# Paths to Innovative Leadership

*Business schools must examine their cultures, outline their goals, and forge individual paths to developing the diverse community of innovative leaders that today's businesses demand.*

By Rich Lyons

Twenty-first century companies are in great need of innovative leaders. They need men and women who know how to put new ideas to work effectively and responsibly in every corner of their organizations. They need people who will define what's next in our markets and societies.

But that doesn't mean that all business schools must develop the *same* types of leaders. Different businesses will need different kinds of talent. To develop a wide-ranging workforce, business schools must first understand how all aspects of their programs—their curricula, their faculty, their locational advantages, their cultures—work together. Only with that understanding can they forge fresh approaches to developing innovative leadership.

Unfortunately, while virtually every business school teaches leadership in one way or another, I believe that there isn't much differentiation among schools in the kinds of leaders they produce. At least, these differentiations are seldom explicitly stated. In fact, we have tended to blur these distinctions in our programs by failing to specify one set of leadership styles and capabilities over another.

I think that's a mistake. Business schools bring different strengths to the table and can foster business innovation in unique and interesting ways. At the Haas School of Business at the University of California, Berkeley, that realization has been a driving force behind the recent revamp of our MBA curriculum, which we launched in 2010. We wanted to emphasize what made our approach to teaching leadership distinct.

In today's business climate, it's critical for business schools to find their own paths to developing the next generation of innovative leaders. To respond to current trends and serve the needs of business, this will require sharply defined strategies for doing so—and then delivering on the promise.

## Changing Perceptions

Fostering diverse approaches to innovation among business schools is a first step in changing perceptions of what business education means to society. Just ask people on the street whether they think business schools have been breeding grounds for overconfidence and self-focus; many would answer with a resounding, "Yes." Is this more perception than reality? In some cases, yes, but many people are still convinced that business school education is an underlying symptom of what's wrong with business—and worse, that it somehow led to the global financial crisis. Business schools are certainly not entirely to blame, but we must view this issue as worthy of our attention.

Perhaps more important, as business school leaders, we need to remind ourselves that we are in the human capital business—a long-cycle business. Is the future demanding different business leadership? If so, we must provide it. Are the management challenges of the 21st century that different from those of the 20th? I believe they are, and we must address them.

We need only start with the future and work backward. My kids are 10 and 7. When they are my age, they will be able to judge the results of the efforts we've made today. I think about my kids' futures differently than my parents thought of mine. I think about how they will be affected by *unsustainabilities*—the unsustainable paths that many elements of our economy are on today. If continued in a straight line, these lead to almost certain failure in areas such as healthcare expenditure, energy and water consumption, the economics of aging, public education—the list goes on and on. Unbent paths are certain to hit a wall in my kids' lifetimes, if not my own. We need path-bending leaders to move us off these unsustainable paths.

Unsustainabilities are both opportunities and responsibilities for business schools. If we act now, we will have multiple opportunities to lead businesses to more sustainable and innovative futures. The choice we face now is very similar to the distinction between "adapting" and "innovating." Adaptive systems—like natural selection—respond to external changes, but do not anticipate them. Innovative strategies, on the other hand, are about

anticipation. Business schools can innovate, rather than just adapt. We can see these needs coming, and we can meet them head on.

## Culture:
### *From Implicit to Explicit*

As part of our curricular revision at the Haas School, we made three fundamental shifts within our full-time, evening, and weekend MBA programs. We believe these changes reflect changes we've seen in global business needs—and help differentiate our integrated approach to teaching innovation and leadership from other programs.

In the first change, we shifted from an approach of *implicit* culture to one emphasizing *explicit* culture. By culture, I am referring to the norms and values that guide our admissions decisions, define behaviors within our schools, and affect behaviors long after students have left the transformative experience that is business school.

That move reflects a growing trend in business, where firms with strong cultures encourage their employees to act in ways that create recognizable brands. They manage their cultures profoundly and deliberately, starting at the beginning with the many dimensions of employee selection, such as interviews, applications, and references. They continue with the many dimensions of employees' "onboarding," in terms of how they integrate their employees into their organizational cultures during their first hours, days, weeks, and years of employment. And they continue for as long as employees are at the company, through their training, peer-to-peer enforcement, and the "tone from the top."

Just as every organization has a culture, so does every business school. But do we deliberately organize most everything we do around this aspect of our programs, the way the great firms do? Do we say "No" to admitting applicants who are otherwise terrific, but do not fit our schools' values, to the same extent that the best firms regularly do? I think that business schools often don't emphasize their cultures as strongly and consistently as they should. Rather than leave their cultures as implicitly understood among their students, faculty, and staff, business schools should laud and leverage their unique values just as the best firms do.

At Haas, we took steps to formalize our culture into a explicit code for all of our students, faculty, staff, and alumni. (See "Creating a Cultural Code," page ???). With that code in place, we can better encourage and help our students to adopt the attitudes and behaviors of innovative leaders.

## Experiential Learning:
### *From Independent to Integrated*

The second shift at Haas is from independent experiential learning courses to a new, integrated experiential learning curriculum. It's a process that starts with our MBA student selection and continues throughout all of our courses.

We initiated this change to capture a particular opportunity we saw in business—to educate and graduate better problem finders and problem framers. I have been struck by how many times I heard from CEOs that there are too few business graduates who can think deeply about opportunities and problems further upstream and frame them effectively so they can see a path to solutions more quickly.

Much of the debate within management education has been about whether to focus on systems thinking or integrative thinking or critical thinking or design thinking. But all four approaches give us different ways to frame. Each approach opens our eyes to new and different solutions. This ability to frame—and, more crucially, to *reframe*—problems allows us to move from one solution to another in a disciplined way. Psychologists refer to this ability as *meta-cognition*, and it's where the power is.

At Haas, we help our MBAs hone their problem-framing skills through an integrated experiential learning process. They begin with our new required class, "Problem Finding, Problem Solving," which provides the critical backbone content for experiential learning embedded in other courses.

The main project in that course entails gathering publicly available data on a local startup company. Once charted on a business model canvas that data brings to light potential gaps in the business model. The students then present to

the company CEOs three alternative approaches to fill the potential gaps. The process emphasizes observation and synthesis to discover where the opportunities lie before acting on them.

Armed with these tools, our students all participate in at least one of eight experiential learning options that expose them to real-world business and organizational challenges. Crucially, all are designed to emphasize experience in the upstream activities of problem finding and framing. Three are particularly popular and unique to Haas:

- *Haas@Work* is a recently launched course on applied innovation, in which 40 MBA students work in teams to address a strategic opportunity at a client company. At the end of the course, the client-executives deliberate on the proposed solutions in front of the students. A team of students is then selected to work with the company to implement the chosen solutions within 100 days. Recent clients have included Visa, Virgin America Airlines, Cisco, Disney, Panasonic, Clorox, and Wells Fargo.

- *Cleantech to Market* teams Haas students with graduate students in engineering, law, and other fields to work on projects for the nearby Lawrence Berkeley National Laboratory. The lab focuses on clean energy science and technology, or "cleantech." The students evaluate the commercial potential of the lab researchers' cleantech innovations or develop strategies to bring them to market faster.

- **Social Sector Solutions** connects MBA students with a consultant from McKinsey & Co. to develop business plans for nonprofit clients looking for enterprising ways to shore up their financial sustainability long-term.

Additional experiential offerings include a course in international business development, which sends two-thirds of our students in teams overseas, as well as courses in new product development, entrepreneurship, and corporate social responsibility. Students also can create their own individual courses, as long as they develop team-based, applied innovation projects for real clients (in some cases, the firm where they currently work).

While engaged in their experiential course, students also must participate in our new team performance module in which they get much more advanced tools and coaching for becoming strong team leaders and skilled members of high performance teams. The module is based on the premise that, in the workplace, students typically will not have the luxury of picking their own teams, and that their teammates probably will represent different cultures, abilities, and points of view. Successful innovation depends on their ability to lead and work with diverse teams effectively.

We know adults learn best when they apply new ideas and practices in the face of a defined need. So teams work closely with professional coaches for support as they conquer challenges, such as starting up their experiential projects, giving performance feedback to team members, or resolving a difficult conflict.

**Curriculum:**
*From Coordinated to Connected*

Our third shift was from coordinating courses across the MBA core curriculum to connecting capabilities across the whole of our curriculum. We have identified a set of ten measurable capabilities, all rooted in the social sciences and highly valued in the marketplace, that back our approach to innovative leadership with a competency model.

This was done as part of the Berkeley Innovative Leader Development (BILD), which runs through all core and elective MBA courses. Over the past year, those who led BILD's development met with core faculty members to review their individual syllabi and learn where the ten capabilities appear in their courses. Then, they discussed how these areas could be integrated to give students a seamless educational experience. Faculty members now meet weekly during their courses to find ways to tie together what they teach for the MBA students.

The ten capabilities are divided into three primary categories: *defining opportunities, making choices,* and *building organizational capacity:*

**Defining opportunities –** Within this category, we have identified the top three skills as *problem framing, opportunity recognition,* and *experimentation.* I already have discussed why problem framing and opportunity recognition are so crucial to today's leaders. A willingness to experiment is no less important.

Why? Because today's businesses are demanding it. They want to test new ideas with cost-effective experimentation rather than rely heavily on traditional planning. How quickly could a business evolve if the cost of running experiments went toward zero? What if testing the next idea in customer relationship management, brand management, revenue models, distribution, or service could be done at much less cost? The speed of innovation and evolution in such a business would accelerate significantly.

**Making choices –** Skills in this category include *revenue model innovation, valuation of ideas,* and *risk selection.* Innovation isn't just about experimentation or idea generation. It's also about choosing which innovations show the most promise and knowing how and when to act on them. Revenue models – new ways of getting paid for what you do – are evolving rapidly in industry after industry, often in qualitative ways. A deep knowledge of the reasons why can trigger a future path-bending where it might not otherwise occur. Similarly, risk selection, in particular the biggest risks that firms must confront to create significant value, is crucial and often lost in curricula that focus more on risk management or avoidance.

**Building organizational capacity –** Our last four skills lead directly to organizational growth. These include the abilities to *influence without authority, manage ambiguity and conflict, foster team creativity*, and *employ adaptive governance.* They reflect the trend among businesses toward flatter organizations with more distributed authority. They're relying less on command and control, particularly as workforce demographics shift toward the millennial generation. Our students will need to influence without needing to rely on authority, which includes knowing how to coach and give feedback effectively, show how people's efforts matter to the organization, and lead organizational change.

In addition, the boundaries within organizations are becoming increasingly fluid—and stakeholders more often have conflicting interests. To become effective leaders, students must understand different perspectives and recognize the implicit assumptions underlying those perspectives. They will become clarifiers and conflict managers. And because they'll often be expected to be members of self-sufficient but productive teams, they must know how to foster creativity among team members and react to, adapt to, and rectify problems as they arise.

We will measure students' progress toward developing these competencies in the same way that industry does: through a combination of survey approaches, diagnostic instruments, and simulations.

**Charting Our Courses**

Even with all of these curricular revisions, Haas faculty continue to teach from a general management perspective. Business fundamentals such as finance, accounting, marketing, and strategy still anchor our core MBA courses. The core disciplines will continue to be the basis of most—if not all—graduate business programs.

The curricular revisions did not always require a complete overhaul. We often were able to restructure current courses to teach new innovative-leader skills. For instance, we restructured two of the existing core courses at Haas—"Leading People" and "Leadership Communication"—to emphasize particular innovative-leader skills, such as the ability to influence without authority. And our new curriculum continues to evolve, as we tweak the material and improve our delivery.  In doing so, we believe that we are firmly on the path to preparing innovative leaders in our MBA programs.

It's up to all business schools to discover how they will achieve that goal in ways that suit their own cultures, locations, and strengths—how they will educate leaders who will find opportunities in unsustainable trajectories and set us on a brighter course.  We can produce graduates who are capable of path-bending feats of leadership. It's what the future is demanding.

*Rich Lyons is the dean of the Haas School of Business at the University of California, Berkeley. For more information about the Berkeley Innovative Leadership Development program, visit groups.haas.berkeley.edu/BILD/.*

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**Creating a Cultural Code**

As business students learn how to be more responsible, innovative leaders, the educational culture in which they learn is a crucial part of their learning outcomes. For that reason, the Haas School of Business is using its culture very deliberately to shape its MBA students. For the first time in its history, Berkeley-Haas codified its culture as part of a recent strategic planning effort.

The code includes these four principles:

**Question the Status Quo**
Being able to envision a different reality, to take intelligent risks, and to learn from failure, as well as having the courage to speak our minds.

**Confidence without Attitude**
Being able to make decisions based on facts and analysis, giving us the confidence to act without arrogance, leading through trust and collaboration.

**Students Always**
Having a mindset of curiosity and lifelong learning, seeking personal growth, and practicing behavior that tells others we can learn from them.

**Beyond Yourself**
Considering the long-term impact of our actions and the facility for putting larger interests above our own.

These four defining principles already are being used in the selection process of our MBA students. We also are integrating them into our curriculum and business processes in various ways.

We believe that these principles have always been the school's heartbeat, inspired in part by our location in the entrepreneurial San Francisco Bay area and our anchoring in a public university. But we had never articulated them. Now that we have codified them as part of our mission, we can use them deliberately to shape our students and graduates, not just during their MBA programs, but for their entire lives.