Leadership Agility: A Business Imperative for a VUCA World

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In this volatile world, more and more companies will strive to become "Velcro organizations" in which people and capacity can be rearranged and recombined creatively and quickly without major structural change. The winners won’t stop focusing on quality, cost, and efficiency, but they’ll be paying a lot more attention to agility, too.” C. K. Prahalad, Businessweek, September 10, 2009.

In Volatile Times – Agility Rules

Speed, fitness, flexibility, agility… words more often used to describe a world-class athlete than an organization or its leaders. By all accounts, the 21st century is bringing a frenzy of innovation driven by the continuing digital revolution and expanding global markets. Our current environment of accelerated uncertainty and change is not going to blow over and settle down.

The term VUCA, coined by the US Army War College, describes the dynamic nature of our world today and has caught on in a variety of organizational settings to describe a business environment characterized by:

• Volatility – The nature, speed, volume, magnitude and dynamics of change;
• Uncertainty – The lack of predictability of issues and events;
• Complexity – The confounding of issues and the chaos that surround any organization; and
• Ambiguity – The haziness of reality and the mixed meanings of conditions.

CEOs are struggling with how best to lead in a VUCA world. Most of the old rules do not apply now when people connections matter at least as much or more than solid structures. Boundaries around companies are shifting, forming global networks of complex stakeholder relationships. A CEO does not have one lever to pull to create and sustain organizational success.

For example, replacing less successful leadership talent with successful leaders from other organizations can help, but it is not sufficient. Rather, levers must be pulled in unison, something David Nadler and Michael Tushman refer to as creating organizational congruence (Nadler & Tushman, 1997). Leaders achieve the congruence needed to sustain success in a VUCA world only by making continuous shifts in people, processes, technology and structure. Leading this subtle and complex dance requires the capability to sense and respond to changes in the business environment with actions that are focused, fast and flexible. This is what we mean when we describe leadership agility.

Provide guidance and direction to teams working across time zones, cultures and organizational barriers. Leaders rarely work with team members on a face-to-face basis, forcing them to rely on a range of virtual communication channels. And team members come from a variety of disciplines, cultures and experience levels,

| Exhibit 1: Leadership and Organizational Agility: A Comparison of High-Performing and Low-Performing Firms. |
|---------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| Organizational Performance – measured by profitability, market share, revenue growth and customer satisfaction |
| i4cp Agility Research Items | Percentage of Responses from High-Performing Organizations | Percentage of Responses from Low-Performing Organizations |
| Can anticipate and initiate changes needed for sustained high performance | 49% | 20% |
| Can recognize and respond to strategic challenges in a timely manner | 58% | 30% |

Exhibit 1 shows highlights from a recent study of leadership and organizational agility by i4cp. (i4cp, PR.Com press release, March 11, 2010). The research involved 454 global leaders and illustrates higher performance from organizations embracing agility.

What Does Leadership Agility Look Like?

While few would argue about the need for greater leadership agility, not many are able to articulate specific action plans for leaders to become more agile. Where do we begin? What levers hold the most promise for increasing agility in our leaders on a sustainable basis?

Let’s explore some specific requirements of agile leaders. These four are not the full range of agile behaviors, but they are necessities in attaining agility.

Take more risks by briskly connecting talent and moving information and knowledge around the globe.

Leaders are required to complement full-time employees with part-timers, consultants, suppliers and even customers as part of the broader definition of the company’s workforce. Effective and efficient talent management models enable high-performing companies to source, assess, assign and develop this mix of talent across various projects and initiatives. User-friendly technology supports these models and allows them to incorporate multiple sources of global information about the workforce into decision-making processes. A global learning management system helps support effective talent management.
Developing Leadership Agility at a Consumer Products Company

Let’s look at how leaders at a consumer products company, Land O’Frost, in Lansing, Illinois are addressing the turbulence and uncertainty in their industry. In 2008, they began investing in creating agile leaders as a key component of their competitive growth strategy for the next five years. Land O’Frost is a privately held maker and marketer of “Great Tasting Lunchmeats™” under the labels Premium, DeliShaved, Taste Escapes, Bistro Favorites, to name a few. Land O’Frost-branded lunchmeat products rank third in market share in the highly competitive lunchmeat category, alongside products from much larger competitors Oscar Meyer from Kraft Foods and Hillshire Farms from Sara Lee Corporation.

So, how can a mid-sized, privately held firm like Land O’Frost compete with such mega brands in serving the needs of power retailers like Walmart, Kroger and the other major food retailers? Just ask David Van Eekeren, the 38-year-old, third-generation Land O’Frost president, and he will tell you it is all about great and safe products and a talented workforce led by agile leaders.

Recognizing the importance of developing LOF’s leadership talent to lead the enterprise into the next half century, Van Eekeren knew it was time to invest in establishing a corporate human resources function. He hired Steve Sakats as the company’s first vice president of Human Resources. Sakats brought perspective and experience in human capital development from American Express, ARAMARK, Nabisco and others to help the LOF leadership team map a strong strategic commitment to future growth through leadership agility.

Fall 2008 brought the sudden and disarming economic crisis that crushed global confidence and paralyzed so many organizations and leaders. However, Van Eekeren was enthusiastic about pushing forward with creating an updated strategic plan that would capture and sharpen the vision, primarily through the development of leaders with agility at every level of the organization. Beginning in October 2008 and into the first quarter 2009, the Land O’Frost leadership team worked together aggressively to build the first tier of a strategy map reflecting the
vision for the future, that embraced an enterprise-wide focus on leadership and organizational agility.

Van Eekeren demonstrated his investment in building a leadership talent pipeline in February 2009 by bringing 75 key managers and sales team members to Chicago for a leadership development retreat. This had never been done before at Land O’Frost. The meeting enabled the leadership group of 75 to work cross-functionally to develop the new strategies and requirements for agile leaders.

Small groups of six to eight participants discussed how to anchor shared leadership commitments to key business strategies. They did this by creating leadership agility competencies and metrics derived from key agility indicators. Key agility indicators aligned company objectives from sales, operations, finance, human resources, marketing, etc. This work resulted in a very high shared leadership understanding of the keys to success for all parts of the enterprise and set up very clear direction for continuous development and reinforcement of leadership agility.

Here’s Steve Sakats, the Human Resources leader at LOF, on how creating agile leaders provided LOF the following business results:

**Anticipating Change and Initiate Action** – These were critical elements of our leadership agility capability-building initiative. Key leaders focused on monitoring the surge in commodity meat prices and adjusted our promotion strategy to reduce the impact of higher meat costs. That type of change would have taken considerably longer in the past if it happened at all. We have been rewarded with sales velocity far greater than the industry as a whole.

**Generating Confidence** – Our focus on leadership agility gave us the confidence to declare our intentions to be a growth-oriented company. Our first training session invited 75 employees. Our second training session increased the number of employees to 90 and also included our sales brokers for a total of more than 140 participants. It was the first time we included both groups in any company function. The sense of team and the commitment to our future have never been higher. The enthusiasm of our team is evident in our employee engagement results where our percent engaged is twice the norm for the 3/IIT survey. It provided a road map to success that everyone has been able to rally around. All associates know how we define success and how they play a specific role in contributing to success.

**Liberating Thinking** – The number of new product ideas and projects has increased significantly. Also, our rigor and structure for new product introduction has been greatly increased. Our process leveraged new thinking about our commitment to technology with LOF TV broadcasting in each facility, along with the introduction and use of emerging trends in corporate social networking. We created the LOF Agile Wiki: “A Virtual Corporate Meeting Place for Achieving Our Audacious Goals.” The Wiki was designed to provide collaboration and an interactive platform to support our focus on an agile corporate strategy with postings of the strategy map, project status on all key initiatives and chat rooms to encourage idea generation to support innovation and employee engagement projects.
The AGILE Model®

Leadership Agility Skills

<table>
<thead>
<tr>
<th>Anticipate Change</th>
<th>VISIONEERING – creating clarity on the core value proposition of the enterprise engineered into what the workforce does every day to produce desired outcomes for all stakeholders</th>
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<tr>
<td></td>
<td>SENSING – understanding forces of change that influence stakeholder success and creation of early warning systems of impending change that can impact success</td>
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<td></td>
<td>MONITORING – having effective processes for tracking performance and trends to identify patterns that impact the organization</td>
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<td>Generate Confidence</td>
<td>CONNECTING – establishing clear line of sight for all stakeholders with how each can contribute to the enterprise and person success</td>
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<td></td>
<td>ALIGNING – establishing and living the congruence of vision, value, priorities and actions</td>
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<td>Initiate Action</td>
<td>BIAS FOR ACTION – establishing an execution culture where a sense of urgency around improvement and all stakeholder satisfaction is a basic shared expectation</td>
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<tr>
<td>Liberate Thinking</td>
<td>BIAS FOR INNOVATION – establishing permission and expectations that innovation is a universal requirement for all stakeholders’ participation</td>
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<tr>
<td>Evaluate Results</td>
<td>CUSTOMER FOCUS – establishing on-going alignment and understanding of customers to be able to offer business solutions that meet their needs and often identify unrecognized needs</td>
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<td>IDEA DIVERSITY – establishing processes to encourage and secure innovation inputs from all levels and stakeholders in the enterprise</td>
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<td>CREATING EXPECTATIONS – providing clear and measurable priorities and resources that are aligned for all stakeholders and desired outcomes</td>
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<td>REAL-TIME FEEDBACK – providing timely and accurate feedback on key success measures for all stakeholders</td>
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<td></td>
<td>FACT-BASED MEASUREMENT – using performance metrics grounded in solid information measurement to allow reliable insights and conclusions</td>
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Evaluating Results – Maybe the most important aspect of our leadership agility-focused growth strategy has been transitioning from an internally to an externally focused company. One example is shifting our measurement of customer satisfaction, both externally and internally, from strictly measuring “on-time” delivery to basing our performance on customer surveys and the customers’ scorecard of us.

Talent Management Tools and Methods for Identifying and Developing Leadership Agility

Too many talent management strategies reflect outdated assumptions about how, where, and by whom work is accomplished. They portray a more static view of work and do not account for the VUCA world. This volatility requires the kind of agility we have been discussing. Here are some specific illustrations of how human resource executives can apply talent management processes for the identification and development of leadership agility.

Selection – Assess Leadership Agility Using Structured Interviews.

Some sample questions might include:

- Give an example of when the leader has performed well in a work environment that featured rapid change and/or ambiguity. How did the leader enjoy this work environment, and what did the leader learn?
- Give an example of when the leader’s ability to be decisive was put to the test—when the leader had to convey a sense of urgency in decision making. What was the situation, what factors did the leader consider when making the leader’s decision, and what was the outcome?
- How does the leader determine when he/she needs to gather more information before making a decision, versus making a decision based on the information that the leader has at hand? Give recent examples of when the leader has made a quick decision based on the information the leader had immediately available, as well as a situation where the leader opted to collect more information before making a decision. Which decision-making style is more comfortable for the leader, and why?
- Give an example of when the leader has modified his or her personal style to achieve an important work objective—what was the situation, how did the leader change his or her approach, and what was the outcome?
Development – Using Scenario Planning for Talent Management Discussions

Agile human resource executives can apply techniques like scenario planning about possible future business directions and talent needed by organizations. Scenario planning involves projecting possible situations and then deciding what the organization would do, or how it would react, if that situation actually occurred. Scenario planning discussions provide a forum for identifying the knowledge, skills and attributes leaders will need in new and different business environments. By forcing discussion of different alternatives, leaders can move away from more rigid, status quo thinking about their future people needs.

Talent Review – Applying the “Nine-Box” Process Focused on Performance and Agility

As illustrated in the nine-box graphic, each person is reviewed based on his/her performance and his/her leadership agility. The boxes labeled Strategic Agility Asset, Agile High Performer and Rising Star would all be considered as high potential leaders and should deserve special attention for developmental assignments, projects and training.

Talent Review – Applying the “Two by Two” Talent Review Process with Lenses Focused on Agility

The two-by-two talent review process illustrated in the following graphic, demonstrates how each person is reviewed based on potential and results with an additional lens of agility, reflected by the color of each circle. The dark green represents the strongest leadership agility, and the red represents the weakest leadership agility.

Feedback – Using 360-Degree Feedback and Customized Leadership Agility Development Guides

Several 360-degree tools are available to human resources for the assessment of leadership agility. Leadership agility guides can be created to support leadership agility 360 assessments. Here is an example of the type of performance dimensions that can provide...
a set of measurable criteria to help leaders understand the professional, on-the-job behaviors that they can display to improve their leadership agility and therefore their chances of success on the job.

Each dimension is described at four levels, where level one is the most basic, and level four is the highest level of complexity. The levels are cumulative, which means that a person who is operating at level four can also operate at levels one, two and three. Level one does not mean “poor,” rather it is a valid level at which to operate in certain positions.

Conclusion

In summary, leadership agility is the capability of a leader to dynamically sense and respond to changes in the business environment with actions that are focused, fast and flexible. It is about a leader’s ability to prepare all employees for a VUCA world that enables them to shift their mindsets and supporting skills from “I know change is coming, but I can’t really see the potential changes that might impact our organization” to “I see change coming and am prepared and already doing something about it.”

In short, we must anticipate. Human resources can help increase leadership agility by:

- Understanding what is required of leaders to survive and thrive in a VUCA world;
- Identifying their individual leadership agility strengths and development needs; and
- Embedding leadership agility in their talent management processes.

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