

# Enterprise Leadership Research Report





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**Enterprise Leadership Research Report**

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## Introduction

With the ever-increasing complexity and uncertainty of the business environment, traditional leadership models that stress a clearly defined chain of command and span of control have become insufficient. To thrive in this new business world, organizations will need more adaptive Enterprise Leaders. Enterprise Leadership is not a new concept. Korn Ferry has been developing Enterprise Leaders for many years. In 2006, management scholars Mary Crossan and Fernando Olivera published an article in the *Ivey Business Journal* advocating Enterprise Leadership as a new approach for the 21st century. Today, the need for Enterprise Leadership is even greater.

At its core, Enterprise Leadership recognizes that leaders operate in a world in which the boundaries are fluid and dynamic, cutting across functional divisions, business lines, geographies, and entities. Leadership in this context shifts from the hierarchical model to a distributed and horizontal approach to leading and serving ever-increasing constituencies.

Applying the concept to the business world requires the development of a measurement model. Building on findings from the combination of quantitative and qualitative, original and secondary research, we identified critical components of Enterprise Leadership and proposed a multiple-level framework to operationalize, measure, develop, and practice this emerging construct.

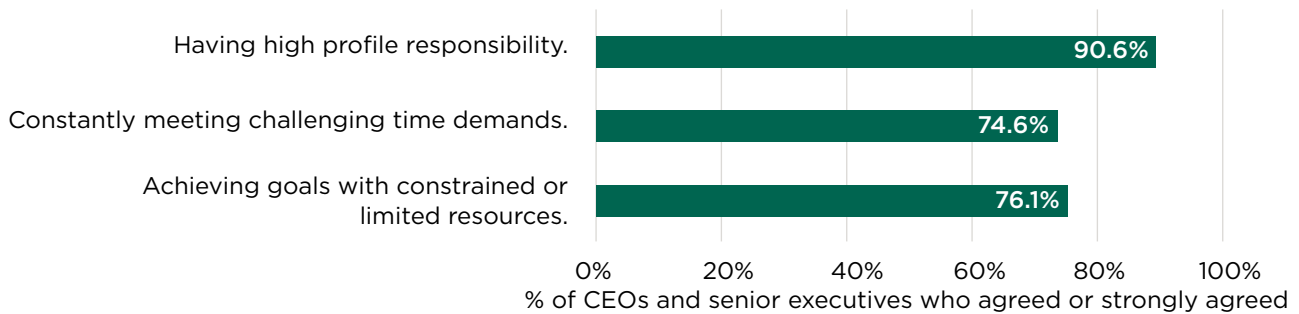
Existing definitions and models have been more vague than precise. The Korn Ferry Integrated Enterprise Leadership Framework advances existing thinking and practice in several ways:

- It addresses leadership phenomena not in the traditional enterprise boundary but across the ecosystem, or the networked entities of value creation.
- It emphasizes the mastering of both performing and transforming capabilities and moving from leading vertically to leading across and beyond.
- It specifies performing and transforming capabilities over several leadership areas, which allows more fine-tuned Enterprise Leadership assessment.
- It is a multi-layered structure that identifies not only observable characteristics but also the mindsets that foster or inhibit Enterprise Leadership.
- It promotes a both-and approach to complex and dynamic business and leadership tensions, not either-or *but* the reconciliation of these polarities to create innovative and new solutions.

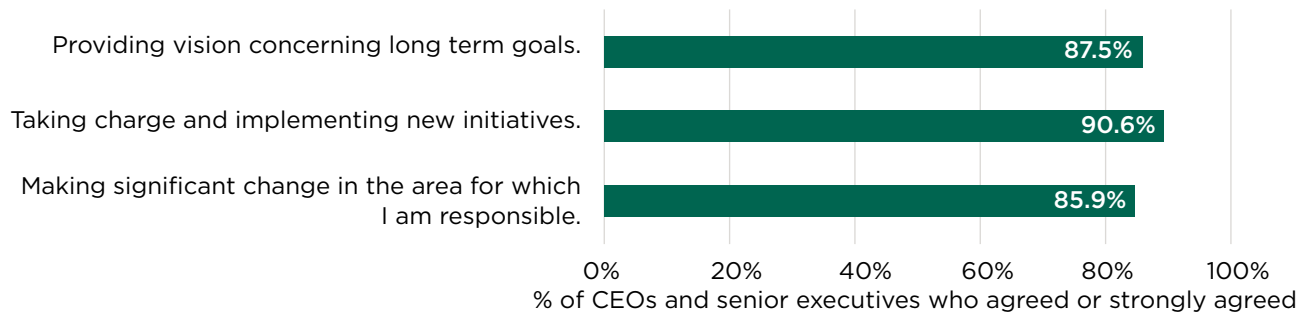
## Describing the Executive Role in Today’s Business Environment

### Korn Ferry Leadership Survey Findings

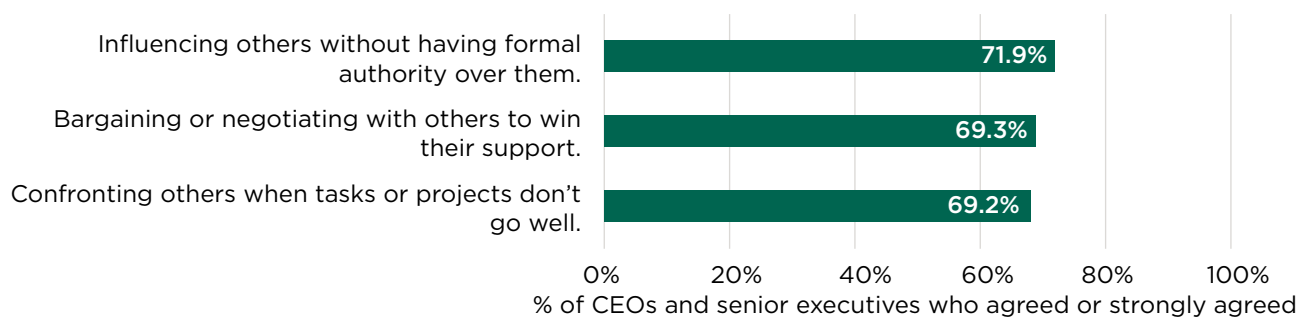
Survey responses from top business leaders from around the globe revealed the dynamic complexity of executive roles.<sup>1</sup> The stakes are high, yet executive leaders face increased, mounting competitive innovation, time pressure, and constrained resources. The time-based competition has become a fact of life. Executive leaders have to meet the challenging time and innovation demands with limited resources.



In this hyper-changing environment, ongoing organizational transformation is the key to success and sustainability. Executive leaders feel the responsibility to initiate and take charge of the transformation now, while at the same time communicating and committing to a clear vision about the future.



No one leader can handle the complexity alone. Enterprise Leaders have to lead across and beyond the boundaries, influencing and obtaining support from those whom they have no formal authority, both inside and outside their organizations.



<sup>1</sup> Data were collected from the global Korn Ferry Leadership Assessment. The assessment includes a set of job description items. Participants were asked to indicate to what extent they agree the survey items describe their job. For this analysis, participants were 6,429 CEOs and C-suite executive leaders.

## CEO for the Future Interview Findings

Since 2019, Korn Ferry has been conducting research on CEO for the Future (Le Roy de Lanauze-Molines, Maxwell-Grant, & Wagner, 2019; Remick & Orr, 2020). To date, we have interviewed close to 200 CEOs from EMEA and North America to understand business and leadership challenges that senior leaders are facing today. Interview participants highlighted several megatrends that add complexity to today's business environment:

- *Technology advancement and disruption.* The pace of technology-based change and digitalization is accelerating exponentially, leading to increasing and unprecedented complexity and disruption across all industries and sectors. Disruptive change has become the new constant.
- *Environmental and social governance (ESG).* Internal and external stakeholders alike are placing increased demands on organizations to be more environmentally sustainable, socially responsible “citizens.” Value-creation models are expanding, from the enterprise to the ecosystem.
- *Generational differences in the workforce.* Compared to those from the Gen X and Baby Boomer generations, the younger generations (Millennials and Gen Z) are positively challenging the values and expectations of organizations they work for, pushing social responsibility, inclusion, and meaningful impact to the top of business priorities. Purpose-driven performance is becoming a new paradigm.
- *Customer trends.* Advances in technology, social media, ecommerce, and social awareness are changing the way consumers interact with companies and the channels through which they buy products and services. At the same time, customers, like employees and investors, are increasingly concerned with environmental sustainability and are taking these views into account when evaluating their buying choices. Consumers are increasingly at the intersection of speed, convenience, meaning, and ecosystems.
- *Geo-political issues.* Globalism has shaped the geo-political landscape for decades, but political movements and shifting trade policies in the United States and other countries have given rise to increased nationalism and regionalism, causing the rethinking of enduring models of free trade and capitalism.
- *New definition of value creation.* CEOs cautioned about the market volatility and the increasing challenge of achieving better returns. The lack of a shared definition of “value” will continue to complicate the pursuit of profit and demonstrable return on assets. More holistic models of value creation are emerging.

Having surfaced the megatrends that add complexity to the business world, CEO participants were asked to identify leadership challenges. A consistent theme that emerged from the responses is reconciling paradox. The paradoxes can range from very specific to very broad business issues. At a high level, there are two sets of paradoxes:

- *The tension between profit and purpose.* Over 85% of the interview participants believed that business and society are coming together. Creating economic value and generating social impact are intertwined. Responding to societal needs or taking a role in social progress means companies now have multiple stakeholders. The challenge emerges pertaining to managing the relationship between shareholders and other stakeholders. The concern is that under a traditional business model, profit and purpose—or economic value and social value—could not be maximized at the same time. Therefore, doing “the right thing” for the environment, employees, or communities may come at the detriment of investors in the short-term. On the other hand, many CEOs strongly believe in a win-win relationship between shareholders and other stakeholders in the long-term. They emphasize that profit and purpose are not mutually exclusive. They can and do reinforce each other. To think of them as a zero-sum game is antiquated. The task for CEOs is to release the innovative potential of business and find a space where the two (economic value and social value) can be optimized at the same time.
- *The tension between short-term performance and long-term opportunity.* CEOs expressed that the capital market has become particularly impatient. There is a noticeable urgency in today’s capital market for fast business cycle and quick profit return (due to the industrial disruption). Activist investors intensified the situation. It’s common these days to hear about a company that is under pressure from “activist investors” who are looking to force short-term changes instead of taking a long view that would be more beneficial to all stakeholders. The impatience partly explains why CEO tenure has been declining. The shortened CEO tenure makes it even more difficult for organizations to invest in the long-term. CEOs therefore are caught on two competing demands—optimize near-term performance versus cultivating innovations and investing in transformative capabilities for the future.

## Enterprise Leadership Defined

Meeting these new business and leadership challenges requires new leadership. We call this Enterprise Leadership. Enterprise Leadership entails altering leadership behavior in two aspects.

### Broadening from Leading Vertically and Within to Leading Across and Beyond

In the Korn Ferry Leadership survey, over 70% (71.9% to be exact) of C-suite executive leaders reported that their role requires “influencing others without having formal authority over them.” Nearly 70% (69.3%) of leaders perceived the necessity of “bargaining or negotiating with others to win their support.” These numbers illustrate the leadership reality top leaders face today. Leadership is no longer mainly construed as *vertical power*, but more foundationally one of *horizontal influence*.

Enterprise Leaders see and think about the big picture, or in other words, possess an enterprise-wide perspective. “The expectation that managers will know what’s happening elsewhere in the enterprise is rising, in part because new competitors can appear out of nowhere” (Ready & Peebles, 2015, p.44). Managing and leading in this highly interconnected environment requires leaders to demonstrate a comprehensive understanding of the business and how different parts of their enterprise fit together.



Equipped with this enterprise perspective, executive leaders then can act in the interests of the collective “we,” or the whole enterprise, rather than merely their own function or unit. The depth, breadth, and complexity of the executive role has one overriding consequence: it can no longer be achieved alone. Leadership has become a team sport across the enterprise and ecosystems. More than half of the leaders (57%) who participated in the CEO for the Future interview study felt that leaders already need to rely more on teams, and this will only increase in the future. The following direct quotes from the interview study validated the importance of horizontal leadership:



*I think going forward, the notion of people who can think through the enterprise, and are collaborative, is probably more important than ever, because as problems get more complex, you need multiple angles to solve them.*

- CEO, S&P 500 retail company

*I think that for a leadership team in a large organization like ours, what is critically important, first of all, is that everybody understands that she or he is equally as responsible for the direction and the execution of the strategy as the CEO. So, somebody who sits on my leadership team and says, “the only thing I’m responsible for is legal,” “the only thing I’m going to do is legal,” and “I have no view, no opinion, and no stake in the rest of the performance of the business,” probably is not the right fit. Or if somebody says, “I’m just managing one business,” “I’m delivering my numbers,” and “I’m negotiating my budget carefully so that I can make sure that I deliver the numbers,” probably is not the right fit for the business.*

- CEO, publishing company

*I think the people on the senior team, they need to think of not only what their specific role is, but how they integrate and become part of the integration of the entire business. So that’s a change in the role that they have to think much more broadly than their vertical area of expertise. But I think there will be whole new roles. I think there will be roles that you see that are built completely around client centricity, around customer satisfaction. I think some roles may even go away because they are so embedded in the business, they don’t live outside the business.*

- Chairman, CEO & President, S&P 500 full-service regional banking company

## Mastering Both Performing and Transforming Capabilities

The mechanism of being able to simultaneously meet today’s business demands and adapt to changes in the environment is defined as *organizational ambidexterity* in the management literature (Gibson & Birkinshaw, 2004). In 1996, Tushman and O’Reilly proposed that organizations need to be ambidextrous in both capitalizing on existing capabilities and exploring into new opportunities to sustain long-term survival.

From a literature review conducted by Tushman and O’Reilly in 2013, summarizing research dating back to 1996, there was robust evidence that organizational ambidexterity was associated with firm performance. Ambidexterity has been shown to be positively associated with sales growth, subjective ratings of performance, innovation, and firm survival. Studies have also demonstrated the effects of ambidexterity at the firm, business unit, project, and individual levels (Tushman & O’Reilly, 2013).

To be ambidextrous, organizations need to reconcile internal tensions and conflicting demands in their external environments (Raisch & Birkinshaw, 2008). An outstanding question is whether leaders can at the same time foster capitalization and exploration. Research studies linking the two topics start to depict the process of leadership in creating organizational ambidexterity (Baškarada, Watson, & Cromarty, 2016; Havermans, Den Hartog, Keegan, & Uhl-Bien, 2015). Findings of these studies indicated that:

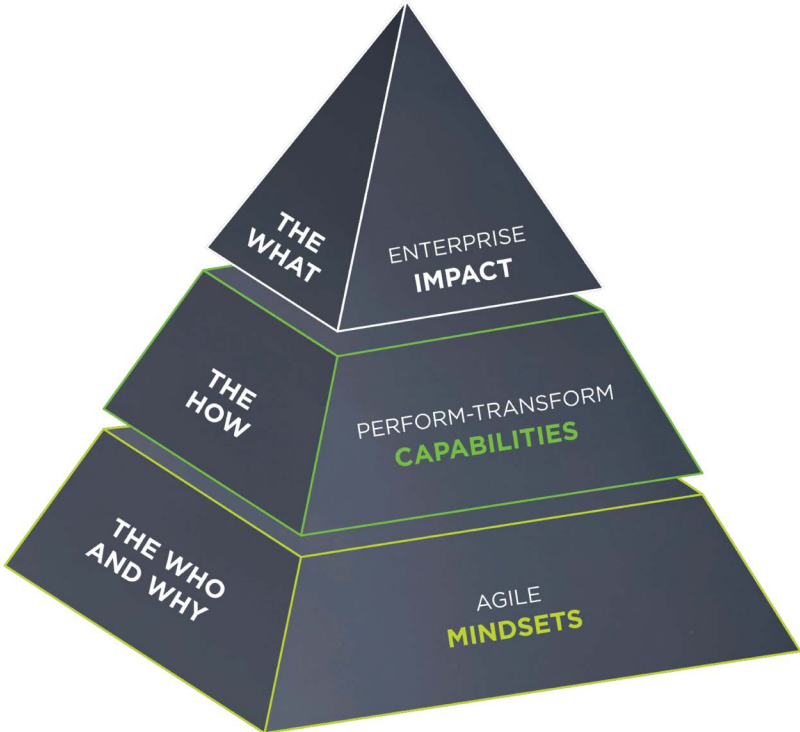
- Capitalization and exploration are promoted by two different sets of leadership behaviors.
- Leaders can perform both sets of leadership behaviors.
- Depending on the business situation, effective leaders strive to achieve a balance of exploration and capitalization by varying their leadership behaviors.
- The optimum balance between capitalization and exploration depends on the situational complexity.
- Leaders are able to respond to changes in the business context by shifting their attention or emphasis toward stimulating either more capitalization or exploration.

The above findings contrast against one of the long-standing leadership theories—the Transformational Leadership Theory (Burns, 1978). This leadership theory specifies two leadership styles—transformational leadership and transactional leadership, and generally advocates the superiority of the former over the latter. Transformational leadership is when leader behaviors influence followers and inspire them to perform beyond their perceived capabilities. Transactional leadership, on the other hand, is a style of leadership in which leaders promote compliance by followers. Transformational leadership has been considered more appropriate in the context of exploratory innovation, while transactional leadership more appropriate in the context of near-term performance accomplishment (Cashman, 2012; Jansen, Vera, & Crossan, 2009). Linking to organizational ambidexterity, the latest research, however, highlights that the most effective leaders perform both types of leadership behaviors toward better business outcomes.

# Introducing the Enterprise Leadership Model

The preceding review of primary and secondary research paved the way for development of a measurement model of Enterprise Leadership. This model has three layers—Enterprise Impact, Perform-Transform Capabilities (or clusters of competencies), and Agile Mindsets.

Figure EL. Korn Ferry’s Integrated Enterprise Leadership Framework



### IMPACT “The what”

What you can **count on the leader to deliver** for the enterprise, both **now** (based on current capabilities) and in the **future** (based on mindsets and development trajectory).

### CAPABILITIES “The how”

How the leader will **Perform and Transform** as an enterprise leader based on their current level of mastery and competence.

### MINDSETS “The who and why”

The beliefs that can **multiply—or diminish—the leader’s capacity to grow** as an enterprise leader, and to pivot between Perform and Transform dynamics.

## Enterprise Impact

Enterprise Leaders start with the impact they want to generate instead of a narrow focus on performance metrics. They think far and broad. Their vision goes beyond a simple understanding of customers and competitors, to more fundamental elements that drive short- and long-term business success for the enterprise and the contribution to the broader ecosystem. Focusing on the impact empowers Enterprise Leaders to harness the organization's full potential to create value for all stakeholders, not just shareholders, but also customers, employees, partners, communities, environments, etc. The following questions could assist the thinking process:

- What kind of societal needs does the organization intend to meet?
- What impact does the organization desire to generate?
- Who will the organization partner with?
- What is the purpose that holds the ecosystem together?
- How does the organization position itself in this ecosystem?
- How are values created and shared among key players in the ecosystem?
- What are the operational priorities in 3-5 years?

## Perform-Transform Capabilities

Enterprise Leaders go beyond by *going across the enterprise* as they *Perform and Transform with agility*.

This definition of Enterprise Leadership first recognizes the limitation of traditional leadership based on vertical power (Crossan & Olivera, 2006). In an enterprise, there is a network of value-creation entities. The network increasingly extends beyond the boundary of the enterprise. In this networked business environment, structure is fluid, working relations are dynamic. Enterprise Leadership acknowledges the multiple and complex interdependencies that exist in a network of value-creating activities. Enterprise Leaders therefore shift the focus from exercising vertical power to achieving horizontal influence, inside and outside the organization.

Enterprise Leaders also skillfully master two priorities—optimizing and extending the current business model to its fullest potential, and cultivating future opportunities based on new, more innovative business models. Therefore, they integrate and oscillate between performing and transforming leadership behaviors. While these two priorities may be considered incompatible by some leaders, Enterprise Leaders are able to do both with agility, and maintain the right mix of leadership behaviors relevant to the business context. They are able to discern what contexts are highly complex and important and require transformation, and what contexts are less complex and require faster transaction (Cashman, 2012).

The capability to integrate and reconcile polarities has emerged as an important theme in leadership research. It refers to the dual roles of the Enterprise Leader (Ready & Peebles, 2015). Organizational scholars have attempted to identify and categorize leadership polarities. For instance, Lüscher and Lewis (2008) conducted action research while working with a group of leaders who were involved in an organization change. These researchers interviewed participants for how they experienced, made sense of, and adapted to the change. Their interview surfaced three categories of polarities: paradoxes of performing (e.g., efficiency vs. quality, productivity vs. creativity); paradoxes of belonging (e.g., personal accomplishment vs. team accomplishment, my team vs. other teams); and paradoxes of organizing (e.g., incompatibility between different organizational systems).

In another study, Miron-Spektor, Ingram, Keller, Smith, & Lewis (2017) surveyed the types of tensions that leaders or managers experience at work. This study also identified three categories of polarities: performance tension (e.g., being flexible vs. complying with rules); capability tension (e.g., gaining new skills vs. leveraging existing skills); and relationship tension (e.g., completing my tasks vs. helping others complete their tasks). Zhang and Han (2019) narrowed their focus on people management. Their research highlighted four polarities in people management: combining self-centeredness with other-centeredness; maintaining both distance and closeness; treating subordinates uniformly while allowing individualization; and leading with both control and empowerment.

Building on the leadership literature and Korn Ferry’s several decades of experience working with executive leaders, we specified four categories of tensions or polarities to operationalize and measure dual leadership roles. Figure PT illustrates the four categories:

Figure PT. Perform-Transform Capabilities



<p><b>Extrapolate</b> from current state, <b>optimize</b> existing business models, and <b>scale</b> innovation.</p>	<p><b>VISUALIZE</b></p>	<p><b>Anticipate</b> trends, <b>envision</b> possibilities, disrupt the business model, and <b>create</b> the new and different.</p>
<p>Manage risk, make <b>prudent</b> decisions, drive performance <b>today</b>, and deliver <b>consistent</b> results.</p>	<p><b>REALIZE</b></p>	<p>Make <b>bold</b> decisions that push the envelope, pursue <b>breakthrough</b> results, and build for <b>tomorrow</b>.</p>
<p>Create <b>structure</b> and process, <b>align</b> people and accountabilities, and ensure <b>commitment</b>.</p>	<p><b>MOBILIZE</b></p>	<p>Build flexible and <b>agile</b> organizations, embrace <b>differences</b>, and <b>inspire purpose</b> across.</p>
<p>Develop talent at scale, build <b>mastery</b>, and <b>partner across networks</b> to support shared objectives.</p>	<p><b>CATALYZE</b></p>	<p>Generate <b>new talent and capabilities</b> and create and <b>harness ecosystems</b> to amplify impact.</p>

**Visualize** refers to future-oriented viewpoints about the business in the broad societal context and the vision for the organization in this context. An example of the polarity is seeing the future as a progression or extrapolation from today versus envisioning a business world that is radically different in multiple dimensions.

**Realize** refers to the overarching business plan toward achieving the business ambition and the desired societal impact. An example of the polarity is driving for operational efficiency to maximize near-term performance versus boldly investing in new opportunities to optimize future growth potential.

**Mobilize** refers to how the organization will go about orchestrating the efforts and activities of people and other resources to implement the business plan. An example of the polarity is aligning performance and results through structure and system versus promoting flexibility and adaptability through an inclusive culture and agile operation.

**Catalyze** refers to the capability the organization relies on to drive business results and sustain competitiveness. An example of the polarity is honing and collaborating with existing capabilities to reinforce its position versus leveraging, building, acquiring, or harnessing new capabilities across the ecosystem to accelerate the process of value creation.

## Agile Mindsets

For many leaders, their journey to having a seat at the executive table is characterized by focusing on maximizing value in their part of the business and/or by being the expert in their field or function. They seek to replicate the very behaviors that got them where they are. To be an Enterprise Leader requires going beyond their domain or silo. Enterprise Leadership doesn't come easily. It is more than the behavior that leaders exhibit; it includes beliefs and assumptions that influence their ways of thinking and feeling, and ultimately their behavior each and every day. Developing and mastering Enterprise Leadership capabilities requires simultaneously working on their mindsets (Ready & Peebles, 2015). Our research has identified the five Agile Mindsets of Enterprise Leadership. Together they determine Enterprise Leadership capacity—to what extent a leader has the capacity to grow and develop to become an Enterprise Leader. Details of the five Agile Mindsets are provided in the “Five Agile Mindsets of Enterprise Leadership” section of this report.

**Figure FM.** The five Agile Mindsets of the Enterprise Leadership Framework



## Enterprise Leadership Delivers Superior Outcomes

In this section, we report findings from our primary research to demonstrate the positive impact of Enterprise Leadership.

### Enterprise Leadership and Leadership Performance

Korn Ferry 360-degree data were used to examine the impact of Enterprise Leadership on leadership performance. Using different competencies, we computed three leadership capabilities—Horizontal Influencing, Performing, and Transforming. Competency scores excluded the rating provided by the participants themselves and their immediate managers. Performance ratings came from immediate managers of the participants. Therefore, this analysis does not suffer from common method bias.

Table PCORR reports the correlations between the three leadership capabilities and boss rating of leadership performance. Feedback participants were 2,218 senior leaders, those who were above director level. All three leadership capabilities are positively correlated to leadership performance.

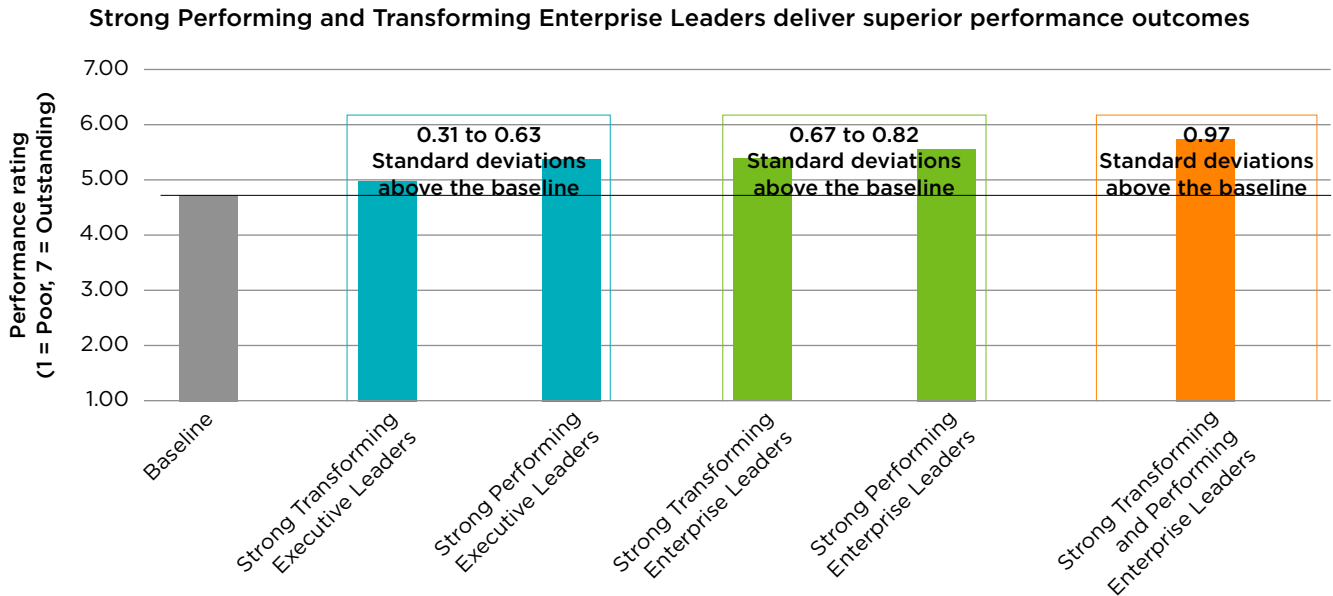
**Table PCORR.** Correlations between Enterprise Leadership capabilities and leadership performance

	CORRELATIONS WITH BOSS RATING OF PERFORMANCE (r VALUES)
Horizontal Influencing	.374**
Performing	.429**
Transforming	.356**

\*\*p < .01

Figure IEL contrasts performance of leaders with different strengths. In Figure IEL, Executive Leaders refer to those who were rated low on Horizontal Influencing, while Enterprise Leaders were rated high on Horizontal Influencing. Leaders who possessed all three capabilities (Horizontal Influencing, Performing, and Transforming) achieved the highest performance rating. On average, their performance was almost 1 standard deviation higher than the baseline—the average performance of those who did not possess a strength on any of the three leadership capabilities.

**Figure IEL.** Impact of Enterprise Leadership on leadership performance



This data also allowed us to count the distributions of leaders with different strengths. About 13.9% of Executive Leaders can be considered Enterprise Leaders.

- Strong performing and transforming: 21.3%
- Strong performing and horizontal influencing: 18.6%
- Strong transforming and horizontal influencing: 19.3%
- Strong performing, transforming, and horizontal influencing: 13.9%



## Enterprise Leadership and Firm Performance

The same Korn Ferry 360-degree data of senior leaders were aggregated at the company level and were then linked to financial data to examine the impact of Enterprise Leaders on firm performance. Three-year average financial data were obtained from Capital IQ, a market intelligence platform provided by S&P. Enterprise Leadership was found to be positively related to EBIT 3-year CAGR (compound annual growth rate in percentage). Data from 124 companies were available for this analysis. The analysis controlled for the impact of other externalities known to affect financial performance, such as industry and company size. Figure EBIT illustrates the impact on EBIT 3-year CAGR. The baseline was centralized to 0. Therefore, companies with strong Enterprise Leaders who focus on both performing and transforming are 10.21% faster than the average of other companies in EBIT growth.

Figure EBIT. Impact of Enterprise Leadership on EBIT 3-Year CAGR

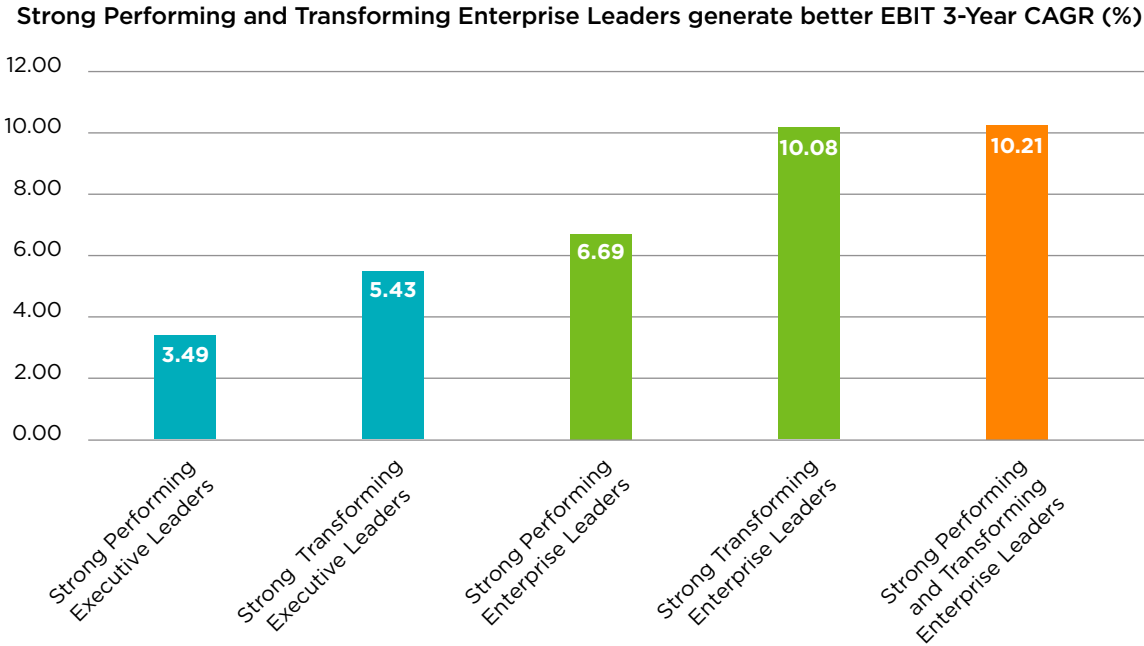
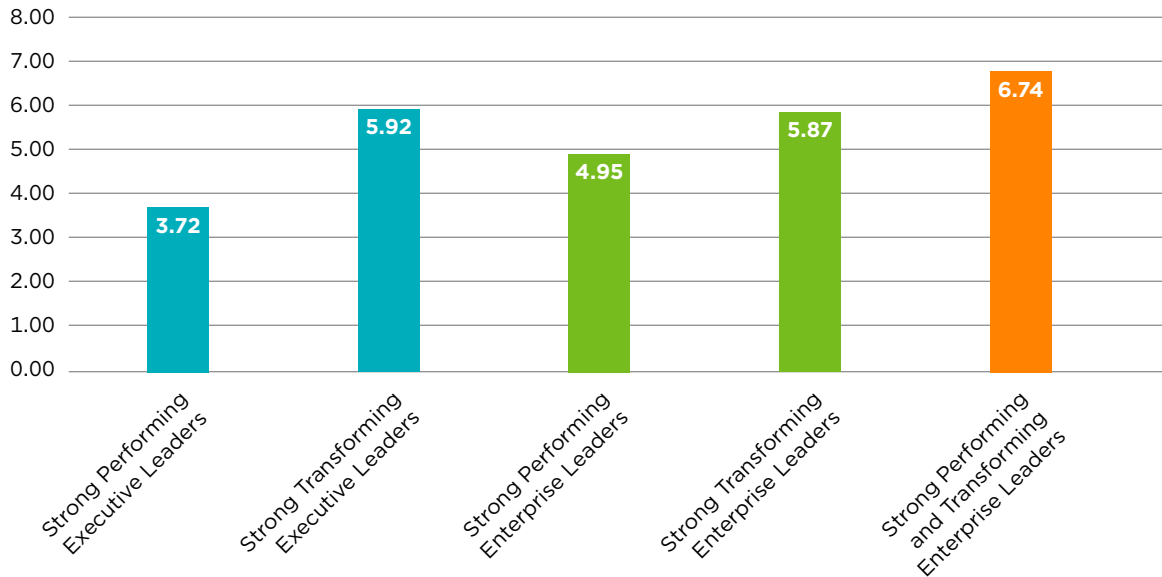


Figure EBITDA depicts the impact of Enterprise Leaders on EBITDA 3-year CAGR. Data from 124 companies were available for this analysis. This analysis also controlled for the impact of other externalities. The baseline similarly was centralized to 0. Therefore, companies with strong performing and transforming Enterprise Leaders are 6.74% faster than the average of other companies in EBITDA growth.

**Figure EBITDA.** Impact of Enterprise Leadership on EBITDA 3-Year CAGR

**Strong Performing and Transforming Enterprise Leaders generate better EBITDA 3-Year CAGR (%)**



The above analyses demonstrated the positive impact of Enterprise Leadership on firm performance. Corporations led by Enterprise Leaders accomplished faster growth than other corporations.

**Team Climate and Leadership Effectiveness**

Leaders have a major impact on the type of climate formed within their teams—this can be considered an outcome measure of leadership effectiveness. We merged two data sources to examine how team climate relates to leadership effectiveness. In this analysis, climate data were collected from the Korn Ferry Organizational Climate Survey (Wolff & Schoell, 2009). The survey asks team members of managers to respond to items that describe climates of their teams. There are 12 dimensions of Climate. We used six of them to score Exploration and Capitalization. Specifically, Exploration is scored with the following three dimensions—Innovation, Risk Taking, and Autonomy. Capitalization is scored with another three dimensions—Excellence, Improvement, and Performance. Exploratory factor analysis supported the two-factor model.

Scores from team members were aggregated at the team level and were then matched with team managers’ performance data. Performance data were collected from the Korn Ferry 360-degree rating. The manager of each team was rated by their immediate manager for leadership performance. This analysis does not suffer from common method bias because climate and performance data came from different raters.

Table CLCORR reports correlations between the two climates (Exploration and Capitalization) and leadership performance.

**Table CLCORR.** Correlations between climates and leadership performance

CLIMATE	SENIOR LEADERS (N = 228)	MIDDLE MANAGEMENT AND ABOVE (N = 469)	ALL MANAGERS (N = 520)
Exploration	.305**	.280**	.271**
Capitalization	.291**	.262**	.266**

\*\* $p < .01$

A regression analysis was run using the data from senior leaders (director level and above). Both climates are significant predictors of leadership performance, *std.  $\beta$*  is .207 ( $p < .01$ ) for Exploration and .176 for Capitalization ( $p < .05$ ). These results suggest that both Exploration and Capitalization climates have a positive impact on leadership performance. Leaders are most effective when they promote both climates simultaneously.

The research then examined how different leadership capabilities impact team climate. For this analysis, 360-degree competency rating data were merged with the Organizational Climate Survey data. Using different competencies, we computed three leadership capabilities—Horizontal Influencing, Performing, and Transforming. Competency scores excluded rating by self and team members. Therefore, this analysis does not suffer common method bias.

Table CAPCORR presents correlations between the two climates and three leadership capabilities.

**Table CAPCORR.** Correlations between Enterprise Leadership capabilities and climates

	SENIOR LEADERS (N = 301)		MIDDLE MANAGEMENT AND ABOVE (N = 553)		ALL MANAGERS (N = 604)	
	EXPLORATION	CAPITALIZATION	EXPLORATION	CAPITALIZATION	EXPLORATION	CAPITALIZATION
Horizontal Influencing	.344**	.271**	.270**	.230**	.265**	.224**
Performing	.273**	.357**	.232**	.302**	.219**	.284**
Transforming	.387**	.322**	.310**	.274**	.288**	.263**

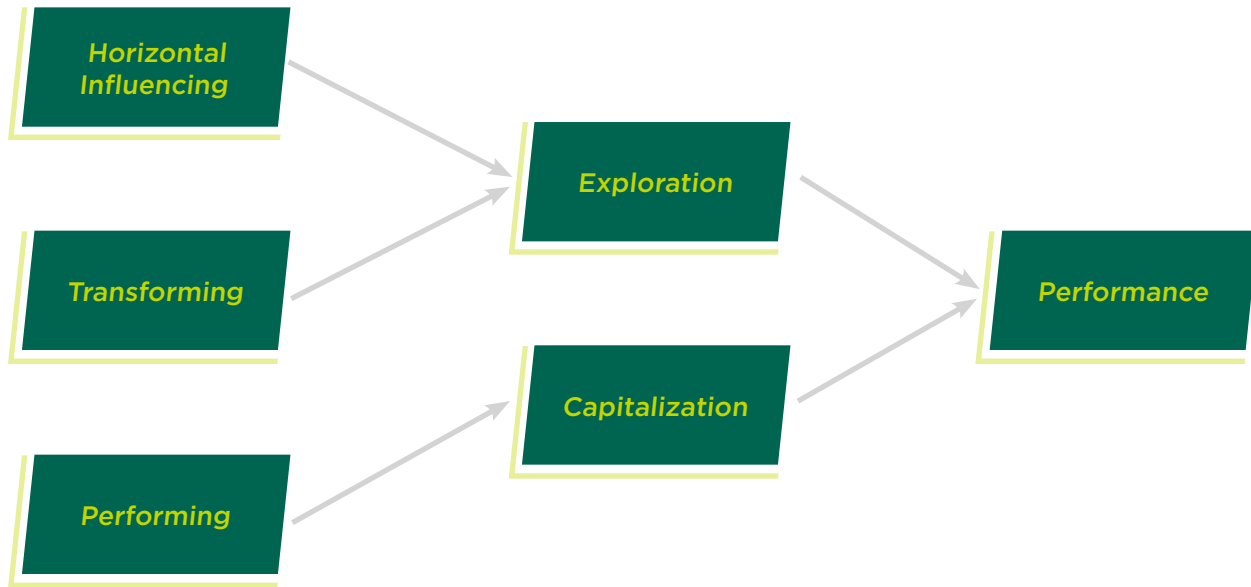
\*\* $p < .01$

A regression analysis was run using the data from senior leaders. The Exploration climate was predicted by Horizontal Influencing (*std.  $\beta$*  = .187,  $p < .05$ ) and Transforming (*std.  $\beta$*  = .318,  $p < .01$ ) but not Performing. The Capitalization climate was predicted by Performing (*std.  $\beta$*  = .247,  $p < .01$ ) but not Horizontal Influencing and Transforming.

These results suggest that different leadership capabilities promote different team climates. Performance-oriented leadership behavior tends to nurture a “capitalization” climate. Transformation-oriented leadership behavior, on the other hand, promotes an “exploration” climate. The finding also suggests that when exploration and innovation are desired, leadership behavior that emphasizes horizontal influencing becomes particularly important.

Figure ELCLP integrates findings from the above two analyses. Leadership behavior affects team climate, which in turn affects performance outcomes.

**Figure ELCLP.** Relationships between Enterprise Leadership, climates, and leadership performance



## Five Agile Mindsets of Enterprise Leadership

Popularized by Ram Charan and his colleagues, the leadership pipeline model posited that desired leadership qualities evolve every time a leadership transition occurs—for instance, the promotion from managing self to managing others, or from managing others to managing managers (Charan, Drotter, & Noel, 2000). The changing leadership qualities involve not only the alteration of leadership skills, but also reallocation of time and adoption of new values. Here, values in the leadership pipeline theory refer to beliefs and viewpoints about leadership role. Therefore, leadership development entails both the expansion of observable skills and behaviors and inner growth of mindsets or beliefs.

Korn Ferry has a tradition of utilizing a whole person approach to leadership development. The Executive to Leader Institute (ELI) and Chief Executive Institute (CEI) programs emphasize the integrated personal, team, enterprise, and CEO leadership domains. They combine “outside-in” (feedback from others) and “inside-out” (self-reflection and insight) to achieve lasting impact. The founder of these programs, Kevin Cashman, pioneered the holistic approach to leadership development—grow the whole person to grow the whole leader (Cashman, 1998).

The emphasis on inner growth is referred to as mindset-based development (Petrie, 2014). It is about changing how we make sense of the world in more complex and inclusive ways. Developing Enterprise Leadership necessitates the advancement of a leader’s mindsets.

Mindsets are beliefs or mental models that open or close the expression of leadership capabilities and impact. Enterprise Leadership mindsets are foundational beliefs that create the capacity for growth and the agility to pivot appropriately between perform and transform capabilities and impact.

Combining the findings from primary and secondary research and Korn Ferry’s several decades of experience assessing and developing tens of thousands of executive leaders, we identified the five Agile Mindsets of Enterprise Leadership.

## Purpose

Purpose denotes the belief that Enterprise Leaders have a responsibility to transcend self and apply and grow their gifts to more powerfully give to others, the enterprise, and beyond.

The disruptive business environment demands adaptability. The need for flexibility and agility should be balanced by a deep sense of purpose—the North Star that directs attention and orchestrates all the activities. Without purpose, leadership activities become opportunistic, reactive, short-term, drift aimlessly from one bright shiny thing to another while lacking the passion to persevere in the face of obstacles. Being committed to a purpose in a time of crisis is particularly important because that is when people need elevation, energy, and meaning. In difficult times, the conventional response is becoming stressed, depressed, and hyperactive. Purpose unites people and shifts their focus from a sense of loss to new learning, to create a better future together. Therefore, purpose gives rise to renewal and regeneration.

Purposeful leadership is salient in the ecosystem where power is highly distributed. Leaders attract and inspire people through a higher purpose. This formula of motivation is built on the science—human beings have an innate desire to live a meaningful and purposeful life. People want to be part of something bigger than themselves. A higher purpose glues people together and motivates them to act in the collective interest rather than to pursue narrow self-interest.

People feel more purposeful and meaningful at work when they aim at something that transcends self and short-term performance goals, according to recent Korn Ferry research (Dai, Blazek, & Spencer, 2020). The feeling of purposefulness is then associated with elevated employee engagement and organizational commitment. Analyzing data collected from over 800 survey participants, the research found that individuals who were purposeful at work were more engaged with their work ( $r = .47, p < .01$ ) and more committed to their organization ( $r = .48, p < .01$ ). Leaders play an important role in influencing employee attitude. In another survey (Asghar & Durand, 2021), purposeful leadership was found to be associated with employee feelings of trust and autonomy, which in turn positively affected team innovation and collaboration.

One outcome research finding documented the return on purpose dynamic (Orr, Blazek, & Urs, 2016). Participants who attended Korn Ferry's Executive to Leader Institute and Chief Executive Institute reported that the programs helped to clarify their purpose. Further, the research found that leaders with a clear leadership purpose often ascended to more challenging roles and boasted an average tenure of 18 years, more than three times the US average at the time of the study.

Enterprise Leaders are self-transcendent and are motivated toward the lasting difference they want to give to customers, others, and the world. The importance of higher purpose to Enterprise Leadership has been echoed by many interview participants in the CEO for the Future research.



*To push through the really difficult moments, you've got to have a purpose. You've got to have something that you really believe in.*

**- Chairman, President and CEO, S&P 500 engineered products company**

*If a CEO can't explain why an organization exists or has a purpose and it's not more appealing than Milton Friedman capitalism per se, that's just not a good sell.*

**- Former President and CEO, specialized consumer service company**



*Today it's a value creator for many more stakeholders. So the CEO is becoming the value creator for the shareholders, obviously, but also for the employees, also for the communities the company touches, and also in representing the purpose of the company and the culture.*

**- President and CEO, global fast-moving consumer goods**

*Doing good for society should be a virtuous cycle of doing well for shareholders. It's not a 'Hey, we're going to conduct business over here, and then we're going to be good for society over there.' They have to work together to create a flyaway over something that's bigger, and it should be to the long-term benefit of shareholders.*

**- CEO, Fortune 500 multinational company of branded consumer foods**

## Courage Across and Beyond

Enterprise Leaders have the conviction to identify and address enterprise problems and opportunities, even when unpopular, fear-provoking, personally risky, challenging, or outside their direct control.

The survey data are revealing. Nearly 70% of executives reported that their roles require bargaining or negotiating with others to win support. About an equal percentage of executives felt they have to confront others when tasks or projects don't go well.

The enterprise is best served when meaningful human relationships exist across functions and units. This may not happen naturally, and leaders will have to make it happen. It requires proactivity and a sense of ownership. There are several subconscious beliefs that may hinder this proactivity.

One such belief is siloed thinking. Leaders with siloed thinking put an invisible boundary around their responsibilities. They view responsibilities as territories. They protect their territories and avoid overstepping into others. Territoriality is a subconscious mindset we inherited from our ancestors in a time when more land control meant better chances of survival. Many of us have heard of the business slang, "throwing it over the wall." This phrase is usually said when there is little communication, sharing, and reciprocity between two groups. Siloed thinking is evident when people in a meeting show little interest in issues happening in other departments or units that they don't feel accountable for. Enterprise Leaders have the audacity to take responsibility for matters outside of their area because it is needed to serve the enterprise. They are bold to step out of their comfort zone and seek to influence issues where they don't have direct control.

Another belief is group thinking. Group thinking is a phenomenon that occurs when a group of people makes irrational or non-optimal decisions due to either a desire for harmony or a pressure to conform. Whatever the reason, overcoming group thinking requires a dose of courage. Kevin Cashman even considered courage as the foundational attribute of Enterprise Leadership. "Before vision, before strategy, before authenticity, before impact, courage is the pre-requisite to transcend limitations within ourselves, with others, and on behalf of the enterprise" (Cashman, 2019). Research with top executive teams demonstrated the quality of decision making was improved when teams allowed and made good use of cognitive conflict (Li & Li, 2009; Mooney & Sonnenfeld, 2001).

## Awareness of Self and Impact

The importance of self-awareness to leadership effectiveness has been well documented in the leadership literature. As an inseparable element of emotional intelligence and learning agility (Eichinger, Lombardo, Swisher, Hallenbeck, Orr, & Capretta, 2013; Goleman, 2005), self-awareness is particularly crucial to leading in a complex and fast-paced changing environment because adapting to new business and leadership situations is accompanied and supported by evolving self-identity.

We all have different identities to fit our roles in life. An identity is about how we perceive ourselves in our roles and the narratives we want to tell others about who we are as leaders. Day and Harrison (2007) theorized an identity-based approach to leadership development. Changing environment spurs reframes, as people seek to make sense of new experiences. Leaders who are trapped in yesterday's identity will struggle to find their place and play a different role in the new business world. To progress from the traditional Executive Leadership to Enterprise Leadership, leaders have to continuously renew their leadership identity—to learn and challenge existing beliefs and assumptions while at the same time adopt new ones.

One research study interviewed leaders from 33 organizations who had been involved in leading organizational change (Higgs & Rowland, 2010). Analyses of the interview data indicated that the leaders' "blindness" to the organizational systems and a focus on their own ego needs led them into a range of "traps" which seriously impeded the change initiatives. To the contrary, leaders who were successful in leading the change displayed a range of behaviors that demonstrated high levels of self-awareness, an ability to "work in the moment," and the ability to remain in tune with the purpose of the change.

Self-awareness has internal and external facets. It is both an inner awareness and an awareness of how we show up. Internal self-awareness is the result of introspection, the process of understanding our preferences, motivations, beliefs, and attitudes. It is the internal ability to get in touch with self and understand how we think and feel in different situations. This awareness shapes a leader's decisions and determines their actions and behaviors.

Self-awareness is not just a private phenomenon but a social phenomenon too. Awareness of impact is understanding how we are perceived and the impact we have on others. Effective leaders have the ability to see how others view and react to them and use that knowledge for better relationship and leadership outcomes. Leadership in many ways is a socially constructed and enacted process, involving bidirectional influences among two or more individuals (Day, Harrison, & Halpin, 2009). The social embeddedness of leadership means Enterprise Leaders must learn to deal with growing social complexity as they assume new and different role responsibilities in the ecosystem of value creation. Awareness of impact is obviously important to achieving horizontal influence when such relationship is not built on command and control but on trust and reciprocity.

## Inclusion that Multiplies

Enterprise Leaders believe that one can multiply impact through connection and inclusion. They inspire the power of all.

Earlier we emphasized how Enterprise Leadership shifts the focus from exercising vertical power to achieving horizontal influence. This approach to leading recognizes two leadership realities. First, executive roles today are too complex to be played by self. Leaders have to leverage the collective intelligence, leverage the talent of people from different backgrounds. They are inclusive leaders who lead and engage others with both head and heart (Tapia, Polonskaia, Wang, Hezlett, & Orr, 2021).

Second, opportunities now exist in cross-boundary activities. Korn Ferry's Self-Disruptive Leader research clearly demonstrated the strong relationship between network and innovation (Dai, Orr, & Laouchez, 2019). Enterprise Leaders are brokers (Ready & Peebles, 2015). They establish strong network performance by building, aligning, and enabling broad networks within and outside their organizations, as well as creating a working environment in which trust, sharing, and collaboration can exist.

However, to include to multiply could be simple in theory but hard in practice. Why? Because leaders need to combat several constraining beliefs or assumptions:

Leaders need to mentally adapt to the lack of control. In the networked environment, leaders have less control over others. Power is distributed among value-adding entities. Traditional leadership is about the chain of command. It is about who owns the information and decision making. In the networked environment, information is shared among different players. Decisions are made close to where actions take place. Leaders need to give up their compulsion for control and power.

Leaders need to be aware of the "similar to me bias." We tend to favor people who are similar to us—points of view, perspectives, values, personalities, educations, functional backgrounds, etc. We have this hidden bias to various degrees. Only 5% of leaders globally can be defined as truly inclusive (Tapia et al., 2021). This hidden bias influences who we like to relate to and who we like to spend time with. Yet, the exchange and confrontation of diverse ideas is essential to disruptive innovation, a finding revealed by Korn Ferry's Self-Disruptive Leader research (Dai et al., 2019). Leaders must be aware and suppress this bias to become Enterprise Leaders.

Leaders need to balance between serving self and serving others (Cashman, 2019). It is about adopting a different view of leadership success and contribution. Enterprise Leaders will still take responsibility for the goal attainment of their functions or units. But at the same time, they will think about how they and their teams can contribute to the success of other teams or entities. Serving others was a frequent theme among CEOs who participated in the CEO for the Future research.



*It's not 'me the CEO.' It's 'I serve our team, our company, and of course also the communities and environment I live in.' So that's for me, you talk about the future leaders, yeah, I start with the rediscovery of the humble servant leaders.*

**- Chairman, President and CEO, Fortune 500 appliance company**

*Some CEOs have a real need for visibility, for a sense of power, for a sense of importance, and they're spending a lot of time getting their face on the cover of a magazine. And people are just so tired of that, the world is tired of that. That has to change. Looking for leaders who are servant leaders, who are putting everybody first before them.*

**- CEO, Fortune 500 logistics and transportation company**

*The biggest paradox is confidence with humility. I think the best CEOs master the issue of confidence with humility. You can be confident knowing that you have strength and all of this. But the humility is understanding that you only have that, it only comes from the people you surround yourself with.*

**- President and CEO, S&P 500 utility company**



## Integrative Thinking

Integrative thinking relates to the mindset that situations and people need to be interpreted in their dynamic relationship to the enterprise and beyond, balancing the interaction of multiple tensions, and generating creative resolutions that are more than the sum of parts.

With integrative thinking, leaders attend to the broad context and recognize the interdependence and dynamic relationship between issues. This contextual sensitivity and systemic thinking allow them to link different components and reconcile divergent perspectives, and ultimately come to creative resolutions that are more than the sum of parts. As the business world becomes increasingly global, fast-paced, and complex, organizations face mounting competing demands, goals, and expectations. These competing priorities give rise to seemingly conflicting practices such as the simultaneous presence of competition and cooperation, control and empowerment, planning and flexibility, and centralization and decentralization. Modern organizations are hotbeds of paradox. Managing paradox is inherent to Executive Leadership; reconciling paradox is the value-creating game-changer of Enterprise Leadership.

Existing research on paradox postulates that when individuals polarize complex issues into either-or categories, they miss recognizing the interrelationships among these phenomena (Smith & Lewis, 2011). The either-or approach tends to see tensions as dilemmas that require tradeoffs. Consider the paradox between price and quality. In the either-or paradigm, there are three options: X, Y, and Z. X solution is the highest in quality and most expensive, Z is the lowest in quality and least expensive, and Y is the compromise option that falls somewhere between the other two on both attributes. But could there be a solution that is not grounded on the tradeoff between price and quality? Answering that question requires creativity and out-of-the-box thinking. Y solution is also known as the middle ground approach to solving tensions. The middle ground approach often settles on suboptimal solutions because it tends to avoid conflicts rather than confront and scrutinize fully divergent perspectives (Leung, Liou, Miron-Spektor, Koh, Chan, Eisenberg, & Schneider, 2017).

Research has suggested that the adoption of a “both-and-approach” mental template that encourages individuals to recognize and embrace contradictions could produce creative benefits (Miron-Spektor, Gino, & Argote, 2011). Integrative thinking abandons the either-or logic. By adopting the both-and mentality, leaders can seek to fully understand the relationship between contradictory elements and synthesize and integrate to find higher-order solutions that enable the full existence of both elements simultaneously (Miron-Spektor et al., 2017). Leaders with integrative thinking learn to live with tensions and pursue, scrutinize, and confront conflict to stimulate new understandings. Doing so allows leaders to search more broadly for possible solutions, rather than settling on suboptimal strategies. One empirical research found that integrative thinking helped top leadership teams gather and process information from various stakeholders, which allows for better decision making (Wong, Ormiston, & Tetlock, 2011).

Leaders with integrative thinking tend to:

- See the whole picture by reconciling paradoxes.
- Interpret objects within the context.
- Accept and embrace tensions as natural and persistent.
- Recognize two polarities are inseparable and interdependent.
- Believe in causality or interaction—change in one part will cause change in another.
- Recognize that two opposites coexist and should be dealt with as a pair.
- Support opposing forces and harness the constant tension between them.
- Broaden the scope of the attentional span to attend to divergent perspectives.
- Scrutinize and confront conflicts to stimulate new understandings.

## Conclusion

A combination of technological, geopolitical, social, generational, environmental, and demographic factors is reshuffling the economy and disrupting business. Corporations are facing significant business challenges, chief of which are managing the tension between profit and purpose and balancing the competing priorities between optimizing performance today and nurturing new opportunities for the future. The executive role becomes too complex to be performed by individual leaders alone. Meeting these business challenges requires a characteristic shift from Executive Leadership to Enterprise Leadership.

Enterprise Leadership is different than traditional Executive Leadership in two important aspects. First, Enterprise Leaders are focused and skilled at horizontal influence rather than vertical power. They go beyond their immediate areas of responsibility and engage in a network of value creation. Second, they do both performing and transforming and maintain an optimal balance to the evolving business situations. They have done the work to open their mindsets to make a greater impact.

This model of Enterprise Leadership was rooted in the leadership literature, supported by Korn Ferry's original research. Using Korn Ferry's executive assessment data, we demonstrated that three key Enterprise Leadership capabilities—Horizontal Influencing, Performing, and Transforming—additively affect leadership performance and organizational success. Effective leaders simultaneously exhibit more of the three leadership capabilities.

Unfortunately, less than 14% of existing Executive Leaders have the dynamic flexing between all three leadership qualities and can be considered Enterprise Leaders. Enterprise Leadership is not necessarily difficult to develop. Drawing on several decades of experience working with Executive Leaders, Korn Ferry has sophisticated a holistic approach to developing Enterprise Leaders. This method emphasizes the growth of whole person to develop Enterprise Leaders. Building on the research findings and practical insight, we identified five Agile Mindsets underlying the Enterprise Leadership. Working on these five Agile Mindsets could greatly accelerate the transition from traditional Executive Leadership to the new Enterprise Leadership need in our emerging world.

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## About Korn Ferry

Korn Ferry is a global organizational consulting firm. We work with our clients to design optimal organization structures, roles, and responsibilities. We help them hire the right people and advise them on how to reward and motivate their workforce while developing professionals as they navigate and advance their careers. Our 7,000 experts in more than 50 countries deliver on five core areas: Organization Strategy, Assessment and Succession, Talent Acquisition, Leadership Development, and Total Rewards.