

# Paths to Innovative Leadership

by Rich Lyons

**T**wenty-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.

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.



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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. With this revamp, 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, business schools must develop sharply defined strategies for doing so—and then they must deliver on those promises.

### 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. These 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 trajectories.

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.

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 shifts we’ve seen in global business environments—and help differentiate our integrated approach to teaching innovation and leadership from other programs.

### Culture:

#### From Implicit to Explicit

In the first change, we shifted from an *implicit* culture to an *explicit* culture. By culture, I am referring to the norms



Students take a special fact-finding flight from Santa Ana, California, to San Diego with Virgin Airlines, which recently hired students in the Haas@Work program to identify innovative new guest and loyalty strategies in the airline industry.

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 great firms do? Do we say "No" to admitting applicants who are otherwise terrific, but do not share 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 an explicit code for all of our students, faculty, staff, and alumni. (See "Creating a Cultural Code," at right). 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 a selection of 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 hear 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 paths to solutions more quickly.



DAILY AND NEWTON/GETTY IMAGES

## **Creating a Cultural Code**

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

Our code asks our community to embrace these four principles:

### **Question the Status Quo**

Be able to envision a different reality, take intelligent risks, and learn from failure, as well as have the courage to speak your mind.

### **Confidence Without Attitude**

Be able to make decisions based on facts and analysis, with the confidence to act without arrogance and the ability to lead through trust and collaboration.

### **Students Always**

Have a mindset of curiosity and lifelong learning, seek personal growth, and practice behavior that tells others you can learn from them.

### **Beyond Yourself**

Consider the long-term impact of your actions and nurture the facility for putting larger interests above your 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 by our anchoring in a public university. 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.

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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 to innovate lies.

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 critical backbone content for the experiential learning embedded in other courses.

For the main project in this course, students must gather publicly available data on a local startup company and chart the data on a business model canvas. This activity brings to light potential gaps in the business model. The students then present to the company’s CEO three alternative approaches to fill these gaps. In the process, they develop observational skills and learn to synthesize data to discover where opportunities lie.

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. These options are designed to emphasize experience in the upstream activities of problem finding and framing. Three are particularly popular:

■ **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 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—which are, in some cases, the firms where they currently work.

While engaged in their experiential course, students also must participate in our new team performance module in which they learn advanced tools and coaching methods to become strong leaders and members of high performance teams. The module reflects the fact that students typically will not have the luxury of picking their own teams. In the workplace, their teammates probably will represent different cultures, abilities, and points of view. Successful innovation depends on students’ ability to lead and work with diverse teams effectively.

We also know adults learn best when they apply new ideas and practices to address a defined need. So, student teams work closely with professional coaches for support as they conquer challenges, whether they’re 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 curriculum. We have identified a set of ten measurable capabilities, all rooted in the social sciences and highly valued in the marketplace, that support our approach to teaching innovative leadership with a competency model.

This was done as part of the Berkeley Innovative Leader Development (BILD) program, 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*, *opportuni-*



Students in the Haas School's "Problem Finding, Problem Solving" course create a "business model canvas" where they group the data they've collected on a company to better identify problems or gaps in that company's business model. Eventually, they'll present their findings to its CEO.

ty 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*. Revenue models—new ways that employees can get paid for what they do—are evolving rapidly in industry after industry, often in qualitative ways. A deep knowledge of why companies are changing the way they value ideas can trigger future path-bending where it might not otherwise occur. Similarly, risk selection, or the ability to identify the biggest risks a firm faces and weigh the potential rewards, is crucial. This is a skill 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 relying 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 require a complete overhaul in every area. We often were able to restructure current courses to teach new skills for innovative leaders. For instance, we restructured two of the existing core courses at Haas—"Leading People" and "Leadership Communication"—to emphasize particular 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/](http://groups.haas.berkeley.edu/BILD/).