LEADING
TRANSFORMATION
DAIMLER LEADING TRANSFORMATION
Shaping the automotive transformation amidst turbulent times.

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EXECUTIVE SUMMARY

Leading Transformation in brief.

By early 2020 the automotive industry was in the middle of the biggest transformation in its history. Daimler was facing a combination of challenges that had the potential to disrupt the industry ecosystem:

a) The change of propulsion systems to electric
b) The increasing significance of proprietary Operating Systems and related software components
c) The related skill and workforce revolution
d) The continuous strategic shifts (e.g. the increasing focus on luxury vehicles for passenger cars)

In order to be able to react faster to changing customer needs and complex market dynamics, Daimler optimized its organizational structure towards more divisional independence. In a context that requires not just the reimagination of products and eco-systems, but also of the company itself, leadership development played a key part. Daimler Corporate Academy, together with partners from Harvard Business School (Jim Dowd and Amy Edmondson), ESMT Berlin (Harald Hungenberg), Coverdale (Ulrike Böhm and Thomas Weegen) and Brand-and-story (Terence Barry) designed an innovative global learning intervention to provide leaders across Daimler with the tools, frameworks and capabilities for successfully steering change. However, the outburst of COVID-19 added an unforeseen layer of complexity.

How could leaders encourage and drive change during unpredictable and worrisome times?

The response was not only swift and comprehensive, but it also changed the world of learning at Daimler for good. “Leading Transformation” was a global learning experience, redesigned to reach leaders from all levels, business areas and locations across the world. The program engaged 4,500 leaders across the company in a hybrid format: live in a digital setting, in combination with decentralized organized workshops (“intact teams”).

“Leading Transformation” introduced a number of innovations:

▸ A technological setup that connected geographically distributed faculty and with thousands of participants around the world.
▸ A design that created a high level of involvement across the group combined with an applied focus (structured around three modules, or “acts”).
▸ A dovetailed setting of intact team interventions and interactive web casts.

Strongly supported by an Executive Board that stood united in its ambition to ensure leadership excellence in a period of unprecedented change, “Leading Transformation” was an intervention to match the ambitions of the world’s leading manufacturer of premium automobiles, vans, trucks and buses.

1. Currently operating under the units: “Culture, Talent and Learning” and “Daimler Learning Services”.
01 | The Challenge
Mastering ambidexterity.

02 | The Commitment
Practice what you preach.

03 | The L&D Initiative
I. Addressing a unique combination of challenges.
II. The program structure.
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IV. Learning formats.
V. The content of the three acts.

04 | The Impact
Making technology work for everyone.
Daimler is one of the world’s leading producers of premium cars and the world’s biggest manufacturer of commercial vehicles with a global reach. It has maintained a position at the top of its industry for decades, and has enjoyed a recent period of particularly strong commercial success having posted record growth and revenue figures over 48 subsequent months.

By 2020, the world of trendsetting technologies, outstanding products, and made-to-measure services was changing fast. This change, although brought on in large part by technological developments, went far beyond the technical domain to include disruptive changes in the domains of a) propulsion systems and battery technology, b) the importance of OS and related software, c) the related skill and workforce revolution.

These changes in combination with further strategic shifts (e.g. the increasing focus on luxury vehicles for passenger cars), and the impact of COVID-19 on market demand and beyond presented a unique set of circumstances for Daimler.

1. https://www.daimler.com/company/
At the same time, the company was in the midst of its own transformation, both structurally and organizationally. The biggest organizational transformation for Daimler was well underway but far from over: challenges of transformation were starting to become evident as a new, divisionalised, more agile corporate structure created a set of questions.

- What did transformation mean for different parts of the organization?

- How could the leaders who were responsible for driving transformation initiatives enable and enact change?

- How could Daimler instill both accountability and freedom to leaders across divisions, businesses and regions?

Most importantly, how could leaders build and maintain agency and mastery, be mobilized for change and transformation even in the most difficult times of personal and organizational turmoil?

At the same time leaders had not only to manage transformation but also the day-to-day business: reliably execute the company strategy today, even as they moved towards the transformed organization that Daimler would become, tomorrow. However, applying existing capabilities in new contexts and new challenges often turns, capabilities into disabilities. The need for new learning was emerging.
Faced with these challenges, "Leading Transformation" was designed to meet the following key objectives:

1. Establish a shared framework for understanding transformation while also simultaneously encourage divisions in their quest for distinct and positive identities.

2. Provide leaders with a set of tools and practices for leading transformation.

3. Connect Daimler leaders with peers around the world to learn from and support each other.

The conceptual core of "Leading Transformation" consisted of five interconnected elements:

- **Adaptive Leadership:** The increasing speed of industry transformation and the new threat of markets entrants from outside the automotive space led to high levels of disruption and uncertainty. Responding to these challenges would require a shift towards adaptive leadership: deep learning and new language, and an iterative and problem solving social process.

- **Psychological Safety:** As individual knowledge becomes rapidly obsolete, collective learning that transcends the boundaries of hierarchy plays an important role in the exploration of new fields in every part of the business. Creating a culture in which speaking up is encouraged was a fundamental step which was no easy task within a context of perfection and strict hierarchical discipline.

- **Strategy as Learning:** Relatedly, strategizing would have to provide clarity and direction, but increasingly allowing for rapid iterations and adjustments as circumstances change. Given the focus on product life cycles and the substantial invest in the development of new propulsion technologies and platforms, this was in itself a learning process.

- **Ambidexterity:** While new products and services are being developed, in particular in the area of propulsion technology, products following the established paradigm of internal combustion engines still make up a large part of the business, delivering the profits essential to fund the transformation. Tackling the investor’s dilemma on a daily basis requires a different kind of leadership from what many are accustomed to.

- **Integrity of the Narrative:** Rather than overwhelming the organization by telling one big complex story, it is better to tell hundreds of small stories that are right for that day in the course of transformation, for that very moment and for that audience.
THE COMMITMENT

Practice what you preach.

Daimler Corporate Academy, ¹ together with partners from Harvard Business School (Jim Dowd and Amy Edmondson), ESMT Berlin (Harald Hungenberg), Coverdale (Ulrike Böhm and Thomas Weegen) and Brand-and-story (Terence Barry) designed “Leading Transformation”: a program to support Daimler’s leaders with transformation responsibilities.

Initially planned to include face-to-face interactions, “Leading Transformation” was at risk due to the breakout of COVID-19 in early 2020. The designing team was faced with a critical question: how could this learning initiative be as impactful and effective at such unpredictable times? Should the company wait for the pandemic to pass, or should it realize an intervention that would be designed to meet the particular requirements of the situation?

Determined to set an example of agility and transformation, the team pivoted quickly from a presence-based format to one that leveraged the opportunities of digital – massive reach, flexibility in delivery for

¹ “Culture, Talent and Learning” and “Daimler Learning Services”.
participants and faculty, and working groups transcending geographic boundaries. This was a challenging and complex endeavor, but at the same time it was testament to Daimler’s responsiveness to change and commitment to learning. Indeed, the content of the program was based rooted in the realization that the transformation imperative underlying all organizational efforts not only persisted, but was accelerating during the pandemic. The design of the program was not just based on the clever use of technologies to increase interactivity in a live setting – it reflected the digital transformation the company itself was undergoing.

The combination of partners was a crucial element of the success of “Leading Transformation”. Harvard Business School faculty contributed content in the most relevant content domains, and unparalleled executive education design expertise. As the delivery context differed fundamentally from on a campus setting, the situation also required expertise in delivering live online, to a very large audience, and in a way that facilitated dialogue between faculty, program director, and members of the audience. ESMT, a leading European business school located in Berlin and longtime partner of Daimler AG in matters related to strategic leadership education, contributed in depth knowledge of the challenges Daimler and its leaders face as they develop culture to become nimble, agile, collaborative and cross-hierarchical. Finally, Coverdale focused on designing group interactions between sessions, and how content could be applied in an intact team setting.
The redesigned “Leading Transformation” balanced ingenuity and impact. As a customized, modular learning portfolio for leaders who drive transformation at Daimler, “Leading Transformation” consisted of three main formats:

- Online Live Sessions, designed to address up to 2,500 participants in one iteration
- Online Asynchronous formats, some of which utilized participant-generated content
- Face-to-Face topic specific offerings in smaller settings

The result of the redesign was an exponential increase of the number of participants, which attracted unparalleled attention in the organization and thereby indirectly increased the value and impact of their learning interactions. The fact that the initiative received the full support of the Board of Management sent a powerful signal that the initiative was an important accelerator of corporate transformation.

Regular updates in the Daimler Board of Management and the HR Executive Committee, integration of the OD and Transformation community as well as the worker’s council in the development and roll-out process, all ensured that the initiative received the support and transparency that would lead to success. Finally yet importantly, this program had another key collaborator: all of Daimler’s leaders who actively participated, interacted and contributed in bringing this initiative to life.

User generated content for Act 3: more than 200 videos.
THE L&D INITIATIVE

I. Addressing a unique combination of challenges.

Creating a common language for transformation.
In times of transformation leaders are facing a number of new challenges:

- They confront many unknowns
- They must bring in different expertise at different times
- They do not have a fixed set of deliverables or fixed roles
- They must act – to learn
- They often have to do things they have never done before

All of the above cannot be accomplished through traditional structures and processes and that is why transformation at Daimler affects everyone from top management to production experts. Transformation is not only far-reaching but also difficult to define as employees within Daimler confront situations and challenges that are vastly different, depending on the region, division and business area within which they operate. This is why developing a shared language, a common understanding for transformation was a key learning objective for “Leading Transformation”.

Encouraging divisions in their quest for distinct and positive identities.

At the same time, the team recognized that this richness and plurality is a vital building block for transformation efforts across the organization, that should not be dismissed. In order to benefit from each other’s experiences and stimulate debate, “Leading Transformation” brought together leaders from all levels and regions to discuss, define and reflect on the challenges of transformation for Daimler today.

Creating a digital design that builds both alignment and adaptability.

Interactive and rich communication between participants was an integral part of the design of the program. In order to ensure a high level of engagement and relevance “Leading Transformation” utilized two types of teams that promoted shared understanding and accountability, and anchored the content of the program in real life.

- **Transformer Groups**: Teams of Daimler leaders randomly composed, creating an occasion for participants to meet and exchange irrespective of management level, region and division. These 900 teams where meant to enable leaders to share their perspectives and ideas, challenge each other and reflect on their collective learning. The cross-divisional, cross functional and cross-continental composition helped deepen shared understanding.

- **Intact Teams**: Included the teams of participating leaders in the conversation to create a common understanding and develop a deeper, emotional and shared story of the transformation they are facing as a team. The intact teams aimed to embed transformation in the rapidly changing, divisional and local context.
II. The program structure.

In order to respond to these challenges “Leading Transformation” was based on three key learning objectives:

• Establish a shared framework for understanding transformation

• Provide leaders with a set of actionable tools and practices for “Leading Transformation”

• Connect Daimler leaders with peers around the world to learn from and support each other

These objectives were subsequently translated into three Acts, as the building blocks of the program. All three Acts balanced theory and practice, and input from experts with contributions from participants.
III. Timeline of the program.

1. KICK-OFF MEETING
   Have your own
   Kick-Off Meeting to
   get your Transformer
   Group going

2. MEETING IN ACT 1
   Have your own virtual
   Check-In before and a
   Break-Out Session
during the Program

3. INDIVIDUAL WORK
   Craft your personal
   Transformation Narrativ
   (narrative board provided)

4. FEEDBACK MEETING
   Get Feedback from
   peers on your personal
   Transformation Narrativ

5. INDIVIDUAL TASK
   1. Connect with your own (intct)
      team (see workshop design)
   2. „Temperature Check“

6. MEETINGS IN ACT 3
   Have your own virtual
   Check-In before and a
   Break-Out Session
during the Program

7. FURTHER MEETING
   Keep the contact in
   your Transformer
   Group
IV. Learning formats.

**ONLINE LIVE SESSIONS**

**TRANSFORMER GROUPS**
In the Leading Transformation Program you will join a group of six people and you will remain in this group all through the program. We call this group „Transformer Group“. Those 6 people are randomly picked with a maximum of variety between divisions and hierarchies.

These colleagues are your stable transformation peers to create a safe and stable environment for discussions and work. In this group you share your perspectives and ideas, challenge each other and reflect your learning. Upfront one contact within the group will be identified, who will initiate the Transformer Group prior to Act 1.

In all Acts you will have an online time slot to connect with your transformer colleagues in order to reflect about the impulses and post your questions via chat.

**INTACT TEAMS**
Work on the organizational and team level, in the context of the local or business unit specific transformation activities, agendas, etc.

If wanted also other groups of interests can meet and work (e.g. Truck Talent Group)

**TRANSFORMATION TOOLBOX**
with links to other initiatives (Social Intranet) + Blueprints: Agendas, Guiding Questions, Instructions etc.
V. The content of the three acts

**ACT 1: Shared framework for understanding transformation**

**Learning design:** Act 1 was based on a digital, live format that connected more than 4,500 Daimler Executives from all levels, all divisions and all regions to take a leader’s perspective on Daimler’s transformation. During the break-out sessions participants met with their Transformer Groups to reflect on the content from the sessions and share their thoughts on strategy and leadership in times of uncertainty.

**Learning objective:** Act 1, which was the most input oriented of the three acts, was based on the following learning objectives:

- Zooming out: Get an overview of the problem & understand the big picture
- Zooming in: Understand & identify the specific adaptive challenges that are relevant at different contexts.

**Learning content:** The learning content during Act 1 gave leaders a unique perspective of “Leading Transformation” following a structured process of six interrelated steps:

1. Getting on the balcony
2. Identifying the adaptive challenges
3. Maintaining disciplined attention
4. Regulating distress
5. Giving the work back to people
6. Leading with others

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1. Here we build on the work of Ron Heifetz and Don Laurie, “The work of Leadership.”

Leaders are the ones who provide orientation and foster alignment.
ACT 2: Tools and practices for “Leading Transformation”.

Learning objective: The learning objective of Act 2 was to provide leaders with an actionable set of tools and practices for “Leading Transformation”. Moving from theory to practice, Act 2 called for leaders to work with the content from Act 1 and share with their intact teams (the team they are responsible of leading) the overall situation and how it affects the relevant sub-systems. The key challenge addressed during Act 2, was that of inertia and the innate human tendency to resist change.

Leaders during Act 2 were faced with critical issues:

• How do you as a leader overcome resistance to change and maintain disciplined attention to the transformation challenges, identified during Act 1?

• How can leaders effectively manage emotions of distress, confusion or even fear from their teams?

• How can leaders empower and align their teams to achieve their transformation goals?

Learning content: In order to address these challenges leaders were asked to participate in the following three key activities:

• Craft your Transformation Narrative – this framework provided orientation and fostered alignment in the team throughout the transformation process.

• Meet with your Transformer Group – share their perspectives and ideas, challenge each other and reflect on their collective learning.

• Meet with your Intact Team, the people they are leading – to create a common understanding and develop ideas about the transformation they are facing as a team.

A key success factor for Act 2 was the strong linkage with the divisional and local OD experts so that they could seamlessly tie the local initiative to the content from Act 1. This interactive and immersing learning experience leveraged the potential of the community to make a significant move forward in the overall Daimler transformation process.

Temperature Check

ACT 3: Daimler leaders connect with peers around the world to learn from and support each other.

Learning objective: “Leading Transformation” is a team sport. You have to find, work with and learn from and be supported by other leaders in the organization in order to maintain resources and build resilience overtime. This is the key reason why Transformer Groups were a core element of the design of the program: for leaders to work across divisions and regions.

Act 3 connected again those 4,500 Daimler Executives to reflect on their role as a leader of transformation. Prior to Act 3 participants were asked to submit a short video, describing their experience while leading transformation in their part of Daimler: their successes, positive role models or stories of hard moments and setbacks. Leaders could refer to the team they led, to the team they were a member of or to their Transformer Group.

Learning design: In the Transformer Groups leaders shared their key transformation challenges in their business with other leaders, exchanged perspectives and ideas, challenged and supported each other and reflected on their collective learnings. To bring the greatest possible diversity of thought to the learning, Transformer Groups were created by randomly mixing participants from the leadership ranks across all Daimler entities.

Learning content: The learning content for Act 3 included:

- Reports from the field: Transforming Daimler
- Your next steps in “Leading Transformation”. Making progress and move forward
- The story to tell: Mobilizing people with your transformation narrative

Beyond Act X: “Leading Transformation” did not end with Act 3. A series of initiatives aimed at maintaining the transformation and learning momentum for longer (See appendix).

Learning content: The learning content for Act 3 included:

- Energy for the long run: leading yourself through transformation

1. Material included more than 1,500 comments during and after Act 1 & more than 150 video messages where leaders described how they deal with the challenges of transformation.
2. Content focused on managing people, resources, influence, competence, identity and resistance to change.
3. Building on the work of Brand-an-Story (Terence Barry): Rather than overwhelming the organization by telling one big complex story, leaders experimented with telling hundreds of small stories that are right for that day in the course of transformation, for that very moment and for that audience.
4. Leaders need to learn how to manage their own distress and exhaustion in order to help others.

Tool to craft your story.
Daimler committed itself to creating a transformative experience for thousands of leaders in a digital setting. Given the impact of the global pandemic and social distancing requirements, a technology-based learning solution seemed appropriate. However, many users associated traditional e-learning with low-involvement dissemination of factual knowledge.

The digital design of “Leading Transformation” aimed to offer a fundamentally social, emotional and interactive learning experience. The combination of synchronous and asynchronous learning, together with smaller group-based interactions provided the conditions for consensus building and alignment.

While the effects of COVID-19 are destructive, unsettling, often tragic, and certainly long term, it has given the development of learner-centric digital learning a substantial boost. The digital, immersive format of “Leading Transformation” supported a deep and sustainable mindset and behavioral shift by:

- Enabling leaders to join the transformation journey, irrespective of physical location, hierarchical level or divisional allocation.
• Boosting organizational transformation even in times of uncertainty.

• Combining large scale cross­divis­ional creation of common ground with intact team intervention.

• Allowing room for critical self­reflection and exploration of the idiosyncrasies of regional and divisional teams and business units on the ongoing journey.

Creating a common language around transformation.

“The key to great products is great teams”: this is more than a company mantra for Daimler as collective and shared effort is a key principle of Daimler’s culture. Contrary to transformational changes that follow a top down approach, “Leading Transformation” was based on the premise that impactful change emerges through the active collaboration of all levels of the organization. The impact of the program was significant:

• All leaders worldwide were part of the program. This unparalleled reach provided the maximum possible level of alignment.

• The learning initiative was centrally funded and globally delivered, signaling the commitment of the Daimler Board of Management to the program objectives.

• The program successfully aligned the global context with Daimler’s internal changes to provide a holistic and immersive learning experience.

As a result, the program was an international and interactive learning experience with high engagement and astonishingly high numbers of participation, with dropouts untypically low (constant audience level > 95%). The level of input was also very high (2,000 comments and questions, and more than 1,100 responses on an interim mini survey called “temperature check”) as demonstrated by a content analysis that was performed. Program evaluations were also favourable, as expected, ranging between 4.1 and 4.5 on a conventional Likert scale.
Encouraging divisions in their quest for distinct and positive identities.

As Daimler was putting increasing emphasis on divisional independence, each division was encouraged to initiate its local or regional roll-out of “Leading Transformation”.

An essential pre-requisite for this was the early involvement of divisional and regional Organisational Development experts in the development of “Leading Transformation”, anticipating and simultaneously overcoming the boundaries that can result from different divisions. This collaboration model ensured both alignment and adaptability.

It also led to establishing a common reference framework for “Leading Transformation” across Daimler, reducing also L&D costs for smaller, regional workshops.

Analyzing participant data in line with data protection limitations.

Analyzing the qualitative data from participants was another important source of measuring impact. The cognitive map that emerged during the program represents the leadership challenges as participants saw them while processing the content of the program. The more than 2,000 written comments participants had entered throughout live sessions were subjected to qualitative content analysis, leading to a construct the team called “Topic Radar”. Five Meta Categories emerged from this analysis, combining a total of 14 content categories. These categories indicated areas that required special management attention, or presented special leadership challenges. These were linked to course content, but often went beyond this by adding rich Daimler context. Taken together, as a Daimler Topic Radar, they represent a suitable starting point for learning interventions that could follow up “Leading Transformation”.

Visual representation of the comments sent in by the participants.
REFLECTING ON LEADING TRANSFORMATION

Essence.

“Leading Transformation” offered the right content at the right time:

• Focused on critical challenges for Daimler (before pandemic) and addressed special circumstances of this time.

• Supported development of greater skill in leading at the organizational, team, and individual levels.

• Included all leaders globally while still offering room for adaptation to local needs (Module 2 sessions with line teams).

• Brought all leaders together, on the same page, with the same frameworks, fast/in a short period of time (Q3/Q4).

• Sent one clear and consistent impulse through the leadership of the company globally at the same time.

• Connected leaders in pairs, teams, small groups and broader networks of colleagues learning and supporting each other across organizational lines.

• Addressed the needs of the organization and the needs of each leader individually.

•Acknowledged the hard work to be done by leaders and offered practical and collegial support to enable and sustain their efforts.
THANK YOU.
APPENDIX

Beyond ACT X.

“Leading transformation” did not end at Act 3. A series of initiatives aimed at maintaining the transformation and learning momentum for longer:

• Creating a safe space for dealing with the dark side of transformation by providing an ongoing support (availability of key content and resources including all videos and audios from participants sharing their own transformation experience, the successes, the positive role models or stories of hard moments and setbacks).

• Following a content analysis of the responses, further questions for reflection were sent to the participants. These were available for use for individual reflection or together with the intact team, transformer group, coach or others. The questions emerged as those most often asked by the participants throughout the program.

Quotes from participants:

• “I’ve received so many ideas and processes to lead my team and to partner with them so that they are not alone.”

• “My great learning: Increasing the heat and decreasing!”

• “For me is always so important to observe and listen my team, to see if they need an extra hand, or an extra information. To set priorities and to communicate is so important, as leaders receives plenty of project and improvements to do, so it is very important when we communicate to the team and select champions for each projects, is to set priorities, timeline to establish the timing and to always be clear, what do we need, why and when. For me to renew is very important at this moment. Thank you.”