MERIT summit

HOW TO DRIVE INNOVATION AND TRANSFORM ORGANISATIONS THROUGH PEOPLE

MERIT summit

CONTENTS

EXECUTIVE SUMMARY

The world in 2020 is experiencing unprecedented economic and social challenges. Innovation is an urgent imperative for organisations to remain resilient and secure their future.

Many companies have been investing in agile transformations and innovation programmes for years. However, large-scale analysis shows that the success rate is not high; most investments in innovation do not pay off (Ewenstein, Smith & Sologar, 2015; Tobias, 2015; Mayo, 2018). In order to create innovative organisations, HR leaders need to familiarise themselves with research findings about what works, and what doesn't.

To lead HR decision-makers to success, this paper distinguishes between "hardware" and "software" organisational changes (Vives, 2020). It explains why hardware changes tend to be ineffective, while software changes have a significantly higher impact. It goes on to offer a step-by-step guide for driving innovation through people.

Find out how to start an impactful innovation programme and how to scale it to the whole organisation with these findings from academic and corporate experts.

HR leaders need to familiarise themselves with research findings about what works, and what doesn't.

IS COMPANY CULTURE THE BIGGEST BARRIER TO INNOVATION?

Research indicates that culture is the main factor that impedes agility and innovation at most companies.

Is company culture the biggest barrier to innovation? The short answer: yes. Research indicates that culture is the main factor that impedes agility and innovation at most companies (Brecheisen, 2020). Other factors, such as limited R&D budgets or the lack of new technology, have a negligible impact by comparison (Brecheisen, 2019a; 2019c). To successfully transform organisations and thrive in times of disruption, the culture is key to the strategy.

Culture may seem like a vague concept without a clear bearing on business outcomes. But in fact, it has a clear definition. Culture is the sum of human behaviours, relationships, and beliefs that shape an organisation. It is *"what the people do when the boss is not looking,"* according to Luis Vives, Professor of General Management and Strategy, ESADE Business School, Spain (Vives, 2020).

That the reality on the ground in a company may not correspond to the executive team's vision makes it HR's task is to bring the two into alignment (Mayo & Kodjabasheva, 2019). The research suggests that a lack of focus on culture in the C-suite, as well as misguided attempts at culture change, exacerbates the current crisis in innovation.

The innovation crisis

We may not know it, but we are living through an innovation crisis. This has been the case for well over a decade (Brecheisen, 2019c). A post-Covid-19 world will be in even more dire need of innovation, and to achieve that innovation we will need to revise current practices.

Large-scale market analysis summarised by Jeremie Brecheisen, Senior Managing Consultant, Gallup shows that, as a whole, the global economy is not very innovative (Brecheisen, 2019c). Jeremie paints a troubling picture:

● World GDP per capita growth has been decreasing for the last 50 years (Brecheisen, 2019c; The World Bank, n.d.). No political or economic events have been able to reverse this macro trend.

● Leadership success in major companies has mainly come from M&A (Mergers and Acquisitions), not real organic growth (Brecheisen, 2019c).

● The number of companies on the New York Stock Exchange has diminished in half in the last twenty years.

● PwC has measured the highest departure rates for CEOs on record (Brecheisen, 2020). Still, rotations in leadership are not moving companies' innovation meter any higher.

Additionally, gaps in the necessary skills among the workforce are negatively impacting companies' potential. In 2019, more than half of over 470 CEOs worldwide reported they had trouble innovating because they lacked people with the necessary skills (PwC, 2020).

Overall, the economy is lacking in innovation and real growth.

One possible objection is that this diagnosis does not apply to the tech sector. However, recent developments there have not been encouraging, either. Startup companies are failing to meet expectations. Just before Covid-19 became a global issue, *The New York Times* reported on a deflating economic bubble in Silicon Valley (Griffith, 2020). The reason is that many tech companies have failed to prove their seemingly innovative ideas in the marketplace. Growth has been driven by an abundance of venture capital that paid the bills even if customer adoption was lagging.

The disappointing high-profile IPOs of WeWork in 2019 and Casper, the New York mattress company, in 2020 have become symbols of some startups' overblown claims of innovation. *Business Insider* called WeWork's IPO a "fiasco" (Aydin, 2019). CNN called Casper's a "disaster" (Valinsky, 2020). These stories serve as cautionary

tales that relatively few promises of innovation deliver results in the end.

It is too early to make predictions about how things will develop after the pandemic. Some digital services will be much more in demand as people work, relax, and socialise from the safety of their homes. This will give some companies a boost. However, consumers' reduced spending power will have major implications for all. Many businesses will see their cashflow shrink dramatically. **MERIT anticipates that only creative, adaptive, forward-thinking organisations will be able to pivot and weather the storm.**

The current research shows that, to create more innovative businesses, boost resilience, and drive a post-coronavirus economic recovery, HR and L&D need to prioritise culture.

The trust crisis

A steady, long-term development correlated with the innovation crisis is a global crisis of trust in leadership, which has detrimental effects on employees' motivation and sense of purpose.

Employees' trust in executives, as well as public trust in political, academic, and business leaders has been declining worldwide for over a decade, according to Dr Margarita Mayo, Professor of Leadership and Organisational Behaviour, IE University, Spain (Mayo, 2020). The more frequent changes in company leadership often fail to spur innovation, because trust is a necessary precondition for meaningful change (Mayo & Kodjabasheva, 2019).

Political scientist Ivan Krastev now predicts that the coronavirus pandemic may restore some of the public's trust. He describes a *"growing legitimacy"* for scientific experts, and assumes that this will result in a generally higher regard for leaders (Krastev, 2020). However, we cannot know the future, and at this stage this is only conjecture.

The pandemic may offer an opportunity for change. But corporate leaders will have to actively work to create a culture of trust, win their employees' hearts and minds, and instil a sense of shared purpose (Mayo, 2020). Scientists are gaining public trust by saving lives (Krastev, 2020). Executives, including HR leaders, will need to deliver on their promises in order to do the same.

Here are the facts that have defined the state of leadership pre-Covid-19:

● The public generally distrusts leadership, whether in politics, science, or business. The 2019 Edelman Trust Barometer finds a "high lack of faith in the system", with only one in five people feeling that it is working for them (Edelman, 2020).

● People are more likely to see corporations as profiteers than social leaders. Two thirds of the population worldwide say that corruption is widespread in business (Brecheisen, 2020).

● The general decline in trust is 15 percentage points over the last 10 years (Mayo, 2020).

A lack of trust in elites is broadly accepted as the reason for the election of leaders with little experience in many countries, from the United States to Ukraine (Zielonka, 2019).

Innovation cannot thrive without widespread confidence in the organisation and its leaders. Reactionary responses such as changes in leadership do not yield the desired results, unless they are accompanied by a deeper cultural transformation (Mayo & Kodjabasheva, 2019). Trust is not a naturally renewable resource. Leaders need to invest in regaining it and in fostering a culture of personal commitment, openness, and authenticity (Mayo, 2018).

Misguided interventions

Business leaders are not unaware of these two underlying issues: the innovation crisis and the confidence crisis. Many are trying to respond in some way. Unfortunately, most of their efforts are not likely to succeed.

There is a discrepancy between the widespread desire and need for innovation, and the results that attempts to drive innovation actually bring about. Here is a snapshot of the current situation:

- Creating an agile organisation is a popular goal, but only 13.5% of employees in Europe believe that their company is agile (Brecheisen, 2020).

- A dismal 20% of employees feel their company is equipping them with future-ready skills (Brecheisen, 2020).

- 70% of corporate transformation initiatives fail, according to McKinsey principals as well as academic research (Ewenstein, Smith & Sologar, 2015; Tobias, 2015; Mayo & Kodjabasheva, 2019). This statistic has been widely known for years and no significant change has been recorded.

Why do transformation and innovation outcomes diverge so widely from organisations' goals? How come so many well-intentioned initiatives fail? Why are most employees still feeling underserved, in spite of the current upskilling and reskilling efforts? Experts point to two major reasons.

1. Investing in the wrong initiatives

When it comes to becoming more innovative, companies invest their budgets in two things: technology and organisational restructuring, according to Gallup research led by Jeremie Brecheisen (Brecheisen, 2019b). But neither of these major – and costly – interventions achieve the desired results without an accompanying focus on culture.

For example, Gallup found that the supposedly more agile "matrixed" organisations – in which employees cross over between teams and have more than one supervisor – are not more innovative than non-matrixed companies (Brecheisen, 2019b). This type of restructuring is intended to reduce siloing and increase collaboration in the company. But in practice, that is not happening. Similarly, adopting new technology, by itself, does not lead to innovation. At worst, it adds another layer of bureaucracy for employees to navigate (Brecheisen, 2019b).

Scientists are currently gaining trust by saving lives. Executives, including HR leaders, will need to deliver on their promises in order to do the same.

"Software" vs "hardware"

Why are these interventions ineffective? Simply put, an increase in innovation comes from a change in software rather than hardware, explains Prof. Luis Vives of ESADE Business School (Vives, 2020). The software of an organisation is its culture: people's behaviours and the relationships between them. You can think of the sum of all relationships, with their requisite emotions, as the network that powers your organisation.

> **Hardware changes such as organisational restructuring and altering the office environment mistake the effect for the cause.**

SOFTWARE changes transform relationships between people

VS

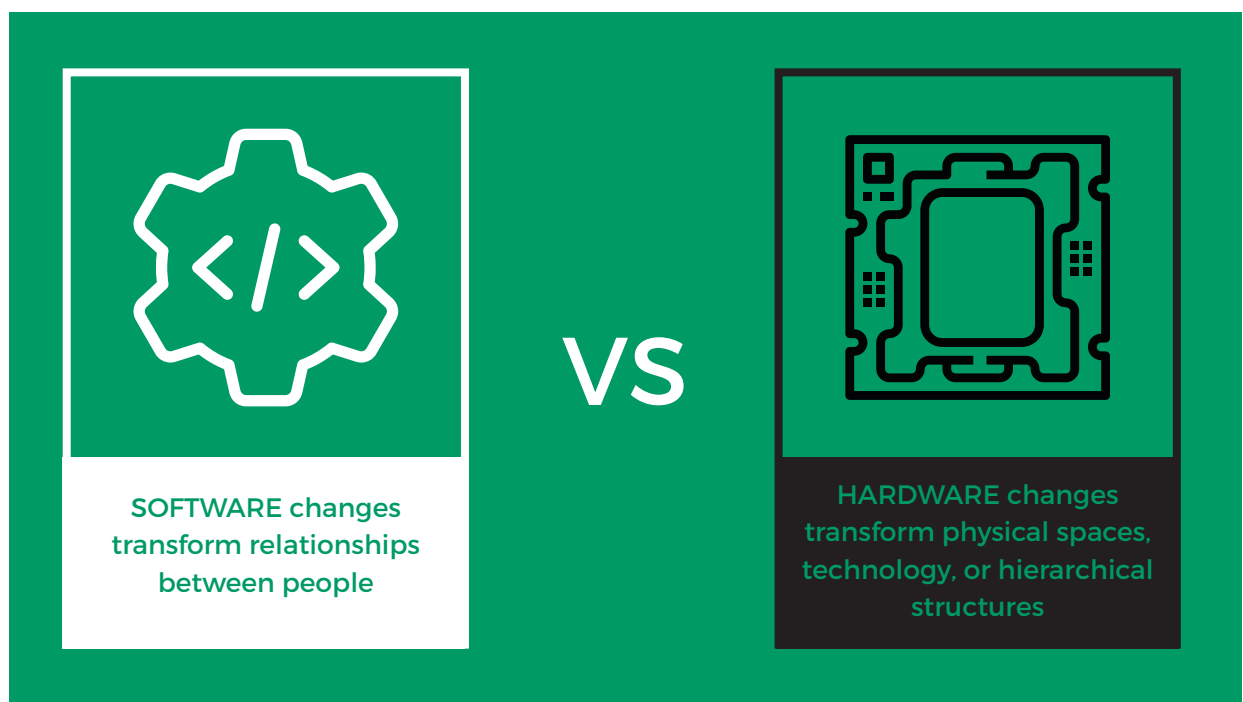HARDWARE changes transform physical spaces, technology, or hierarchical structures

Figure 1. Hardware vs. software changes.

New tech alone will not fundamentally change the way people relate to each other and to their employer. Nor would table tennis or a new recreation room, Luis cautions (Vives, 2020). Likewise, installing a matrixed structure and making people interact with more than one manager, without transforming the nature of those relationships in the first place, will not affect performance (Brecheisen, 2019 a; 2019c). People would simply have unsatisfactory relationships with multiple managers, rather than just one.

All these hardware changes are expressions of wishful thinking. The issue here is that they are mistaking the effect for the cause (Vives, 2020). In an organisation with a flourishing culture, employees would have a natural desire to interact and try new activities; a data-gathering exercise such as a poll by HR would register organic demand for a recreation room, for example. Fulfilling that demand would then reinforce a culture already primed for collaboration and innovation. Installing new hardware

before such a culture is in place, however, means putting the cart before the horse. Investments in hardware do not facilitate culture change: the opposite is true.

In fact, too much focus on hardware can be counterproductive, especially if a strong culture is lacking as a foundation. Guillermo Cisneros, Professor of Strategy and General Management at ESADE, cautions HR and L&D leaders to avoid *"innovation theatre"* – changes that look good on the surface but do not fundamentally impact culture (Cisneros & Kodjabasheva, 2019). Those can further erode employees' trust.

2. Lack of leadership buy-in

The second crucial reason the majority of transformation efforts fail is that they do not involve top management. This is a conclusion from Dr Margarita Mayo's decades-long research culminating in the prize-winning book *Yours Truly: Staying Authentic in Leadership and Life* (2018). HR and L&D leaders do not feel they have leverage over the executive team, so they often target innovation programmes at middle management (Mayo & Kodjabasheva, 2019). But if those who hold the decision-making power are not part of the culture change, transformation efforts seem inauthentic. The crisis in trust prevents innovation from taking place.

In organisations that are outliers – the 30% that are able to drive successful change – innovation starts at the top, Margarita has found (Mayo & Kodjabasheva, 2019). CEOs and executives who embrace self-transformation are able to motivate their people and actually transform widespread beliefs, behaviours, and relationship dynamics (Mayo, 2018). "Real change happens from the top," says Margarita. "Then that trickles down" (Mayo & Kodjabasheva, 2019). She recommends that HR and L&D prioritise leadership development.

"What the world needs is not a boss, but a coach," as Jeremie from Gallup said at the 2020 global MERIT Annual Summit (Brecheisen, 2020).

The discovery that companies typically invest in ineffective innovation measures helps explain why the results are underwhelming. *"Almost no money goes into culture when it comes to agility,"* Jeremie of Gallup said in a MERIT interview (Brecheisen, 2019b). *"What is cultural agility and how do you drive that – that's where more of the investment needs to go."* The latter part of this paper lays out some approaches that bring results.

> **"Almost no money goes into culture when it comes to agility. What is cultural agility and how do you drive that – that's where more of the investment needs to go."**
> **Jeremie Brecheisen, Gallup**

A blueprint for driving culture change

The conclusion from the research reviewed so far is clear. Big budgets for company restructuring, new tech, or extravagant employee perks do not correlate with innovation. None of these common approaches have a satisfactory impact on the innovation crisis in the broader economy, or on the crisis of trust in society.

Based on these findings, MERIT's recipe for real transformation is as follows:

1 A change in the leaders' mindset.

2 Organisation-wide culture change.

3 Investments in hardware, including digital transformation and organisational restructuring. These should happen only when the first two are in place.

Of course, culture change is a difficult, multi-pronged process. It involves working with a variety of stakeholders – top executives, middle managers, and employees. The benefits are great, but they come about indirectly – in the form of increased trust, collaboration, and innovation. They are not as immediately apparent as, say, a training course delivered to thousands of employees, or a new meditation room at the office.

But what seems like the easier approach is not an option. Investing in organisational hardware while ignoring culture will likely ultimately place you among the 70% of failed corporate change efforts. In a time of unprecedented disruption, HR and L&D leaders need to be bold. They can develop a capacity for innovation and ensure their companies' resilience and sustainability. The time to invest in real culture change is now.

The MERIT organisational transformation model

Change in leaders' mindset

Organisation-wide culture change

Hardware changes

Organisational restructuring
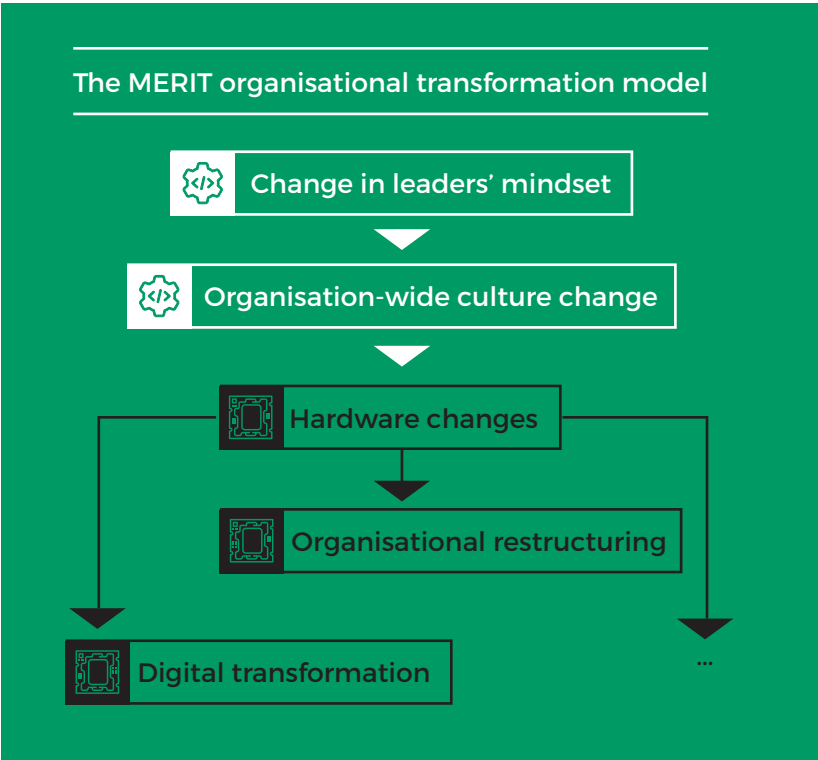
Digital transformation

...

Figure 2. The MERIT organisational transformation model.

TOOLS FOR GETTING LEADERS ON BOARD

The current research unequivocally shows that culture is the biggest barrier to innovation. Additionally, culture change starts at the top, or at the very least requires that top executives take part (Mayo & Kodjabasheva, 2019). HR and L&D decision-makers' first task is to get the leadership buy-in for new initiatives.

Many CHROs and CLOs feel uneasy about doing this (Mayo & Kodjabasheva, 2019). That is understandable, and there are ways to successfully navigate these difficult conversations. The key is to be prepared to present a business case to the C-suite. Arm yourself with statistics and, if possible, internal data from the company (Brecheisen, 2019a). Are engagement levels low? Are current investments in learning and tech not making a measurable impact on innovation? Rather than asking for help or validation from your CEO, try stepping into a different role: prepare a presentation and argue your case.

Not only will investing in culture bring a significant ROI, as it famously has for Microsoft, for example; at a time of unprecedented global crisis, it may ensure the organisation's sustainability (Cohan, 2020). The culture-boosting initiatives outlined below are more effective as well as significantly cheaper than alternatives such as organisational restructuring (Brecheisen, 2020). They are not a luxury; many of them are a business necessity.

A helpful – and free – way to prepare is to get coaching from your company's sales division. Ask them for a lesson in sales principles, and get feedback on a mock presentation or a role-playing exercise. Learning by doing can improve your outcomes.

Remember that voicing what you believe in is not an inconvenience. *"A lot of times in organisations, people are nervous to ask for money,"* acknowledges Jeremie from Gallup. *"But budgets are just plans, and plans can change"* (Brecheisen, 2019b).

HR leaders should not be afraid to provide executives and CEOs with new points of view, agrees Prof. Luis Vives. *"Actually, you are paid to think beyond whatever your boss is saying, and you need to help her or him to evolve and to move to the next level,"* he said at the MERIT Annual Summit (Vives, 2020).

Not only will investing in culture bring a significant ROI; at a time of unprecedented global crisis, it may ensure the organisation's sustainability.

Leadership development

A leadership development programme for the C-suite can be a positive start for your culture transformation. There are many opportunities to choose from on the executive education market; you can either contract a learning provider or develop your own content.
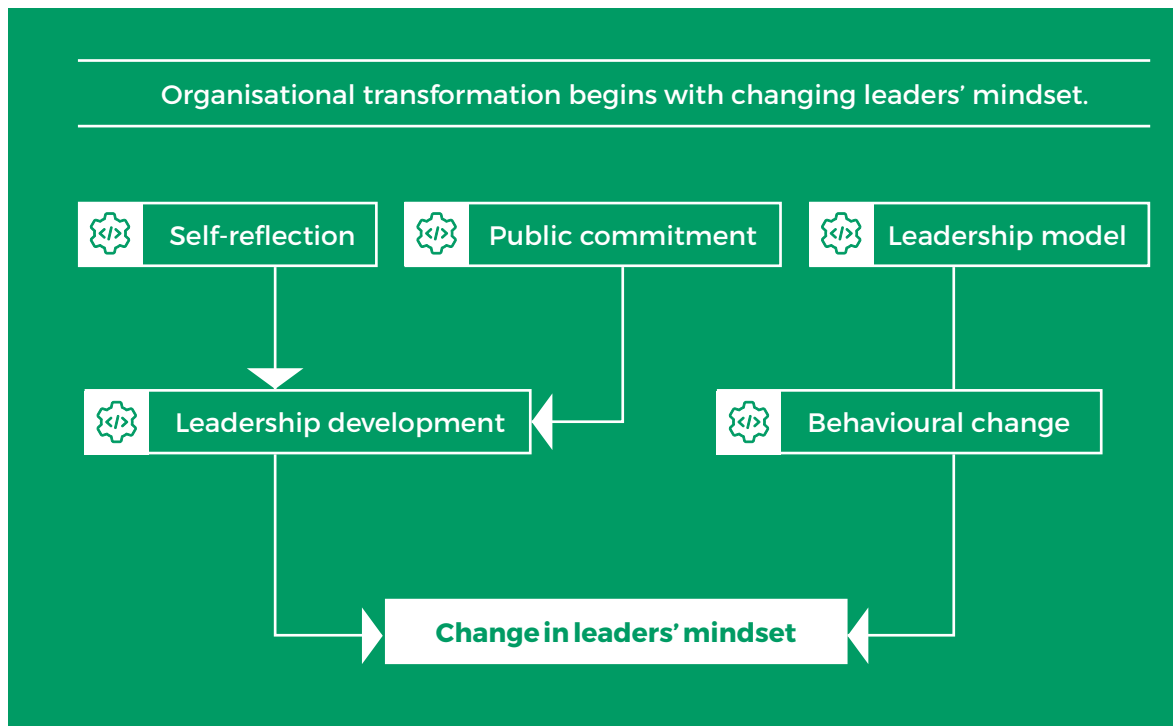
Either way, there are two requirements if a leadership programme is to make a difference and jump-start culture change that trickles down. First, it has to promote self-reflection and self-criticism – capabilities that researchers including Dr Margarita Mayo find are in short supply among leaders (Mayo, 2018). Second, the programme has to include a public-facing component. It has to help leaders be accountable to their people (Mayo & Kodjabasheva, 2019).

1. Create a programme that sparks self-reflection

To constitute anything more than a self-care retreat and to have a real impact, a leadership development programme has to spark reflection. Executives should come away with a better understanding of their own motivation and values, an invigorated sense of empathy for those in and outside their organisation, a greater

Organisational transformation begins with changing leaders' mindset.

Self-reflection

Public commitment

Leadership model

Leadership development

Behavioural change

Change in leaders' mindset

Figure 3. Organisational transformation begins with a change in leaders' mindset.

capacity for self-criticism, and a growth mindset (Mayo, 2018).

That is a high bar. To achieve it, it is important that programmes follow the principle of "show, don't tell". Leaders should not just receive information about growth mindsets and emotional intelligence, for example. They should take part in scenarios where they put those principles into action (Jumelle-Paulet, 2020).

Timm Urschinger, CEO of LIVEsciences, revealed at the MERIT Annual Summit that his own leadership transformation *"from control freak to agile leader"* began with a personal encounter. A former colleague who he used to manage informed him that things were going better since Timm had left the company (Urschinger, 2020). This surprising – and painful – bit of feedback triggered the realisation that his controlling tendencies were not serving other people, nor himself. Timm shared that the change continues to be difficult for him on a personal level, but also very rewarding.

How can a leadership programme simulate such enlightening experiences in a controlled environment? Margarita

recommends that programmes should be personalised and tailored to leaders' values. But they should not just be individual journeys. Participants should work in pairs or small groups, and form relationships in which they coach each other and give each other feedback (Mayo & Kodjabasheva, 2019). These learning relationships will become the model for the culture that would later develop in the organisation at large.

A different tactic to achieve the same goal can be role-playing games, suggests Dr Delphine Jumelle-Paulet, Dean of The Next MBA, Mazars University, France. These provide a safe setting for leaders to put themselves in new situations and observe their own reactions (Jumelle-Paulet, 2020). Peer feedback in a debrief afterwards is an effective learning tool.

2. Secure a public commitment from executives

Whatever the content and structure of your leadership programme, one step should not be overlooked: leaders should *publicly* commit to it in front of everyone in the organisation, stresses Dr Margarita Mayo. For example, the CEO

and executives can share their hopes and the changes they are planning to make in a short video (Mayo & Kodjabasheva, 2019). This exercise in humility, transparency, and accountability will help restore or reinforce trust among employees.

Following commitment from leaders, employees can also participate. Margarita gives the example of the German construction firm PERI, where every employee took part in a company video about shared values (Mayo, 2018).

"As leaders, who we are sets an example for who others will become," said Jeff Lindeman, Group Director, Operations, WD-40 at the MERIT Annual Summit (Hargreaves & Lindeman, 2020).

Leadership models

Leadership development programmes can be useful interventions, notably if they confront leaders with experiences that inspire self-reflection and if they include a public commitment to employees. But programmes end, and a further challenge is to create lasting, sustainable impact.

A number of companies, mostly in North America, are trying out a different approach to drive culture change from the top down – leadership models, finds a 2019 report from the NeuroLeadership Institute (NLI) (Derler et al., 2019). These models are a tool that executives can use in action to guide their behaviour.

Recent L&D trends favour "bite-sized, anytime, anywhere" microlearning over structured courses, according to Anna Walther, Senior Global L&D Lead, Nestlé (Walther, 2020). In line with this tendency, leadership models do not require concentrated learning experiences: they are meant to be applied in the flow of work. **Think of them as values statements that are actionable, rather than descriptive,** suggests Andrea Derler, Director of Industry Research at NLI (Derler & Kodjabasheva, 2019).

To make the desired culture change clear, tangible, and practical for your C-level executives, you can consider creating a leadership model. The research Andrea led found that, to be effective, this tool should have three main characteristics.

1. Strive for clarity

Good leadership models are extremely simple. They include no more than 3-4 basic principles which leaders can easily recall in action. Make your model any longer, and leaders will not remember and use all of its components (Derler & Kodjabasheva, 2019). Think of it not as a handbook, but as a rallying cry.

A couple of examples:

- *"Make It Happen"*. Part of HP's famous innovation-boosting leadership model, this slogan has helped unite and motivate people on all levels (Derler & Kodjabasheva, 2019).

- *"We work with care"*. This is part of Advent Group's model. It reminds employees and leaders that care on a personal level is key in interactions with colleagues, clients, and partners.

2. Design uniqueness

This model is about your culture. It should not come from competitors or consultants: it should express your company's goals and purpose, Andrea from NLI advised (Derler & Kodjabasheva, 2019). It should also speak to leaders personally, so that they can embody it and pass it on to everyone at the company. That way, it can fuel an authentic culture transformation.

3. Ensure coherence

The leadership model should be closely aligned with business objectives, as well as with any other frameworks and compliance documents that leaders have to abide by (Derler & Kodjabasheva, 2019). If there is a discrepancy, the new model would not be actionable and it risks becoming just another layer of bureaucracy for busy leaders.

Leadership models are a tool to put strategy into practice by developing a culture aligned with that strategy. Avoid wishful thinking and build a tool that corresponds to the reality at your company. The research indicates that, if your aim is to drive innovation, that should be at the heart of both the business model and the leadership model.

Dr Margarita Mayo's work suggests that, as with leadership development programmes, a public commitment by executives to their employees can make adopting a new leadership model more effective (Mayo, 2018).

This kind of culture change
is doable, and comparatively
cheap – most companies are just
not prioritising it.

A STRATEGY
FOR REFORMING
MANAGEMENT

After change takes root at the C-level, the next step is to make it trickle down and reshape culture in the rest of the organisation. The behaviours that leaders model should be taken up by everyone, and each person should take on the responsibility for change (Mayo & Kodjabasheva, 2019).

How do you scale cultural transformation from the C-suite to the company at large? Here are a few strategies that are shown by research to make a difference.

Invest in a culture of feedback

When it comes to feedback, more is better. As previously noted, in 2019 Gallup found that only 20% of employees felt their company was giving them skills for the future (Brecheisen, 2020). Gallup further observed that this did not change if additional training was provided. The factor that did affect the result was more regular feedback from a supervisor (Brecheisen, 2020).

"We're addicted to courses in the HR community," cautioned Andy Lancaster, Head of Learning, CIPD, at the MERIT Annual Summit (Lancaster, 2020). The same can be said for structured annual or bi-annual performance reviews, which are often unhelpful and insufficient (Brecheisen, 2020).

In L&D, just-in-time learning tends to generate better results than stopping work to attend a course (Walther, 2020;

Davey, 2016). Similarly, when it comes to feedback, it should be short, specific, frequent, and embedded in the flow of work (Brecheisen, 2019a). That gives employees a real chance to learn and improve. It also fosters a much better relationship with their manager. The simple act of engaging with an employee regularly – daily, or at least every few days – improves motivation and performance (Brecheisen, 2020; 2019a).

The takeaway is clear: you should invest in a culture of feedback, openness, and trust. It sounds deceptively simple, yet the data shows that most companies are not prioritising this – instead, they are investing in restructuring and technology that do little to address the basic issue of human relationships (Brecheisen, 2019b).

The good news is that this kind of culture change is doable, and comparatively cheap (Brecheisen, 2019b). You can train managers to provide supportive feedback and reward them for doing so. The same techniques that can spark change on the leadership level can also be used here. Ongoing peer coaching can help managers achieve personal growth and master new behaviours, for example, and, if managers' learning initiatives are made public, this can create a sense of accountability (Mayo & Kodjabasheva, 2019).

Jeff Lindeman of WD-40 summarised the culture change he has aimed to achieve at his company by quoting the poet Maya
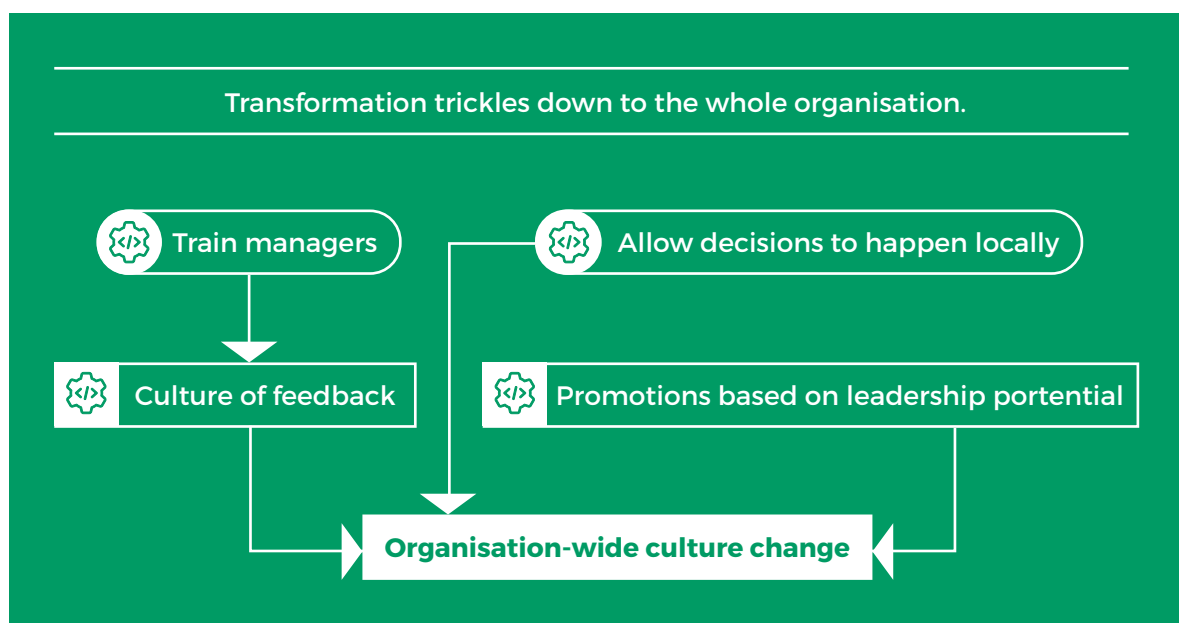

Figure 4. Transformation trickles down to the whole organisation.

Angelou: *"They will forget what you say. They will forget what you do. But they will always remember how you make them feel"* (Hargreaves & Lindeman, 2020). If you train your managers to make employees feel seen and valued, culture change will spread.

Rethink promotions

To maximise change on the management level, training and self-improvement are not the only solutions A deeper change may be called for.

Most people are promoted to managerial positions for the wrong reasons: either seniority, or being a top performer in their job – but how well you do at sales, for example, and how long you have worked in that role says little about your ability to lead others, according to Jeremie from Gallup (Brecheisen, 2019c). *"While 1 in 10 people have the talent to manage, only 18% of managers currently have high manager talent,"* Jeremie writes (Brecheisen, 2019c). People who lack the natural aptitude to be a leader can struggle with managerial responsibilities and inadvertently stifle innovation. Cumulatively, this affects organisational performance and the potential for growth (Brecheisen, 2019c).

Leading others is a crucial responsibility. Jeremie advises companies to radically rethink their talent policies. HR should find different ways to reward and motivate top performers, while managers should be recruited solely based on their leadership potential (Cisneros & Kodjabasheva, 2019; Brecheisen, 2019b, 2019c).

The good news is that you do not have to create innovation. There is enough potential for it among your people. The economist Eric von Hippel of the MIT Sloan School of Management has found that people are naturally driven to innovate, especially when it comes to products they personally care about (Dubner, 2019). All you need to do is make space for that potential to emerge

and make sure your company culture is not stifling it.

Promote simplicity in decision-making

One of the key characteristics of innovative companies is that there is more lateral, not just vertical integration. Hierarchies are simpler and processes do not require validation at the highest level (Brecheisen, 2020). These lateral links allow ideas to emerge and move fast to completion.

When Anna Walther, Senior Global HR L&D Lead, Nestlé, started on an agile transformation at the company, she discovered there were 11 levels of seniority on average (Walther, 2020). This was not tenable. She focused on simplification: otherwise, the company could not have moved fast enough in an increasingly competitive global marketplace, she said at the MERIT Annual Summit (Walther, 2020). Putting people before legacy structures was her goal.

But you can achieve much greater simplicity and make room for innovation even without an overhaul of the hierarchical structure. The key is allowing decisions to happen *"where the action is",* according to Jeremie from Gallup (Brecheisen, 2020). Whether there are 11 layers of seniority or 3, people on each level and within each team should have ownership of their work. They should be empowered to make mistakes, within limits, and to learn from them.

The research shows that leadership's role should be to establish general guidelines and advise and coach teams, not monitor their every step. Managers with more controlling tendencies will benefit from self-reflection and peer support exercises (Mayo & Kodjabasheva, 2019). Remember, culture change trickles down. It starts with leadership, takes hold among managers, and then spreads through the whole organisation (Mayo, 2018; Mayo & Kodjabasheva, 2019).

Putting people before legacy structures was the goal for Anna Walther, Senior Global HR L&D Lead, Nestlé.

A CHANGEMAKER MINDSET

Taking a calculated risk is often better than doing nothing. Use the formula "risk quotient = potential reward/potential loss.
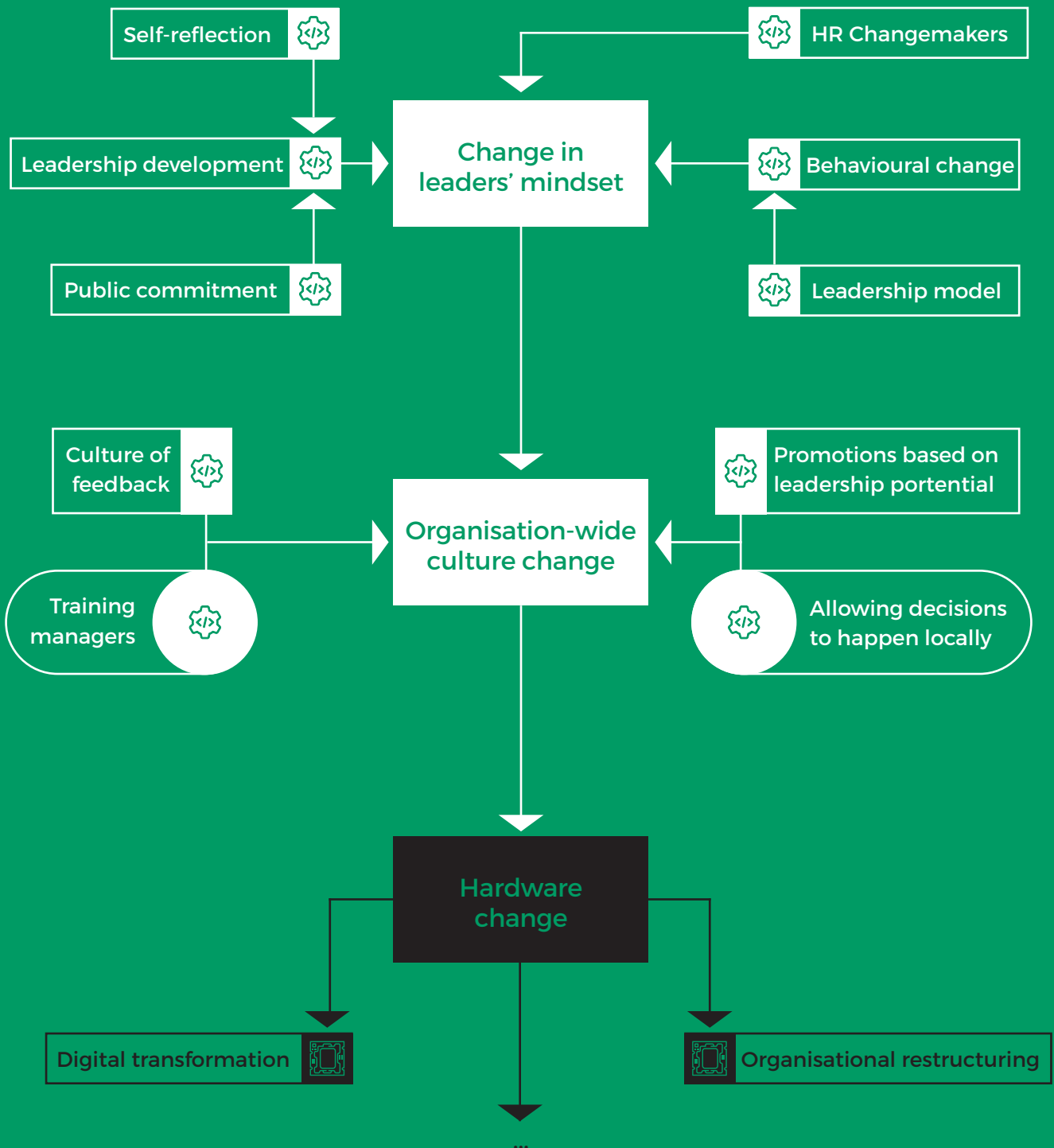

Finally, HR leaders should also turn inward and apply the same change principles to themselves. Alex Budak, faculty at the UC Berkeley Haas School of Business, shared some insights from his "Becoming a Changemaker" course at the MERIT Annual Summit (Budak, 2020). These are his tips for CHROs and CLOs:

● **Connect with your purpose.** In one study, radiologists who saw a photograph of the patient as well as their X-ray returned 34% more accurate diagnoses. Being reminded of the purpose behind a task helped them deliver better results (Budak, 2020).

● **Practice smart risk-taking.** Doing nothing often feels like the safer, easier option. Yet, again and again, we see in practice that this is not the case. A recent example is many governments' belated responses to a pandemic. Taking a calculated risk may be better than doing nothing. How do you calculate risk? Use the formula "risk quotient = potential reward/potential loss" (Budak, 2020).

● **Ask for help.** An experiment Alex ran at Berkeley showed that other people tend to be more cooperative than we expect (Budak, 2020). You don't have to drive change and innovation all by yourself. Find your allies in the organisation.

HR can be a catalyst for innovation, said James Purvis, Head of HR, CERN, at the MERIT Annual Summit (Purvis, 2020). You can start with yourself and your team, then bring your ideas to the leadership, and watch them grow. In uncertain times, using people and culture to drive innovation is the best strategy we have.

The MERIT organisational transformation model in full

Self-reflection

HR Changemakers

Leadership development

Change in leaders' mindset

Behavioural change

Public commitment

Leadership model

Culture of feedback

Promotions based on leadership portential

Organisation-wide culture change

Training managers

Allowing decisions to happen locally

Hardware change

Digital transformation

Organisational restructuring

...

CONCLUSION: DRIVING CULTURE CHANGE AND INNOVATION THROUGH PEOPLE

Creating agile, innovative organisations has been a popular goal across many industries in the past few years. The results are in, and they are not satisfactory - most companies are still not achieving successful transformations (Brecheisen, 2020, 2019c; Ewenstein, Smith & Sologar, 2015; Tobias, 2015).

The reason is an excessive focus on hardware – restructuring, new technology, or an altered physical work environment (Vives, 2020; Brecheisen, 2019b). These initiatives do not increase innovation. As a whole, the research reviewed by MERIT shows that what makes a difference is software changes, i.e. initiatives having to do with culture. Transforming people's feelings, behaviours, and the way they relate to each other has a lasting impact on the organisation. Innovation happens in a culture of openness, trust, empowerment, and collaboration.

Effective culture change starts with top leadership and trickles down to managers and employees (Mayo & Kodjabasheva, 2019).

With their expertise in people and relationship-building, HR leaders are perfectly positioned to act as catalysts and spark this change (Purvis, 2020).

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MERIT is an international community of people leaders across industries. CHROs and CLOs gather and stay connected to discuss the latest developments in the profession and to share advice. Through peer consulting, members receive feedback and resolve issues together.

Members say they appreciate the honest discussions and the supportive culture:

"There's not a lot of forums where you can go and present your problems, your challenges. Which I really love, because mostly what you find at conferences are success stories. And success stories are great, we can learn from them, but we all know that not everything turns out to be a success. It's great to be in a place where you can openly admit what your challenges are, and people are happy to support you." – Jerry Pico, Head of L&D Europe, Daiichi Sankyo

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"You always gain value from connecting with other people. The biggest issue, of course, is to connect with the right people. ... What MERIT brought to me is that I have an easier access to people that are working in the same kind of big corporate environments as I am, and are most of the time [running into] the same kind of walls that I have. So, the discussions are much more to the point, and I'm pretty sure that I can find somebody who can help me bounce off my ideas and find a solution for the problems I am facing currently." – Christophe Vanden Eede, Global Head of Career Management, ING

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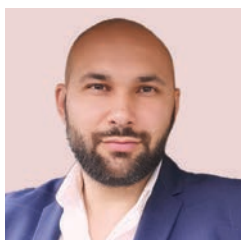
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