that are central to success, whether from customers, competitors, partners or employees. As the world is changing at an ever-increasing pace, one needs to act on this “diversity of thought”, moving swiftly, daring to make mistakes, all in the quest for winning sustainably. Yet being this curious, open and action-oriented, risking making mistakes (within reason) is counter to the wiring of many organizations. Making the cultural change is no easy task, and one key on which it depends is the CEO partnering up with the CHRO. This article is about giving some leads into how it can be done.



Lars Häggström

Lars is passionate about driving the transformation of companies via leadership and learning. At IMD, he lectures in large company transformation, personal transformation and career balance, and has a prestigious track record serving leading multinationals in global HR functions, in a range of sectors, from renewables and banking, to pharmaceuticals. He was Executive Vice President of Group Human Resources at Stora Enso AB from 2010 to 2016. Prior he was Head of Group Human Resources at Nordea Bank AB. This followed senior HR positions at Gambro, AstraZeneca Sweden, Eli Lilly & Co and Telia. Lars earned his BSc in HR Development and Labour Relations, specialized in Personnel Management and Educational Planning, at the University of Uppsala, Sweden.

Jouko Karvinen



Jouko is a committed believer in dialogue and lifelong learning. Chairman of the Finnair Board of Directors, Member of the International Advisory Board of Komatsu and of the Foundation and Supervisory Boards of IMD, his career has spanned CEO and board functions in technology and healthcare multinationals. From 2013 to 2016 he was Vice Chairman of the Supervisory Board of Nokia, following Chairmanship of the Audit and Nomination and Governance Committees, and board membership from 2011 to 2016. Mr. Karvinen was CEO of Stora Enso Oyj from 2007 to 2014. Prior, he was CEO of Philips Medical Systems Division, following senior executive and managerial positions at ABB. He earned his Master of Science (Eng.) at the Tampere University of Technology, Finland.



With its origins in the 13th century, Stora Enso is one of the world's oldest companies. Ten years ago, the pulp and paper industry which comprised its core business was slipping into a structural downward curve, compounded by digitization. The Supervisory Board, CEO Jouko Karvinen and Stora Enso's management team understood that the business had to be reinvented, and the evidence pointed towards the expanding renewable materials sector. Germinating ideas for transformation is what good leaders do. But making them happen requires exceptionally fruitful working relationships, dedicated people and not least courage.

Lars Häggström, a man Jouko Karvinen had never heard of before their first meeting, was to become his new CHRO. Together with the management team they forged a series of ideas for renewing the company – including deploying and developing the talent already inside the organization. The *Pathbuilder* team was the result - a cohort of 16 people made up of a diverse cross section of youth and experience. Its task was to conduct open dialogues on how best to transform every aspect of the business and identify sustainability avenues.

Häggström and Karvinen convinced the Pathbuilders that no matter how junior they might be, nor how radical their ideas might seem, they had the support of management and the Board – as long as they remained bold enough to say exactly what they thought, even if that meant telling the CEO he was wrong.

Pathbuilder became a central pillar of Stora Enso's change into a renewable materials company, and its leadership development activities.

Cards on the table

Whereas some CEOs feel they have to grow inside a sector in order to learn enough to understand their customers and competitors, Jouko Karvinen describes himself as not an expert in any particular industry. He has built up a distinguished track record in several sectors, from electronics to paper.

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Fast-forward to meeting Lars Häggström as he interviewed for the Stora Enso CHRO role.

“He and I quickly developed a true dialogue, and it soon became clear that his love in the business world is in developing people - extremely important when you're heading up HR,” says Karvinen.

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Monte Carlo or bust

Lars Häggström's corporate career had also been going from strength to strength, at least in theory. In reality, his role before joining Stora Enso had left him low on self-confidence, being CHRO in a company where he had not talked at length with the boss about the task at hand, and its complexity. This mistake, and learning from it the importance of contracting properly, set him up for an impressive first meeting with Karvinen at Stora Enso.

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So they were organizational questions but some were also spiritual: Can you describe where you are and where you want to be? How are you at giving feedback? Where do you play politics and where do you not?"

Häggström explains that the contracting conversation is about where you are, where you want to go, and identifying the significant change that needs to happen in the firm: "If you don't have that conversation in depth, you're contracting on the basis of unknowns. In my previous role I was too preoccupied with getting the job to have that conversation properly."

According to Häggström, who is now working at IMD Business School in Switzerland, as well as heading up his own company focusing on large-scale transformations, this is a common problem among senior position-holders and has a detrimental effect on their performance in the job. A CHRO must understand at the contracting stage how a changing leadership, for the CEO, for him or herself and ultimately all leaders, impacts the culture of a company. Neglecting to do so, starting with the CEO and oneself, is a recipe for failure.

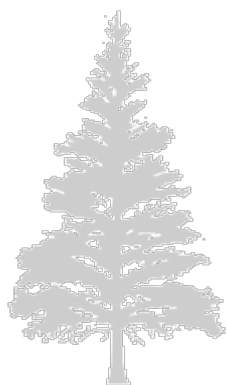
"This also requires you to come close to the CEO because you are both going out on a journey. If you want to change your culture, appreciating that it is the leader's behaviors that are the primary driver, this is also a very personal change, not least for the CEO, and for you," says Häggström.

Move a little closer

Jouko Karvinen had a reputation for toughness, directness. This is the classic CEO mould, trained to be firm and appear to always know his (or her) next move. To the outside world (and traditional thinkers) this may work, but inside the firm Karvinen was – and remains – constantly hungry for dialogue and fresh ideas.



“The air around the CEO tends to get very thin from there being too much respect for him.”



The Pathbuilders was one of many examples when Karvinen and Häggström worked to challenge the hierarchy, getting people involved in matters of great importance to Stora Enso. One example was the dialogues Karvinen and Häggström conducted with employees in conjunction with Board meetings, employees who were then invited to discuss with the Board, without anyone else in the room. Another was a total rethink of the annual Leadership Meeting. This was changed from involving only the top 150, to a 2-day workshop with employees from all levels of the organization, present in person or via a link.

“It takes younger people like Lars to work out how to deal with me,” Karvinen explains. “More traditional managers really struggled with my endless push for us to rethink, and impatience to actually act upon our ideas.”

From the outset, it seems, Karvinen valued Häggström’s freedom to challenge him. A value he picked up during some dark times at Nokia.

“I don’t allow people to be quiet in the boardroom. At a lot of big successful companies people are too polite to challenge the boss. I learned through the hard years working with a great chairman at Nokia, Risto Siilasmaa, that when things are dramatically difficult, when you’re facing a risk of extinction, any team will quickly forget formality and learn to tell the chairman or CEO that they are wrong.”

The difference with Lars Häggström it seems, was that from the beginning of their relationship, this freedom existed *before* any difficulties arose, and grew over the course of time.

Power in clarity

The directness and clarity of both men impressed the other in contrasting ways. Häggström was astonished when Karvinen stood in front of the top 150 leaders and told them, “We can split this room in two: half of you need to generate cash, the other half invest that cash wisely. What questions do you have?”

Häggström describes the mood which followed as being surprisingly positive. “Most of those present went with him. I loved the clarity, the logic that most could see and that needed to be spelled out. Our ambition, this clarity, coupled with openness and a courage to act, made me want to be part of making us the number one renewable materials company in the world.”

Following this incident Häggström told Karvinen he would like to be his truth-sayer, “because the air around the CEO tends to get very thin from there being too much respect for him.”

Say it with a Post-it

In the months that followed, their collaboration developed a level of candor that would be the envy of many familial and spousal relationships. In 2011 the two men met with a group of young people from the company with the intention of giving them the message that they all belonged to a flat organization in which young and senior should speak to each other as peers. But as Häggström watched Karvinen, he felt compelled, and comfortable enough, to act.

“In the meeting, Jouko went off on a long monologue, and it totally killed the energy and the atmosphere in the room. So I stuck a Post-it note in front of him on which I’d written: *Shut up, you’re killing the atmosphere*. He looked down at the post-it and suddenly said, ‘I have to shut up, I’ve been rambling too long, but remember we’re peers, so give me your points of view about where we need to go next’. In the car afterwards he said ‘You were very harsh with me in there but that’s exactly the kind of truth-teller I want by my side’.”

The relationship flourished, both men maintain, from a closeness which never came at the cost of reduced professionalism.

“I remember this especially in the beginning because I thought, *we’re so close, why don’t you give me a break!* But he never did. He was as diligent with me as he was with everyone else, if not more so. He made me understand that I needed to go in and present to the Board on people-related projects with the same vigor as the person who was in charge of investing a billion dollars in our new plant in China, an approach which later also won us the full support of the Board.”

Diversity of thought

The CEO/CHRO relationship developed by CEO Karvinen and CHRO Häggström came down to a central learning: the need to balance experience with curiosity and willingness to learn new things. Jouko Karvinen explains:

“We were able to convince ourselves, our senior management, our people and our board, that if we all go through the same experience in life, what are we going to talk about? And the natural end to that dialogue is ‘yeah, we tried everything and nothing worked’.

This is where the two men came up with their solution to break the pyramid, by creating dialogues that cut across the layers of the organization. “You don’t get that if the CEO talks to the EVPs, then EVPs talk to the VPs, and so on. No, you have to get dialogues going between the young, incoming people and the more experienced people. I got so fed up with being in meetings where we’re all telling each other the same stories over and over. To his credit Lars came up with the new structure of very diverse people that with my support we implemented.” says Karvinen.

“I understood that I needed to go in and present to the Board on people-related projects with the same vigor as the person who was in charge of investing a billion dollars in our new plant in China.”



Lars Häggström's 4 tips for CHRO success



- 1 You will never be a strong CHRO unless you have a very strong relationship with the CEO.**

And this means not being a servant, but a challenging partner who dares to tell the truth for the good of the company.
- 2 You need your contribution to be perceived as significant.**

Sometimes CHROs are working on the outskirts of the business trying to optimize the cost of pay slips by 14%, which they hoped would be important somehow. But that is not being in the center of the strategy. If you can prove that what you are doing is contributing to the realization of your organization's full potential, you are on to something.
- 3 If 1 and 2 have been achieved, you must work to keep it that way with the same rigor and discipline as one would drive a huge business investment somewhere in the world.**

You need to continually foster your relationship with the CEO, balancing this relationship to that with other key stakeholders within the organization.

And you need to ensure implementation, follow-up, track impact, and report it all back.
- 4 Finally, do not allow yourself to be perceived by the executive team, and the organization around you, to be in the lap of the CEO.**

While Jouko and I had a very strong relationship, I stated my views very clearly in opposition to him on certain matters to prove my independence, in the eyes of the executive team. I didn't do it for the sake of it, but made sure to speak my mind whenever I had an alternative view.



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