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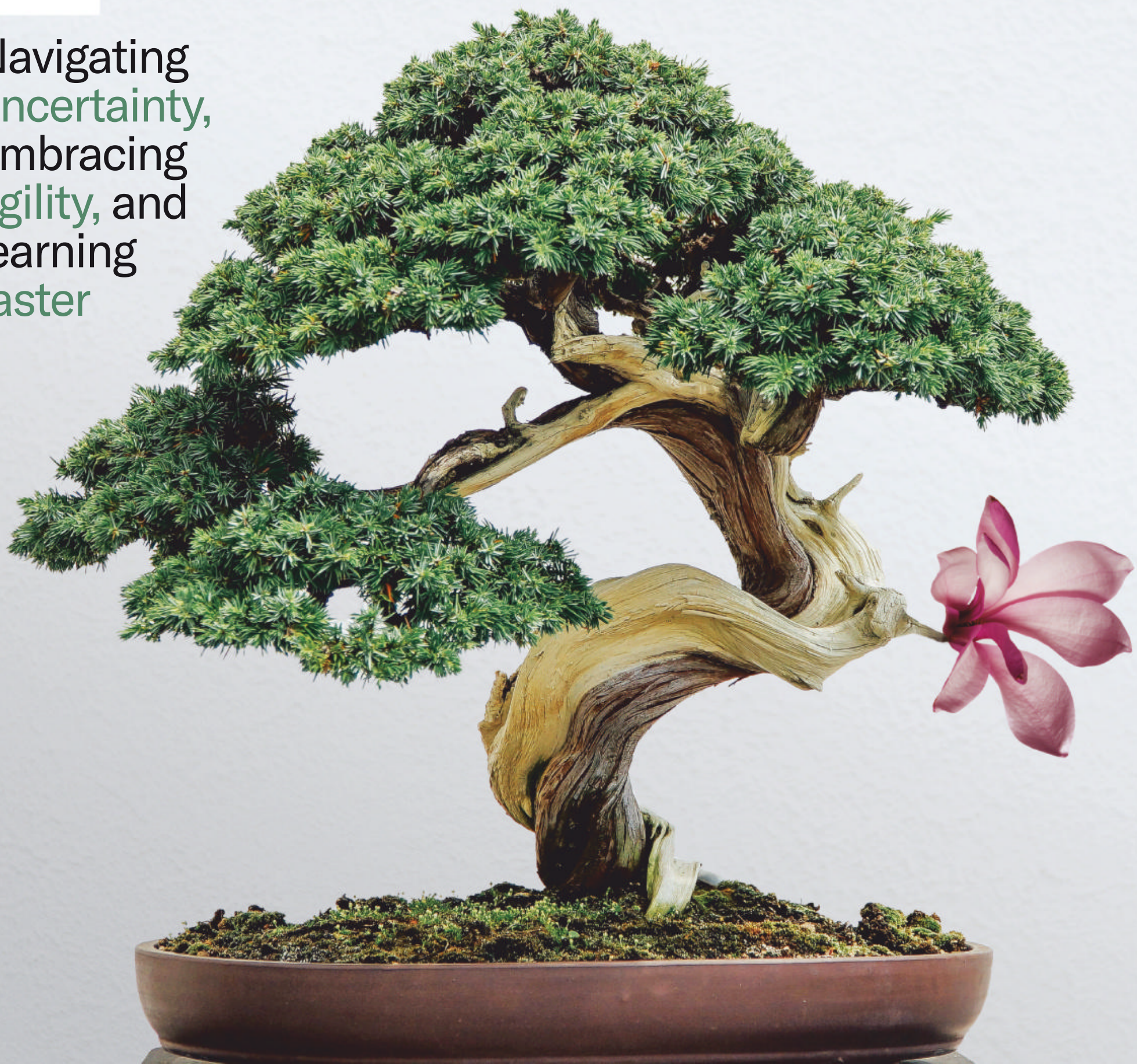
How to Thrive in a Changing World

Navigating uncertainty, embracing agility, and learning faster



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Are You Ready to Turn on a Dime?

THE MOST SUCCESSFUL leaders and businesses adapt to new realities swiftly.

Say your company has invested in a new technology—but suddenly it's rendered obsolete by a new entrant. The world seems ready to open up—but then another Covid variant hits. You're starting to excel on the career path you've built—when suddenly you're confronted with an unexpected layoff. (Any of these sound familiar?)

To thrive in the face of crises like these, you need to be nimble and adaptable, and your teams must respond efficiently to new information.

This is hard enough on a personal level. In the face of ongoing unexpected change, it's natural for our brains to freeze up in a state of what INSEAD strategy professor Nathan Furr calls *unproductive uncertainty.* This issue highlights some of the best ways to break free: Furr's research reveals mental habits that allow leaders to visualize a clear path to future success. Leadership advisers J.P. Flaum and Becky Winkler explain how to build learning agility to grow from setbacks. Harvard psychologist Susan David invites us to examine our instinctive responses and develop our emotional agility.

Fostering flexibility at the team level requires you to manage your own responses as well as those of others. But teams also offer companies opportunities for more flexibility: Creating a temporary team on the fly can allow companies to bypass their own bureaucracy and get work done more quickly, as Harvard Business School's Amy Edmondson and Ranjay Gulati explain.

On the company level, leaders need to equip their organizations to respond more quickly to change through structural changes, such as pushing decision-making down the org chart to those closest to customers (as described by Linda Hill, Emily Tedards, and Taran Swain), as well as external-facing initiatives, such as partnerships with local communities that build stakeholder trust (as outlined by Jason Miklian, John E. Katsos, Angelika Rettberg, and Jennifer Oetzel).

What emerged as we read through the articles in this issue, surprisingly enough, was that while we can always move faster, the best leaders don't just drive for more agility. According to leadership adviser John Coleman, for example, they must balance it with a sense of focus and consistency. And other authors in this issue remind us that sometimes to respond to overwhelming change, you really need to just take a deep breath and slow down.

– The Editors

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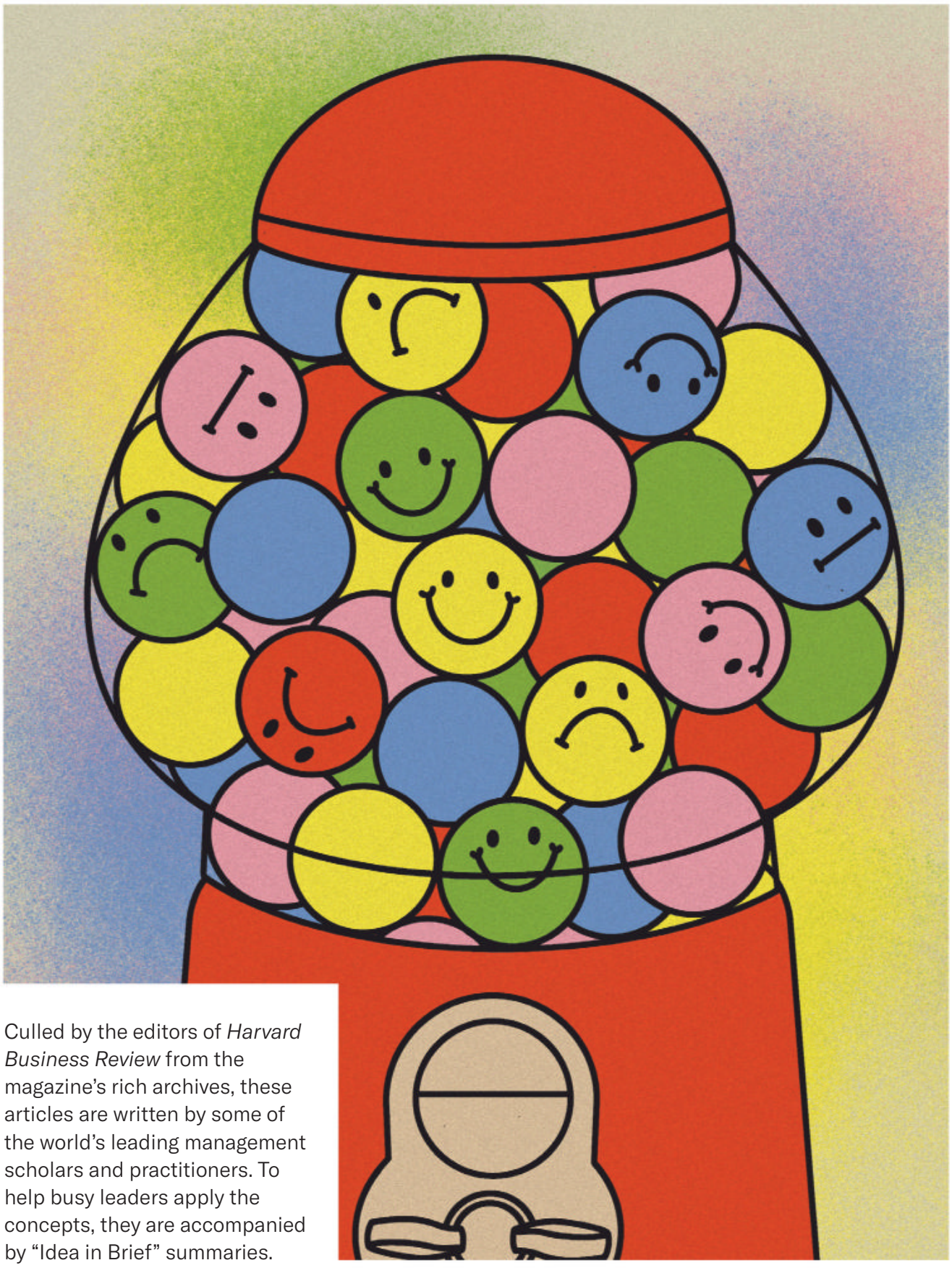

Culled by the editors of *Harvard Business Review* from the magazine's rich archives, these articles are written by some of the world's leading management scholars and practitioners. To help busy leaders apply the concepts, they are accompanied by "Idea in Brief" summaries.

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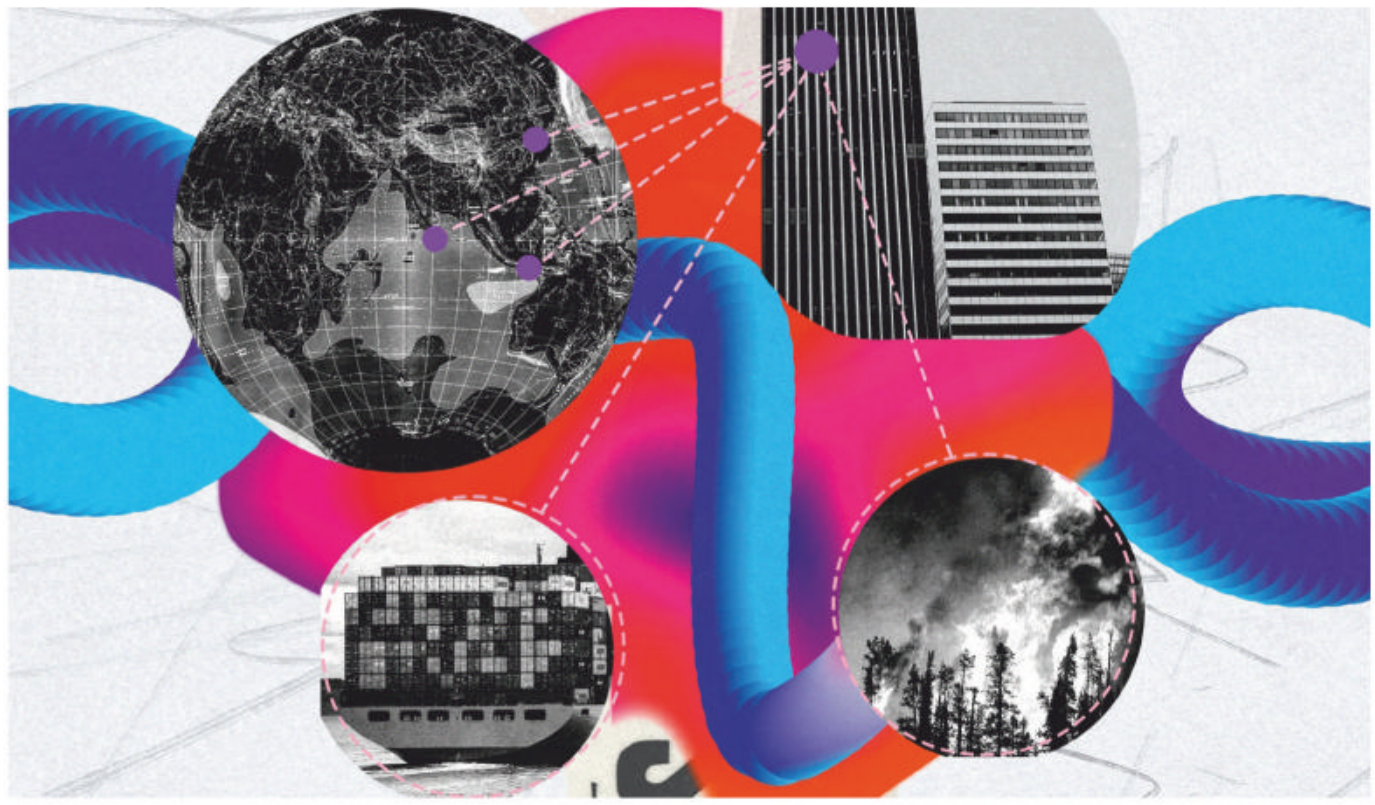

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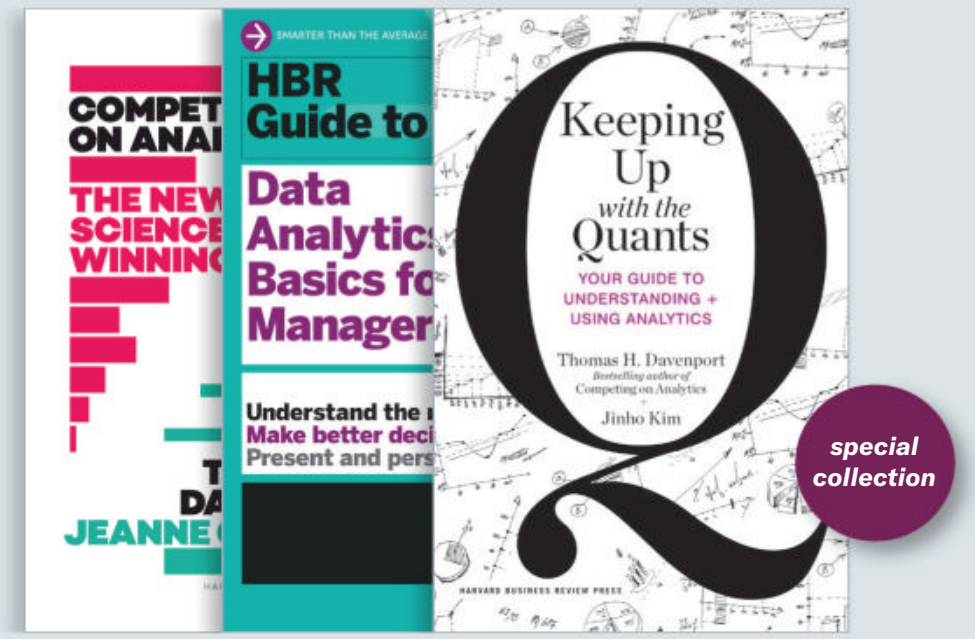

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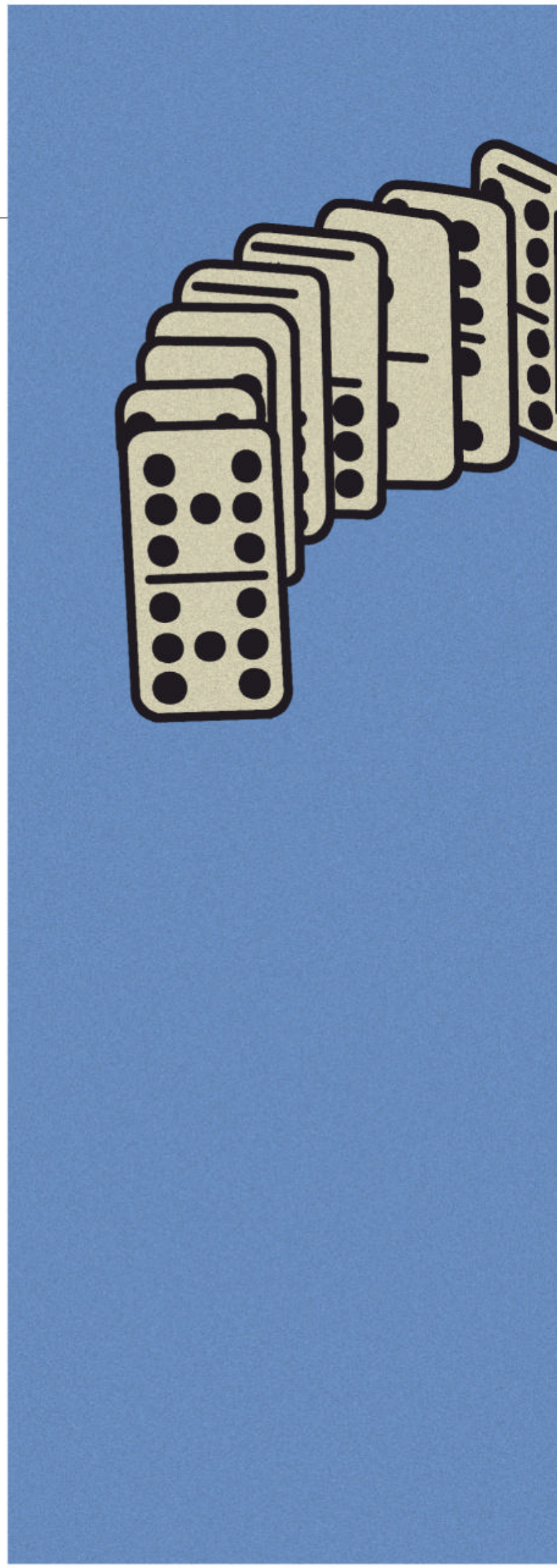

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Stop Sabotaging Your Ability to Innovate

Avoid these psychological traps.

→ by CYRIL BOUQUET, JEAN-LOUIS BARSOUX, and MICHAEL WADE

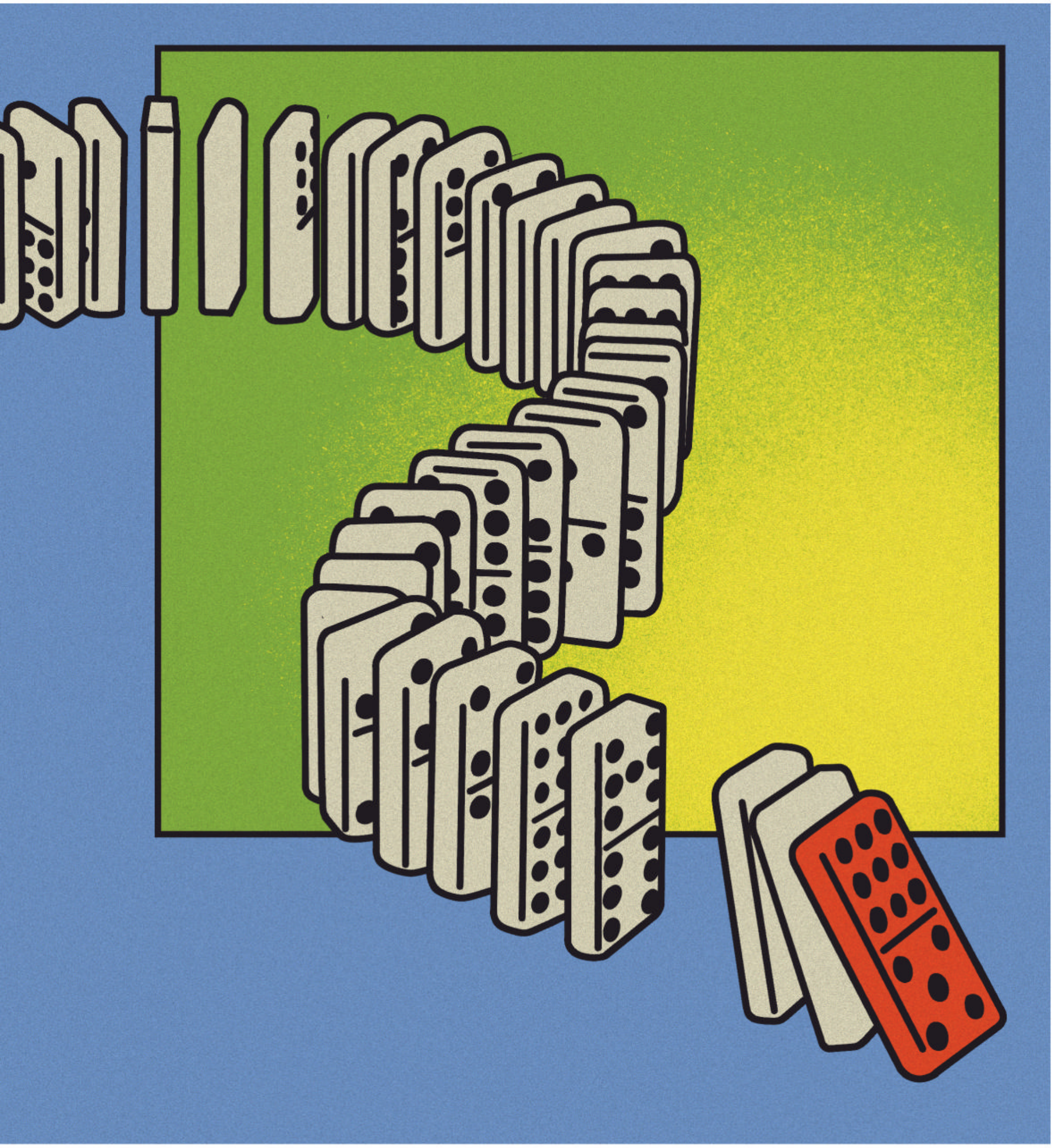
IN 1974 a young Kodak engineer named Steven Sasson was assigned a seemingly low-stakes task: to see if there was any practical use for a recent invention capable of turning light into data. He built a device that could capture images and digitally display them on a screen and eagerly presented it to his bosses. But he made a tactical blunder: He billed the new technology as "filmless photography." That positioning clashed with the very raison d'être of his audience—executives whose careers depended on the sale and processing of film—all but guaranteeing a tepid response. Instead of seizing an advantage in the consumer market, Kodak held off for nearly two decades, by which time several competitors were contesting the market space.

Why did Sasson make such a deeply flawed pitch? He was carried away by enthusiasm for his invention. He later said, "It never occurred to me that I was at odds with the fundamental mission of the company for the last 100 years."

Innovators like Sasson can be their own worst enemies, derailed by personal traits, such as confidence and optimism, that are essential to creativity but can be toxic when taken to an extreme, and by emotions such as fear, doubt, regret, and frustration, which are typical when trying something new but can too easily stall or destroy an effort.

Having interviewed and studied hundreds of successful and unsuccessful innovators, we've learned that many don't appreciate, and therefore struggle

Illustration by VICTORIA SIECZKA



to manage, psychological hurdles like these. And although practical advice abounds on how to innovate, from design thinking to lean start-up and sprint methodologies, in-depth guidance on conquering the mental challenges involved is harder to find.

In what follows, we draw on published interviews, videos, and speeches to describe the obstacles encountered by some high-profile entrepreneurs and illuminate the paths by which they moved forward.

The Fear of Getting Started

Fear can strike at any time, but it may be particularly pronounced as you contemplate crossing the threshold from thinking to doing. Pursuing your idea almost certainly involves risk—to your savings, your reputation, your career. Jeff Bezos has recalled telling his manager at the hedge fund D.E. Shaw about his notion to sell books online. "I think it would be a better idea for somebody who didn't *already* have a good job," his boss replied. For Bezos, that comment distilled the dilemma: Should he jeopardize his current comfort, status, and security for the uncertain prospect of future gains? When facing similar doubts, the following tactics can help.

Consult your future self. People are hardwired to avoid risky choices by magnifying the negative consequences that might ensue. An especially potent magnifier is what's called *future regret:* We imagine the self-recrimination we'll feel if our venture turns out badly. The desire to avoid that feeling encourages conservatism—but you can counteract it. Instead of focusing on the pain that would accompany a failed effort, imagine how you'll feel years hence if you play it safe and shelve your idea.

Bezos struggled for a couple of days before finding a productive way to frame his decision. He pictured himself as an old man reflecting on his life. "Would I regret leaving this company?" he asked himself. "I thought, *When I'm 80, I'm not going to think about that; I'm not even going to remember it. But… I know for a fact, I have this idea, and if I don't try, I'm going to regret [it].* As soon as I thought about it that way, I knew I had to give it a try." By projecting himself into the future, Bezos got a taste of the existential regret that comes from choices that run counter to our convictions or need for growth.

Let fear be a teacher. Compounding fears about what you're giving up, you may also worry about the odds of success. You might question the viability of your idea, your capacity to develop it, or your ability to break into an established market or influence a mature industry. Such fears may crystallize into a generalized foreboding that can bring you to a standstill. A common tactic for managing them is to suppress them and carry on regardless. But research shows that in doing so, you may miss important red flags. Fear isn't just an inhibiting force; it can be a powerful teacher, signaling that you are underequipped or underinformed. So pinpointing the source of your angst is critical to addressing it.

As Bezos committed to pursuing his venture, he was plagued by fears that it would fail. He told his parents that there was a 70% chance they would not get their seed money back. He was confident in the soundness of his idea, having rigorously analyzed the landscape and determined that books were the most viable products to sell online, but he was less sure that he had the knowledge to successfully execute on it. He realized that he could bolster his chances by securing access to a rich pool of tech talent and a wide array of books, so he relocated to Seattle—home of Microsoft and just a few hours' drive from the largest book distributor in the United States. His fears drove him to work out key technical and logistical challenges in advance.

By contrast, Bill Gates had great confidence in his ability to execute on the idea that would become Microsoft, but he had to overcome two personal liabilities: introversion and a youthful appearance. So when he pitched his (yet to be written) software to the makers of the Altair kit computer—making the call from his Harvard dorm—he introduced himself as Paul Allen, his unofficial and two-years-older business partner. Gates knew that if the customer showed interest, the more outgoing and mature-looking Allen would take the meeting. Years later Allen told the *Harvard Gazette,* "I had my beard going and at least looked like an adult, while Bill still could pass for a high school sophomore." Although Gates and Allen later fell out, Gates has said that entering into their partnership was the best business decision he ever made.

Once you've identified the source of your fears, you can seek information or partners to compensate for your shortcomings in terms of competence or credibility or both.

Fear can be a powerful teacher, signaling that you are underequipped or underinformed. So pinpointing the source of your angst is critical to addressing it.

The Frustration of Setbacks

You've probably heard the adage about learning from failure. But as Indiana University's Dean Shepherd has emphasized, the process is not automatic: It requires conscious effort and discipline. These steps can guide you.

Dissect your failure. The trouble with failure, beyond the obvious, is that it generates negative emotions that impede learning: denial, anger, despair, and self-blame. Innovators are especially prone to those feelings because they identify so closely with their projects. To avoid that pitfall, start by dissecting your failure. Exactly what went wrong, and why? Which premises were false? Which ones held true?

Jimmy Wales was keenly frustrated in 2000 about the snail-like progress of his first online encyclopedia venture, Nupedia. He and his editor-in-chief, Larry Sanger, assumed that it "needed to be superacademic, or people wouldn't trust it." The entries were indeed on a par with academic publications—but so was the pace of production. "I spent about $250,000 getting the first 12 articles through the process," Wales has said. Eventually he decided to investigate the problem by writing an entry himself. He realized that the peer-review system was incredibly cumbersome for his contributors, who were unpaid. At that moment Wales understood that his initial plan wouldn't work. It was the first step in coming to terms with his disappointment and finding a path forward.

Face your grief head-on. As an innovator, you'll experience major letdowns, reversals, or rejections as threats to your dream and your ego. To deal with those deeply felt losses, our IMD colleague George Kohlrieser proposes a three-step process based on research with thousands of executives. It requires first bringing the grief to conscious awareness—putting a name to what you're feeling and discussing it with family, friends, and others to make sense of it. That will help you take the next two steps: accepting and then letting go of the loss, and taking action in a new direction.

Shortly after Wales's eye-opening experience with Nupedia, he and Sanger created a separate encyclopedia website powered by wiki software—technology that allows multiple people to work interactively on drafts. In just two weeks 600 entries came in. The contributors were not recognized authorities, and there was no way to control the quality of their submissions. "If I had tied my ego to the original design...I would have stopped," Wales has said. But because he was already half-resigned to moving on from Nupedia, he was able to shift gears. And so Wikipedia was born.

Reframe rejection. When James Dyson, inventor of the vacuum cleaner that bears his name, presented his product to the leading vacuum brands, he expected them to jump at the chance to license the first bagless sweeper. But he received the same sort of frosty reaction that Sasson had gotten from his bosses at Kodak, and for a similar reason: The new technology was seen as a threat to the companies' business model, whereby customers paid for machines once and for bags on a regular basis. Dyson reframed the rejections, focusing on what the companies *hadn't* said: They'd offered no compelling rationale for turning him down. "If they'd given me a really good reason, then I would have got nervous," he has recalled.

Dyson eventually licensed his design to a Japanese company with no history

Idea in Brief

THE PROBLEM
The very traits essential to creativity, like confidence and optimism, can derail the execution of a new idea when taken to an extreme. Furthermore, emotions such as fear, doubt, regret, and frustration, which are typical when trying something new, can too easily frustrate entrepreneurial efforts.

THE PATH FORWARD
To address fear and conservatism, project into the future to anticipate how you will feel if you play it safe. To recover from the frustration of setbacks and failures, dissect what went wrong and reframe the rejection in a way that it opens opportunities. To keep your creativity from getting in the way of implementation, limit your involvement in the execution phase. Finally, to avoid being swept away from potentially exhausting unbounded drive, identify what's most important and schedule and commit to breaks ahead of time.

THE RESULT
Even strengths can sabotage your ability to respond to new ideas and opportunities. Becoming mindful of how you typically behave—and knowing what to do when those behaviors become toxic—can help you become a more effective innovator.

in vacuum cleaners and thus no reason to protect the sales of bags. It marketed the sweeper as a futuristic appliance to upmarket consumers exclusively in Japan, under the label G-Force. The royalties from that niche success helped Dyson manufacture a mainstream product under his own name.

Failure can present an opportunity for a turnaround. But if you're stuck in your grief, you may miss the chance.

An Excess of Creativity

Creativity is, of course, indispensable to innovation. But too much of it can backfire. Your appetite for new ideas may override the need to stay on course. "I'm always superoptimistic about every new idea," Wales told *Wired,* "which is great, as long as you're mature enough to be able to say, 'I was superexcited about this two months ago and obviously I was on crack.'"

Creativity relies on curiosity and openness. Curiosity drives your questioning and sensemaking—the search for patterns, causality, and opportunities, and your efforts to bridge the gap between what you know and what you don't. But unbounded curiosity can lead you astray in two ways. You may get drawn down a rabbit hole and lose sight of your original purpose. Or you may become mired in reflection, trying to plan for every contingency.

Openness to new experiences and ideas inspires you to ask *What if?* questions and connect the dots between unrelated concepts or domains. But an excess can cause you to jump from one idea to the next or bombard you with irrelevant details. If you've bogged down in your main endeavor, it can lure you away with the siren call of novelty.

To ensure that your creativity remains a useful fuel rather than a dangerous distraction, you can:

Recognize the moment of greatest peril. The biggest challenge in controlling your curiosity and openness comes as you are shifting from reflection to action—a time when you can ill afford to be distracted. This can be a struggle even for successful entrepreneurs.

Take Elon Musk. After making his fortune as a software entrepreneur, he founded SpaceX in 2002, aiming to lower the cost of space travel enough that one day Mars might be colonized. As he was getting the venture up and running—moving into its active phase—a project to create an electric roadster caught his eye. He invested in Tesla, became its chairman, and led its fundraising efforts. By 2008 he was the CEO of two cash-guzzling start-ups. Although both ultimately became viable businesses, the stress pushed him to the brink of a nervous breakdown that year, and the businesses' dueling demands nearly caused both companies to go under. "We only narrowly survived," he has said.

Musk concedes that his overactive imagination is as much a curse as a blessing. "It's like a never-ending explosion," he said on *The Joe Rogan Experience,* one that makes maintaining focus on his two flagship ventures a struggle. "Prioritizing has usually been out of desperation, not choice." The takeaway for innovators is that the same inquisitiveness and expansive thinking that fuel your creativity can lead you to overreach, not only jeopardizing your venture but also taking a dangerous personal toll.

Set limits on your involvement. Recognizing a tendency to let your creativity distract you is the first step in harnessing it. You can counteract it by limiting your involvement at the testing and implementation stages of your project. Jimmy Wales learned that his talent for coming up with new ideas did not necessarily help when it came time to execute on them. "In terms of both... Wikipedia [and] Wikimedia [the parent foundation], there's a CEO who actually runs things on a day-to-day basis," he told an interviewer. "I try not to be a bottleneck in any process."

Wales takes a similar hands-off role with his other ventures, such as Fandom and WikiTribune, often acting more as a catalyst than as a traditional leader. "This gives me the freedom to go out and evangelize," he has explained. "These are things I'm good at: talking to people and getting people excited about our work....That means that most of the headaches belong to...people who are actually good at [execution]."

This isn't to say that creativity has no role in the later stages of innovation. But it should be on tap, not on top.

Enlist a counterweight. Another option is to find a partner who can offset your creative exuberance. Wales hired Sanger to provide the linear thinking and rigor his encyclopedia ventures needed. Steve Jobs chose the calm, consistent pragmatist Tim Cook as a foil for his rampant creativity.

Of course, not all innovators can just hire or promote someone to be a counterweight. For those working

The immersive nature of innovation can distance you from reality, causing you to neglect close relationships that are important sources of sustenance.

in an established organization—intrapreneurs—the solution may be to seek a colleague's perspective. Recall that in his enthusiasm, Sasson neglected to step back, analyze his innovation in light of Kodak's existing business model, and tailor his presentation to win his bosses' support. Had he balanced his excitement with input from sales or marketing, he might have made a far more compelling pitch. "I was all ready to answer questions about how it worked," he has said. "They asked me questions about what the impact of this would be, what the ramifications would be, why would anybody want to look at their picture on a television set?...Well, I really hadn't thought about any of that."

An Acceleration into Hyperdrive

Drive—a mix of tenacity and passion—is another core quality needed to breathe life into big ideas. But as with creativity, you can overdo it.

Demis Hassabis, founder of the pioneering AI start-up DeepMind, regards tenacity as table stakes for entrepreneurs. "You've got to go through the pain barriers to get anywhere useful," he has said. Passion supports tenacity by sustaining your energy amid setbacks and doubts. But if unbridled, it can hamper critical thinking.

Identify what's most important—and let other things go. Unbounded drive may lead you to persist with a dead-end goal or aim at an unachievable target. Before launching DeepMind, Hassabis started a gaming company to build on the success of *Theme Park,* for which he'd been the lead programmer and a codesigner. He set out to create a nation-building game from the ground up, with no holds barred. "I wanted to create new graphics engines, new AI engines...make an artistic statement," he has recalled. The result, *Republic,* took twice as long as expected, embodied only a fraction of the original vision, and got lukewarm reviews. It made money for its publisher but never for Hassabis. "We bit off too much," he has acknowledged. "You want to pick what dimension of innovation are you going to push hard."

Commit to breaks. The immersive nature of innovation can distance you from reality, causing you to neglect close relationships that are important sources of sustenance. You may alienate your personal support group—what Kohlrieser calls your *secure base*—as your fervor makes you less approachable and less willing to listen.

The conventional remedy is to take time for rest and reflection. But an intention to do so often crumbles as the pressure mounts. The *future* benefits of taking a break *right now* cannot compete with the immediate payoff of solving your latest problem—a cognitive bias called *hyperbolic discounting.* Over time you may forfeit not just your health and well-being but any opportunity to reorient your approach.

Knowing that you may resist "pausing" when it's most needed, you can commit in advance to doing so, scheduling breaks and asking others to hold you to them. More generally, you can tell your team that your passion and determination sometimes get the better of you and ask them to provide the perspective and flexibility you are inclined to lose. Rely on them to help you question your assumptions, envision alternative solutions, and possibly pivot or cut your losses. "Pay attention to negative feedback and solicit it, particularly from friends," Elon Musk said in a TED talk. "Hardly anyone does that, and it's incredibly helpful."

AS YOU PURSUE your breakthrough idea, you'll experience periods of anxiety, confusion, and discouragement that may stall your efforts. At other times, when signals are positive, you may get blindly carried away. We have focused on renowned innovators to show that they, too, must learn to cope with these swirls of emotion. They must leverage their best qualities and shore up or work around their shortcomings.

Whatever your own strengths and weaknesses, you can manage them only if you know what they are. Research on leadership shows that a lack of self-awareness doesn't just mean that weaknesses may push you off track; it can turn strengths into derailers as well.

You must become mindful of your habitual ways of thinking and behaving, your outlier tendencies and bad habits, what gives you energy and what frustrates you. Armed with those insights, you can reach out for feedback or mentoring—for help in becoming a more skillful version of yourself.

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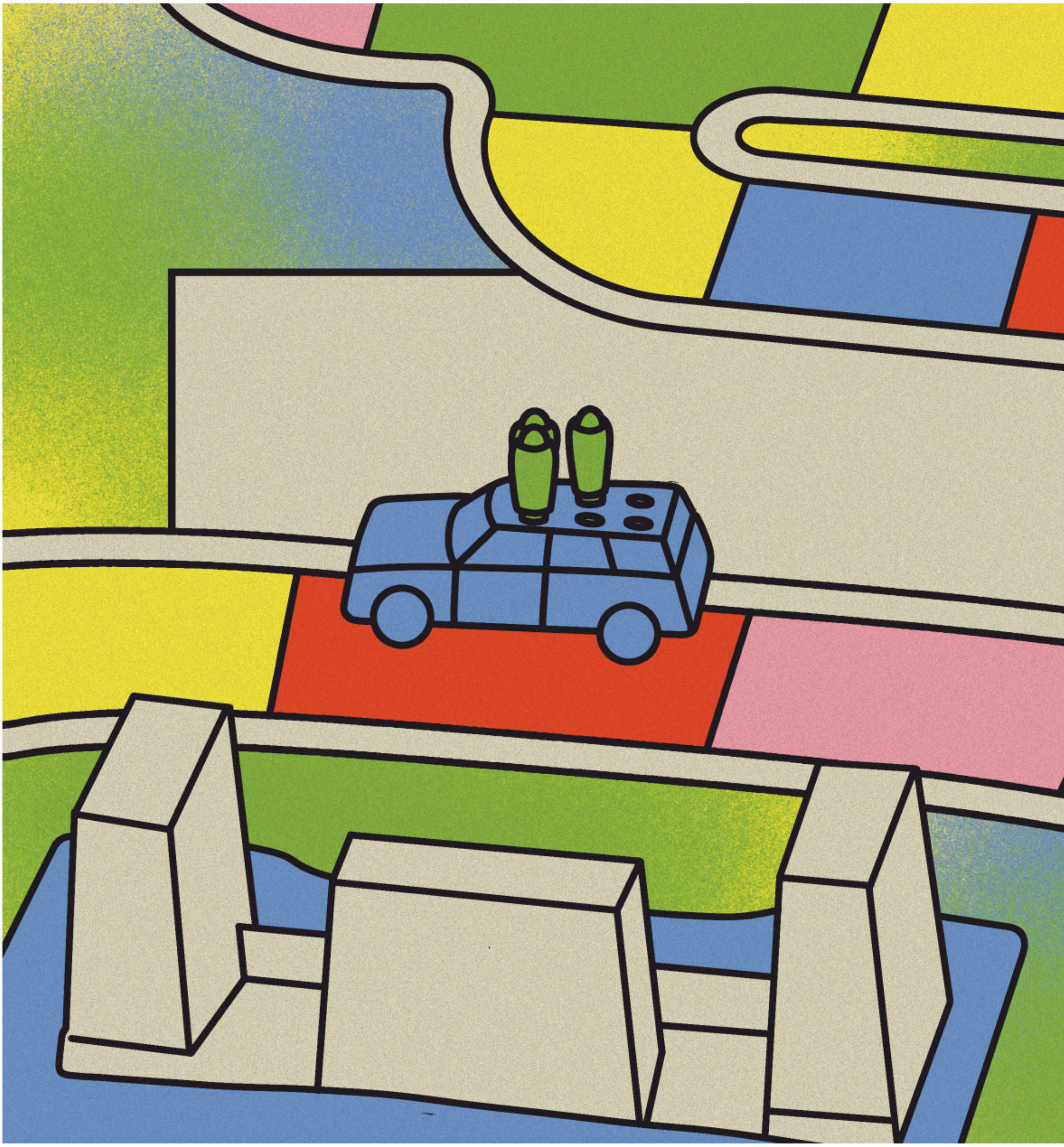

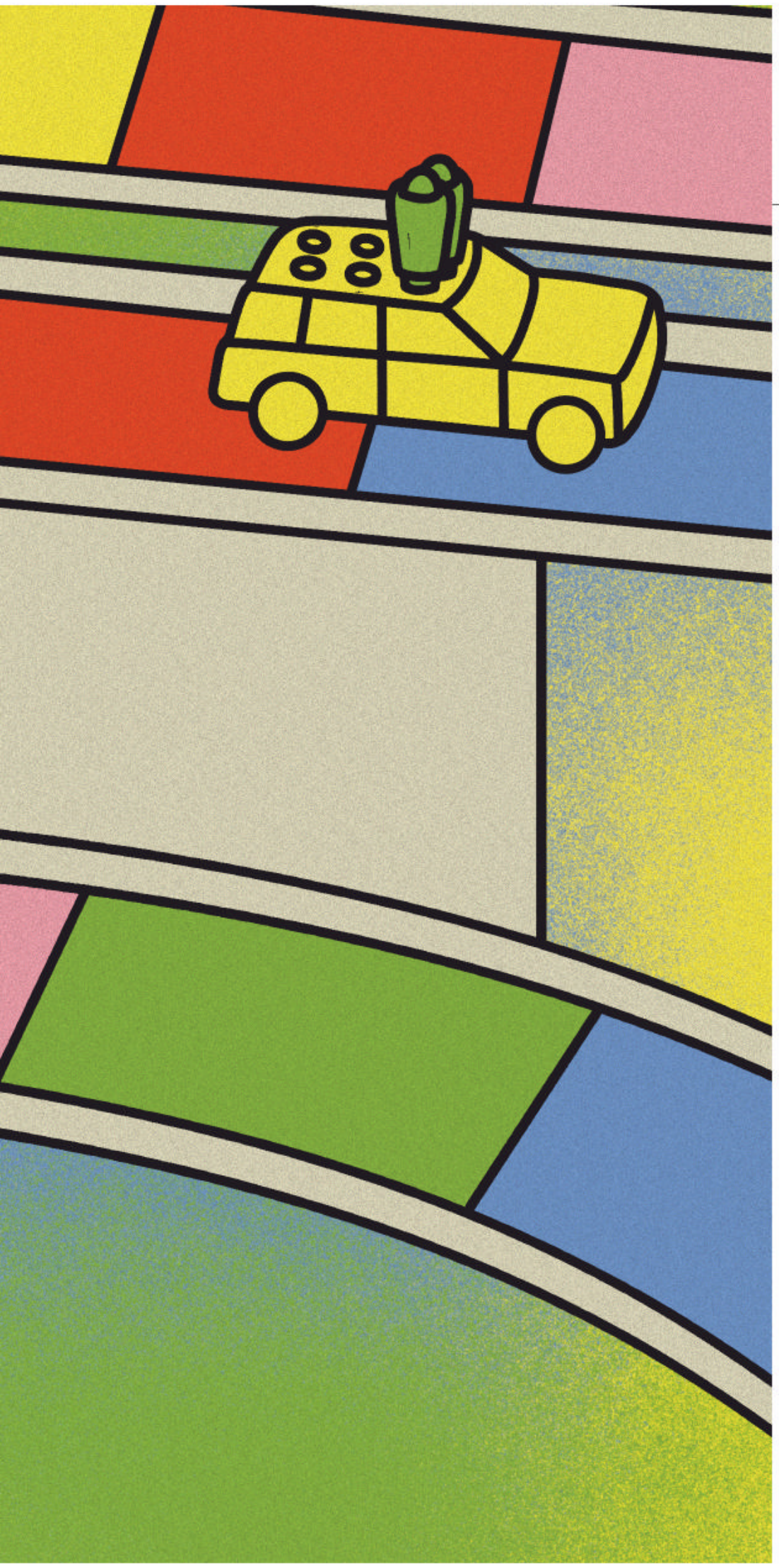

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How to Embrace Complex Change

A framework for navigating big career transitions

→ by LINDA BRIMM

DENISE WANG FELT settled in her life in London. She had a great job as the divisional marketing chief at a UK-based consumer goods company; a supportive husband, Phil, who was a partner in an international consultancy; and two daughters, eight and 10, who had for the previous three years attended the same school in their neighborhood. The family had good friends and an excellent au pair, and Phil's Belgian parents were able to visit, and host them, frequently.

But then Denise (whose name was changed to protect her privacy) heard some news that disrupted that idyll. Her company was looking for someone to lead its expanding Singapore office. It was the type of role she had always wanted. She'd worked in the Asian city-state for 12 years—

Illustration by **VICTORIA SIECZKA**

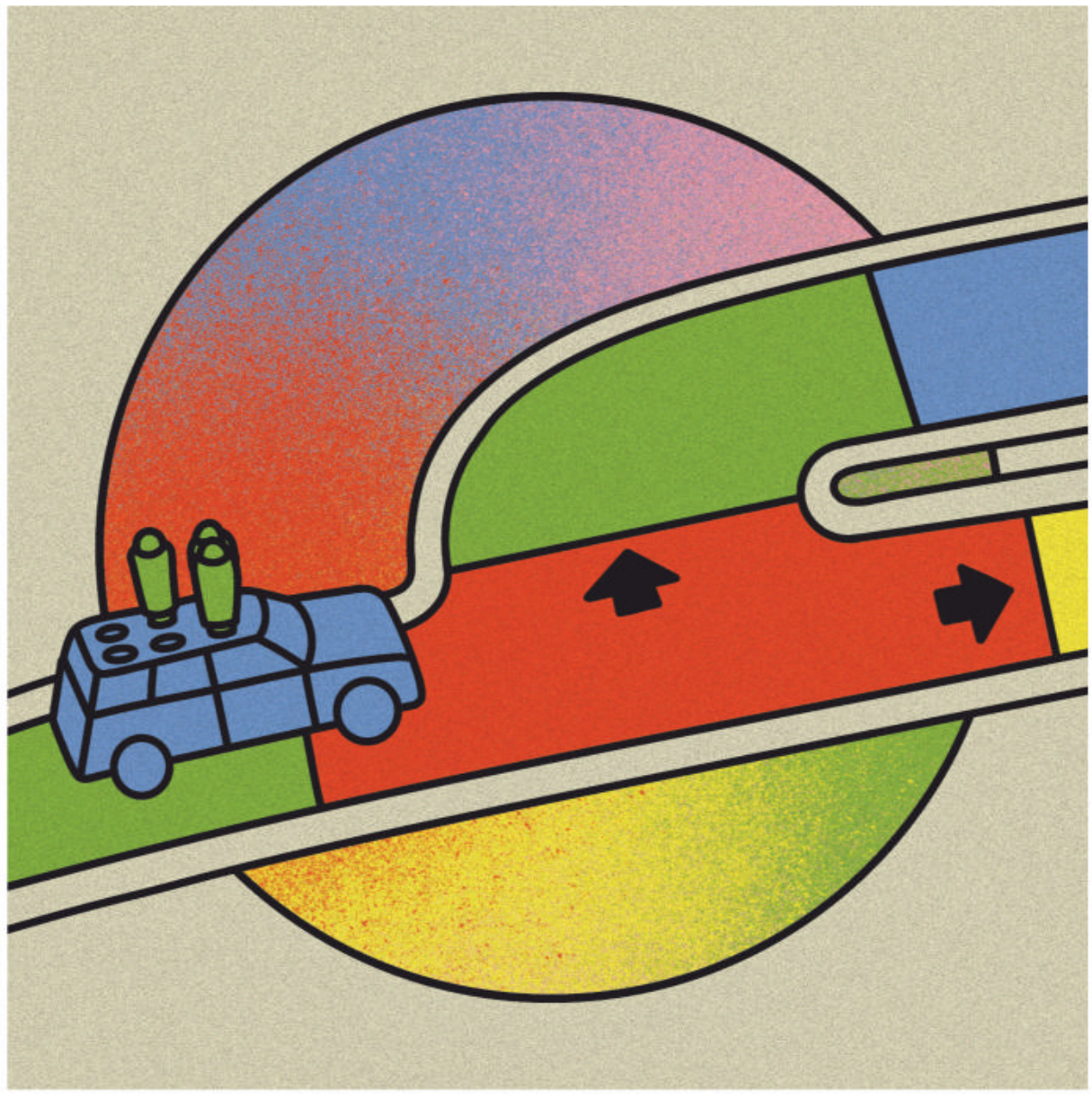
that's where she and Phil had met—and still had a strong network there. The couple had always talked about going back someday. Had the time come? Could she and her family effectively manage such a significant change?

For ambitious, talented executives working in dynamic global businesses, big career transitions—to new roles, organizations, industries, or geographic locations—are a fact of life. So is the need to constantly adapt to new technologies, work groups, strategies, and ways of thinking and behaving.

And yet even seasoned professionals like Denise find personal change difficult. Often the problem is internal—they worry they're not up to the new tasks. Sometimes loved ones are the stumbling block—a spouse or a child doesn't like the idea of a different work schedule or a relocation. Or the issue could be colleagues—for example, when a new arrival isn't welcomed by the team.

Although some people can overcome such challenges with relative ease, I've learned in decades of teaching MBA students and coaching executives that most of us can't. Management researchers have a lot to say about the best way to approach organizational change, and companies have put their advice to good use. But when it comes to personal transitions, there is no blueprint for success, and many leaders still struggle. So I've developed a framework for thinking about change. It involves navigating through what I call the Seven C's:

- *Complexity*—considering all the issues at play in a change effort
- *Clarity*—understanding and prioritizing those issues



- *Confidence*—believing that the change can be made successfully
- *Creativity*—brainstorming innovative solutions to problems that arise
- *Commitment*—taking the first steps to implement the change
- *Consolidation*—leaving the previous identity to adopt the new one
- *Change*—living into the change and its consequences

I've seen this approach work for Denise and others in similar circumstances: Joe, who left an Australian consultancy to start an NGO in China and later moved to Hong Kong; Caroline, a well-traveled manager who learned to embrace public speaking so that she could continue to rise through the ranks in her industry; Melissa, a married mother of two-year-old twins who decided she wanted to move from Spain to the United States to continue her career; and Dave, an executive who gave up a nomadic lifestyle to settle down and start a family at age 35.

The process is set in motion by an event that demands change. That event could be positive or negative, spurred

The clearer you are about what's most important to you, the less anxious you feel.

by external factors or self-initiated—an unsolicited job offer or an illness, a new interest or boredom with a current position. The process is complete when a different direction has been established and the change is fully realized.

Complexity

When Denise heard about the Singapore job, it sparked multiple questions in her mind. Did she want it? Could she get it? Would she succeed in it? How would it affect her career? Were there other opportunities within or outside her company that she should also consider? What would Phil and the girls think? How would a move and a new role change her relationship with them? Would she and they enjoy living in Asia?

She felt overwhelmed by the number of variables to consider. Most executives in her situation feel the same way. Some respond by seeking simplicity and, as a result, either revert to the stable status quo (which stunts growth) or ignore problematic aspects of the change to make the decision easier (but not necessarily wiser). Both coping mechanisms are counterproductive. To kick off a successful change effort, you must embrace its complex dynamics. Take careful inventory of all the factors at play by thinking about them on your own, talking to affected parties, and seeking third-party counsel.

Denise discussed the job opportunity with her boss and a professional coach and explored the family implications with Phil and her parents (who had moved from New York to Hong Kong when she was 10). They talked about how the move would affect not only him and the girls but also Denise's in-laws, who'd grown accustomed to seeing their grandchildren. Denise called her contacts in Singapore for advice about housing and schools. Taken together, colleagues, family, and friends all helped her grasp what the change might mean for her and those around her, personally and professionally.

Clarity

You have to fully understand, organize, and prioritize all the factors to reduce your anxiety about them. The clearer you are about what's most important to you, the less anxious you feel, and the easier it is to find even greater clarity. This task requires deep reflection along with conversations with the right external resources. You should rely on people in your network who will listen without judgment and will set aside their own preferences and biases to help you weigh the pros and cons of the change.

Through conversations with her coach and trusted friends and colleagues, Denise realized that this job was her chance to make a real difference in her career—something that she valued more than the ease of family life in London. The position sounded fabulous. She would need to learn more about it and certainly to negotiate with Phil to ensure that a move would work for the family, but she knew she wanted to take the plunge. Clarity about her own desire enabled her to shift her focus to them.

Idea in Brief

THE CHALLENGE

While researchers have provided plentiful guidance on how companies can best manage organizational change, there is no blueprint for success when it comes to navigating personal transitions.

PLATFORM FOR SUCCESS

How professionals think about career change helps determine how well they navigate through it. Think about the Seven C's when beginning a career or personal transition:

1. **Complexity**—consider all the factors and circumstances
2. **Clarity**—understand and prioritize those factors
3. **Confidence**—believe the change will be a success
4. **Creativity**—brainstorm innovative solutions to problems
5. **Commitment**—implement the change
6. **Consolidation**—leave the previous identity behind to adopt a new one
7. **Change**—live out the change

THE WAY FORWARD

The best way to move through the Seven C's? You'll want to move as quickly as possible while taking take as long as needed to make a successful transition. The bottom line: stick to the process. And be encouraged—professionals who master this method of moving through change find it becomes the foundation of their resilience and success.

An executive must feel capable of managing the change while realizing that many challenges can't be predicted or controlled.

Masters of Change

Change is threaded through the lives of people I refer to as global cosmopolitans—executives who are highly educated and multilingual and who have lived, worked, and studied for long periods in other cultures.

They tend to:

- → see change as normal
- → understand its subtle and emotional aspects
- → experiment with new identities
- → easily learn and employ new ways of thinking
- → use their outsider status to solve problems

The trick is to balance all this with some degree of stability in identity, relationships, and career.

Confidence

An executive must feel capable of managing the change while realizing that many challenges can't be predicted or controlled. You want just the right amount of confidence. Too much, and you risk missing key or newly emerging information. Too little, and you'll be paralyzed in the face of the difficulties inherent in any change process. Belief in oneself is mostly conditioned by life history, but it can be facilitated by small actions, such as connecting with someone who offers personal support, resolving even minor problems associated with the change, or envisioning a successful outcome. I've found that this positive outlook is critical to maintaining the energy required for the remaining C's in the cycle.

Denise bolstered her confidence by thinking about past conversations she'd had with her boss and her husband. Both thought she was ready for something bigger. She had strong Chinese-language skills and good relationships in Asia and in the home office. When she touched base with a few people in her network to ask if they thought she'd do well in Singapore after many years in Europe, and as a country head instead of a marketer, the feedback was positive. She felt qualified for the job. After the move to London, Phil had agreed that the next big work/life decision would be hers. And although he would need time to seek a transfer to his firm's Singapore office or to find a new job, and the girls would have to stay in London for the rest of the school year, she was sure everyone could handle a geographic separation for a short period. She and Phil already traveled for work, so their au pair was accustomed to managing in their absence.

Creativity

Innovation is key to any successful change effort. When confronted with problems—early or late, large or small, expected or unexpected—you must find creative but realistic solutions, adapting strategies used in the past and developing new ones. Again, look to trusted members of your network and seek out new contacts with relevant experience to test your ideas and help you generate solutions.

Denise put her hand up for the job and was given a warm reception; her company needed the new country manager to start right away. Still, her action prompted a host of concerns. Her boss was worried about who would replace her in the London office. But Denise remembered a colleague in her company's Brazilian office who might be a good fit and wanted to move back to London anyway, so she put the two in touch. Her husband couldn't imagine how he would do his current job, search for a new one, and handle more household and childcare responsibilities. Denise decided to turn to her mother for help—something she'd never done before. Her girls were unsure about moving to a new country, so she asked the company to send the whole family to Singapore with a relocation expert who could help them look at apartments and schools. She even organized a weekend trip to Bali, where everyone could relax and envision the possibilities together.

Commitment

Once you're ready to commit to a good, realistic course of action and implement it to the best of your ability, you need to close off other options—including escape—and move forward. This is often the hardest step, but there can be no change without it. Executives tell me it's helpful to think about their decision not as right or wrong but as a different path. You're no longer weighing the pros and cons of the decision or second-guessing it; you're working to make it successful.

Denise accepted the position and started work in Singapore. Phil began to talk to contacts about jobs there. Both tried to get the children excited about the apartment complex (with a swimming pool!) they would soon move to

and the international French-language school they would attend the following year. With her family now also committed to the change, Denise could focus on performing well in her new role. Since Phil and the girls were still in London, she arranged an intense, weeks-long tour of the region to introduce herself to key colleagues.

Consolidation

This phase involves letting go of the previous situation so that new possibilities can arise. Some aspects of your old identity must be set aside or abandoned as you adapt. People at a new company who use "we" to refer to their former employer have not yet consolidated the change; "we" should mean the current team.

Some individuals get through this stage by focusing not on what they've lost but on what they've gained. They regard change as developmental—something that brings them closer to a "true self" or to possibilities they might now achieve. Surprisingly, anchors in your past daily life—even as minor as familiar foods—may help provide a stable basis for safe experimentation with your new identity.

Denise was exhausted during her first few months on the new job. Flying around Asia and back and forth to London, she felt torn between two lives. The colleague she'd recommended for her old job hadn't worked out. Phil and the girls missed her, and she missed them. Her mother had been very helpful but was eager to get back to her own home. Denise countered these negative aspects by focusing on everything that was going right. She felt exhilarated by her leadership position. Her transition had gone smoothly, she was excited to be taking the team forward, and she was proud of herself. The rest of the family would move soon. She'd been looking into summer activities for the girls.

Change

The final step in the process is living into the change, savoring its positive outcomes while dealing with any unintended consequences or new challenges that arise. This isn't a static state, of course. You must also be on the lookout for new opportunities that may lead to your next change effort.

Denise was thrilled when Phil and the girls finally arrived in Singapore. But further adjustments were needed: She was working longer hours and traveling more than she had in London, which was difficult for everyone to get used to. Her solution was to book extended time off for family vacations during quiet periods at work. Those breaks, combined with the great work her team was doing, helped her feel both energized by and more comfortable in her new life.

CHANGE IS DIFFICULT, but for leaders who want to succeed in today's business environment, it's inevitable. The Seven C's are a way to think through potential transitions and effectively execute on new courses of action. They can be used to communicate your change story to others and to learn from the experience.

How much time it takes to navigate the process varies dramatically according to the individual and the circumstances. Some people linger in one stage, unable to complete the tasks required to move on. Some take extra time for personal reflection or to allow significant others to catch up with their thinking. Some move too quickly through a stage and must return to confront unresolved issues. For those wondering how to progress through the Seven C's, the best (if somewhat unsatisfying) advice is: Move as fast as you can. Take as long as you must. But stick to the process. Executives who have mastered it find that it becomes the cornerstone of their resilience and success.

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Emotional Agility

How effective leaders manage their negative thoughts and feelings

→ by SUSAN DAVID and CHRISTINA CONGLETON

SIXTEEN THOUSAND—that's how many words we speak, on average, each day. So imagine how many unspoken ones course through our minds. Most of them are not facts but evaluations and judgments entwined with emotions—some positive and helpful (*I've worked hard and I can ace this presentation; This issue is worth speaking up about; The new VP seems approachable*), others negative and less so (*He's purposely ignoring me; I'm going to make a fool of myself; I'm a fake*).

The prevailing wisdom says that difficult thoughts and feelings have no place at the office: Executives, and particularly leaders, should be either stoic or cheerful; they must project confidence and damp down any negativity bubbling up inside them. But that goes against basic biology. All healthy human beings have an inner stream of thoughts and feelings that include criticism, doubt, and fear. That's just our minds doing the job they were designed to do: trying to anticipate and solve problems and avoid potential pitfalls.

In our people-strategy consulting practice advising companies around the world, we see leaders stumble not because they *have* undesirable thoughts and feelings—that's inevitable—but because they get *hooked* by them, like fish caught on a line. This happens in one of two ways. They buy into the thoughts, treating them like facts (*It was the same in my last job…I've been a failure my whole career*), and avoid situations that evoke them (*I'm not going to take on that new challenge*). Or, usually at the behest of their supporters, they challenge the existence of the thoughts and try to rationalize them away (*I shouldn't have thoughts like this…I know I'm not a total failure*), and perhaps force themselves into similar situations, even when those go against their core values and goals (*Take on that new assignment—you've got to get over this*). In either case, they are paying too much attention to their internal chatter and allowing it to sap important cognitive resources that could be put to better use.

This is a common problem, often perpetuated by popular self-management strategies. We regularly see executives with recurring emotional challenges at work—anxiety about priorities, jealousy of others' success, fear of rejection, distress over perceived slights—who have devised techniques to "fix" them: positive affirmations, prioritized to-do lists, immersion in certain tasks. But when we ask how long the challenges have persisted, the answer might be 10 years, 20 years, or since childhood.

Clearly, those techniques don't work—in fact, ample research shows that attempting to minimize or ignore thoughts and emotions serves only to amplify them. In a famous study led by the late Daniel Wegner, a Harvard professor,

Illustration by VICTORIA SIECZKA

What Are Your Values?

This list is drawn from the Personal Values Card Sort (2001), developed by W.R. Miller, J. C'de Baca, D.B. Matthews, and P.L. Wilbourne, of the University of New Mexico. You can use it to quickly identify the values you hold that might inform a challenging situation at work. When you next make a decision, ask yourself whether it is consistent with these values.

Accuracy	Contribution	Genuineness	Mastery	Responsibility
Achievement	Cooperation	Growth	Moderation	Risk
Adventure	Courtesy	Health	Nonconformity	Safety
Authority	Creativity	Helpfulness	Openness	Self-knowledge
Autonomy	Dependability	Honesty	Order	Service
Caring	Duty	Humility	Passion	Simplicity
Challenge	Family	Humor	Popularity	Stability
Change	Forgiveness	Justice	Power	Tolerance
Comfort	Friendship	Knowledge	Purpose	Tradition
Compassion	Fun	Leisure	Rationality	Wealth
	Generosity		Realism	

participants who were told to avoid thinking about white bears had trouble doing so; later, when the ban was lifted, they thought about white bears much more than the control group did. Anyone who has dreamed of chocolate cake and french fries while following a strict diet understands this phenomenon.

Effective leaders don't buy into *or* try to suppress their inner experiences. Instead they approach them in a mindful, values-driven, and productive way—developing what we call *emotional agility*. In our complex, fast-changing knowledge economy, this ability to manage one's thoughts and feelings is essential to business success. Numerous studies, from the University of London professor Frank Bond and others, show that emotional agility can help people alleviate stress, reduce errors, become more innovative, and improve job performance.

We've worked with leaders in various industries to build this critical skill, and here we offer four practices—adapted from Acceptance and Commitment Therapy (ACT), originally developed by the University of Nevada psychologist Steven C. Hayes—that are designed to help you do the same: Recognize your patterns; label your thoughts and emotions; accept them; and act on your values.

Fish on a Line

Let's start with two case studies. Cynthia is a senior corporate lawyer with two young children. She used to feel intense guilt about missed opportunities—both at the office, where her peers worked 80 hours a week while she worked 50, and at home, where she was often too distracted or tired to fully engage with her husband and children. One nagging voice in her head told her she'd have to be a better employee or risk career failure; another told her to be a better mother or risk neglecting her family. Cynthia wished that at least one of the voices would shut up. But neither would, and in response she failed to put up her hand for exciting new prospects at the office and compulsively checked messages on her phone during family dinners.

Jeffrey, a rising-star executive at a leading consumer goods company, had a different problem. Intelligent, talented, and ambitious, he was often angry—at bosses who disregarded his views, subordinates who didn't follow orders, or colleagues who didn't pull their weight. He had lost his temper several times at work and been warned to get it under control. But when he tried, he felt that he was shutting off a core part of his personality, and he became even angrier and more upset.

These smart, successful leaders were hooked by their negative thoughts and emotions. Cynthia was absorbed by guilt; Jeffrey was exploding with anger. Cynthia told the voices to go away; Jeffrey bottled his frustration. Both were trying to avoid the discomfort they felt. They were being controlled by their inner experience, attempting to control it, or switching between the two.

Getting Unhooked

Fortunately, both Cynthia and Jeffrey realized that they couldn't go on—at least not successfully and happily—without more-effective inner strategies. We coached them to adopt the four practices:

Recognize your patterns. The first step in developing emotional agility is to

Leaders stumble when they are paying too much attention to their internal chatter and allowing it to sap important cognitive resources that could be put to better use.

notice when you've been hooked by your thoughts and feelings. That's hard to do, but there are certain telltale signs. One is that your thinking becomes rigid and repetitive. For example, Cynthia began to see that her self-recriminations played like a broken record, repeating the same messages over and over again. Another is that the story your mind is telling seems old, like a rerun of some past experience. Jeffrey noticed that his attitude toward certain colleagues (*He's incompetent; There's no way I'm letting anyone speak to me like that*) was quite familiar. In fact, he had experienced something similar in his previous job—and in the one before that. The source of trouble was not just Jeffrey's environment but his own patterns of thought and feeling. You have to realize that you're stuck before you can initiate change.

Label your thoughts and emotions. When you're hooked, the attention you give your thoughts and feelings crowds your mind; there's no room to examine them. One strategy that may help you consider your situation more objectively is the simple act of labeling. Just as you call a spade a spade, call a thought a thought and an emotion an emotion. *I'm not doing enough at work or at home* becomes *I'm having the thought that I'm not doing enough at work or at home*. Similarly, *My coworker is wrong—he makes me so angry* becomes *I'm having the thought that my coworker is wrong, and I'm feeling anger.* Labeling allows you to see your thoughts and feelings for what they are: transient sources of data that may or may not prove helpful. Humans are psychologically able to take this helicopter view of private experiences, and mounting scientific evidence shows that simple, straightforward mindfulness practice like this not only improves behavior and well-being but also promotes beneficial biological changes in the brain and at the cellular level. As Cynthia started to slow down and label her thoughts, the criticisms that had once pressed in on her like a dense fog became more like clouds passing through a blue sky.

Accept them. The opposite of control is acceptance—not acting on every thought or resigning yourself to negativity but responding to your ideas and emotions with an open attitude, paying attention to them and letting yourself experience them. Take 10 deep breaths and notice what's happening in the moment. This can bring relief, but it won't necessarily make you feel good. In fact, you may realize just how upset you really are. The important thing is to show yourself (and others) some compassion and examine the reality of the situation. What's going on—both internally and externally? When Jeffrey acknowledged and made room for his feelings of frustration and anger rather than rejecting them, quashing them, or taking them out on others, he began to notice their energetic quality. They were a signal that something important was at stake and that he needed to take productive action. Instead of yelling at people, he could make a clear request of a colleague or move swiftly on a pressing issue. The more Jeffrey accepted his anger and brought his curiosity to it, the more it seemed to support rather than undermine his leadership.

Act on your values. When you unhook yourself from your difficult

Idea in Brief

THE CHALLENGE
The idea that there is no room in the workplace for negative thoughts and feelings faces a fundamental problem: biology. We have interior lives that include difficult emotions. And research tells us that self-management strategies that attempt to "fix" recurring emotional challenges only amplify them.

DEALING WITH EMOTIONS
The authors suggest a different approach: face the discomfort in a mindful, values-driven, productive way—that is, develop emotional agility. The first step is to notice the patterns of thought and feeling that prevent you from being an effective leader. Then, to understand a situation more objectively, label these interior emotions: "I'm not doing enough at work" "I'm feeling anger." Accepting (though not necessarily acting on) your ideas is the next step—show compassion to yourself and others. Finally, identify and act on your values.

BREAKING THROUGH
Liberating (rather than suppressing) these internal cognitive resources makes them less likely to inhibit good performance or block opportunities at work and positions you better to act according to your values.

Evaluate Your Emotional Agility

EXERCISE

1. Choose a **challenging situation** in your work life—for example, "Receiving negative feedback from my boss" or "Asking my boss for a raise."

2. Identify a **thought** that "hooks" you in that situation, such as "My boss has no confidence in me" or "My contribution isn't as valuable as my teammates'."

3. Ask yourself: "To what extent do I avoid this thought, trying to make it go away?" A lot, somewhat, not at all?

4. "To what extent do I buy into it, letting it overwhelm me?"

5. Identify a **feeling** that this situation evokes. Is it anger, sadness, fear, shame, disgust, or something else?

6. Ask yourself: "To what extent do I avoid or try to ignore this feeling?"

7. "To what extent do I buy into it?"

ADVICE

If you primarily **avoid** your thoughts and feelings, try to acknowledge them instead. Notice thoughts as they arise and check your emotional state several times a day so that you can identify the useful information your mind is sending you.

If you primarily **buy into** your thoughts and feelings, find your ground. Take 10 deep breaths, notice your environment, and label—rather than being swept up in—them.

If you **alternate,** learn your patterns. Pay attention to which thoughts and feelings you avoid and which you buy into so that you can respond with one of the strategies we describe.

The next step is to take action that aligns with your **values.** (For examples, see the sidebar "What Are Your Values?") Identify which ones you want to apply in the context of the challenging situation you've described.

thoughts and emotions, you expand your choices. You can decide to act in a way that aligns with your values. We encourage leaders to focus on the concept of *workability*: Is your response going to serve you and your organization in the long term as well as the short term? Will it help you steer others in a direction that furthers your collective purpose? Are you taking a step toward being the leader you most want to be and living the life you most want to live? The mind's thought stream flows endlessly, and emotions change like the weather, but values can be called on at any time, in any situation.

When Cynthia considered her values, she recognized how deeply committed she was to both her family and her work; she loved being with her children, but she also cared passionately about the pursuit of justice. Unhooked from her distracting and discouraging feelings of guilt, she resolved to be guided by her principles. She recognized how important it was to get home for dinner with her family every evening and to resist work interruptions during that time. But she also undertook to make a number of important business trips, some of which coincided with school events that she would have preferred to attend. Confident that her values, not solely her emotions, were guiding her, Cynthia finally found peace and fulfillment.

IT'S IMPOSSIBLE TO block out difficult thoughts and emotions. Effective leaders are mindful of their inner experiences but not caught in them. They know how to free up their internal resources and commit to actions that align with their values. Developing emotional agility is no quick fix—even those who, like Cynthia and Jeffrey, regularly practice the steps we've outlined here will often find themselves hooked. But over time, leaders who become increasingly adept at it are the ones most likely to thrive.

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Quick Takes

1. Improve Your Ability to Learn

→ by J.P. FLAUM and BECKY WINKLER

On the surface, John looked like the perfect up-and-coming executive to lead BFC's Asia expansion plans. He went to an Ivy League B-school. His track record was flawless. Every goal or objective the organization had ever put in front of him, he'd crushed without breaking a sweat.

But something broke when John went to Asia. John struggled with the ambiguity, and he didn't take prudent risks. He quickly dismissed several key opportunities to reach out for feedback and guidance from leadership. It became clear that John had succeeded in the past by doing what he knew and operating rather conservatively within his domain. And if John remained in the role, the company was going to massively miss the promises it had made to the board and the street.

With a heavy heart, BFC's CEO removed his promising protégé from the role and re-deployed him back in the U.S. He decided he had no choice but to put a different kind of leader in the role: Alex.

While talented, Alex had come to be known behind closed doors by the moniker DTM ("difficult to manage"). He marched to the beat of his own drummer and wasn't afraid to question the status quo. He loved a challenge, and he was comfortable taking risks. It turned out to be the best move the CEO had ever made.

No stranger to ambiguity, Alex was flexible in formulating his strategy and sought feedback from the people around him. He made a risky move at the beginning that backfired on him. But as a result, he learned what not to do and re-calibrated his approach. That was the key to success. His tendency to buck the established BFC way of doing things was exactly what was required for the company to successfully flex its approach and win in the new territory.

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Learning-agile people are pioneers: They put themselves out there to try new things.

ALEX'S SUCCESS exemplifies the importance of "learning agility": a set of qualities and attributes that allow an individual to stay flexible, grow from mistakes, and rise to a diverse array of challenges. It's easy to assume that any business environment would highly prize those characteristics. Flexibility, adaptability, and resilience are leadership qualities any organization should value.

But in practice, this is not the case. As a rule, organizations have favored other qualities and attributes—in particular, those that are easy to measure and allow an employee's development to be tracked in a steady, linear progress through a set of well-defined roles and business structures.

The Link Between Emotional Intelligence and Learning Agility

How does emotional intelligence connect to learning agility? In their groundbreaking 1990 article, researchers Peter Salovey and John D. Mayer defined it as "the subset of social intelligence that involves the ability to monitor one's own and others' feelings and emotions, to discriminate among them and to use this information to guide one's thinking and actions."

Learning agility is central to the first part of the task—the ability to monitor and manage one's own emotions. And because that leads naturally to an increased ability to listen, it is reasonable to suggest that learning-agile people might be more skillful at monitoring and responding to others' emotions as well. The link between learning agility and sensitivity to others' emotions has not yet been fully documented, but making the connection might prove to be a fruitful area for further research.

Learning agility, by contrast, has until recently been hard to measure and hard to define. It depends on related qualities such as emotional intelligence that are only just beginning to really be valued. It also relates to behaviors—such as the ability to recover from and capitalize on failure—that some managers would prefer not to think about.

The Pillars of Learning Agility

According to the researchers at Teachers College, Columbia University, and the Center for Creative Leadership, learning agility is defined as a mindset and corresponding collection of practices that allow leaders to continually develop, grow, and use new strategies that will equip them for the increasingly complex problems they face in their organizations.

Learning-agile individuals are "continually able to jettison skills, perspectives, and ideas that are no longer relevant, and learn new ones that are," the researchers say.

The research identified four behaviors that enable learning agility and one that derails it.

The learning-agility "enablers" are:

Innovating. This involves questioning the status quo and challenging long-held assumptions with the goal of discovering fresh and unique ways of doing things. Innovating requires new experiences, which provide perspective and a bigger knowledge base. Learning-agile individuals generate new ideas by viewing issues from multiple angles.

Performing. Learning from experience occurs most often when overcoming an unfamiliar challenge. But to learn from such challenges, a person must remain present and engaged, handle the stress brought on by ambiguity, and adapt quickly in order to perform. This requires observation and listening skills, and the ability to rapidly process data. Learning-agile people pick up new skills quickly and perform them better than less agile colleagues.

Reflecting. Having new experiences does not guarantee that you will learn from them. Learning-agile people look for feedback and eagerly process information to better understand their own assumptions and behavior. As a result they are insightful about themselves, others, and problems. In fact, in prior studies, Green Peak Partners discovered that strong self-awareness was the single highest predictor of success across C-suite roles.

Risking. Learning-agile people are pioneers. They venture into unknown territory and put themselves out there to try new things. They take progressive risk—not thrill-seeking but risk that leads to opportunity. They volunteer for jobs and roles where success is not guaranteed and failure is a possibility. They stretch themselves outside their comfort zones in a continuous cycle of learning and confidence building that ultimately leads to success.

The learning-agility "derailer" is:

Defending. Being open to experience is fundamental to learning. Individuals who

remain closed or defensive when challenged or given critical feedback tend to be low in learning agility. By contrast, high learning-agile individuals seek feedback, process it, and adapt on the basis of their newfound understanding of themselves, situations, and problems.

How do these five facets translate into behavior, performance, and results at work? The researchers found that learning-agile individuals are notably:

More extroverted. They are more sociable, active, and likely to take charge.

More focused. They continually refine and polish their thinking and their work. They are more organized, driven, and methodical.

More original. They are more likely to create new plans and ideas, seek complexity, and readily accept change and innovation.

More resilient. They are more at ease, calm, and optimistic. They rebound more quickly from stressful events.

Less accommodating. They are more likely to challenge others, welcome engagement, and express their opinions.

The research also shows that while many individuals can model some aspects of these behaviors, learning-agile individuals stand out in particular for their resilience, calm, and ability to remain at ease. It's not just that they are willing to put themselves into challenging situations; it's that they're able to cope with the stress of those challenges and thus manage them more effectively.

The "derailer" defensiveness also has an impact on performance—of leaders in particular. When the researchers reviewed 360-degree evaluations, they found that leaders who ranked high on the "defending" scale were considered less effective. By contrast, peers and direct reports rated more highly the leaders who ranked high on the "reflecting" scale.

Researchers at Columbia University and the Center for Creative Leadership collaborated to develop an objective test for learning agility, called the Learning Agility Assessment Inventory (LAAI). This 42-item survey measures learning-agile behavior by asking individuals how they respond to challenging situations, and then scoring the answers against the four enablers—innovating, performing, reflecting, and risking—and reverse-scoring the derailer—defending. In developing the test, researchers compared the scores with a 360-degree assessment and with another established personality test, the Workplace Big Five Profile.

We then administered this test to over 100 executives—mostly private-equity-backed C-suite leaders—whom we had previously assessed in a rigorous half-day structured interview. In a 2010 study with Cornell University, we showed that our assessment grades predict performance, as measured not only by revenue and EBITDA but also by boss ratings (often issued by the board). The more recent study extended that research by showing that those who outperformed in our assessments also scored higher on the LAAI.

Taken together, the two studies demonstrate that high learning-agile individuals are also high performers.

Cultivating Your Own Learning Agility—and Coaching It in Others

One of the best ways to coach for learning agility—or for that matter, any desirable set of behaviors—is to recognize and develop it in yourself. Becoming more learning agile will help you cope with the turbulence of the workplace and make you more aware of how to bring out the potential in your learning-agile people.

Among the ways to cultivate learning agility in yourself are:

Innovating. Seek out new solutions. Repeatedly ask yourself, "What else?" "What are 10 more ways I could approach this?" "What are several radical things I could try here?" It doesn't mean you do all these things, but you explore them before proceeding.

Performing. Seek to identify patterns in complex situations. Find the similarities between current and past projects. Cultivate calm through meditation and other techniques. Enhance your listening skills—listen instead of simply (and immediately) reacting.

Reflecting. Engage in "counterfactual thinking"—explore what-ifs and alternative histories for projects you've been involved in. Regularly seek out real input. Ask, "What are three or four things I or we could have done better here?" Frame the question in specific terms instead of simply asking, "Do you think I should have done anything differently?" But make sure the questions are still open-ended—that will encourage colleagues to speak up.

Risking. Look for stretch assignments, where the probability of success isn't a given.

Avoid defending. Acknowledge your failures (perhaps

from those stretch assignments) and capture the lessons you've learned from them.

Reaping the benefits of learning agility takes effort and commitment. That said, the first step is simple: Recognize its attributes and that it is an asset you need to cultivate. After that comes the hard work—creating accurate screening methods, putting the systems in place to identify learning-agile individuals, and creating career paths and management techniques to get the most out of them.

Once you have started that process, you will begin to realize the benefit—an organization that is more flexible, more adaptable, better able to respond to business volatility, and therefore more competitive in the face of unprecedented challenges. The results might even be revolutionary.

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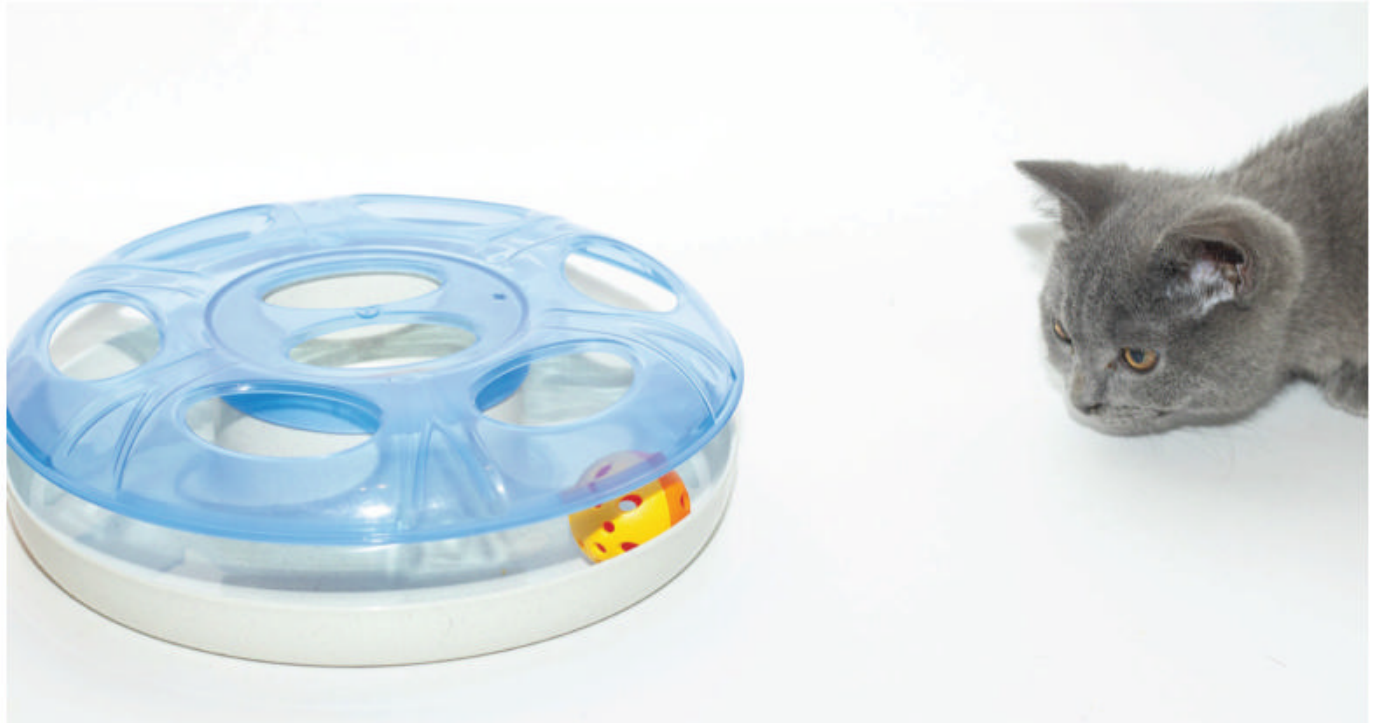

ALENA SHAPRAN/GETTY IMAGES

2. How to Act Quickly Without Sacrificing Critical Thinking

→ by JESSE SOSTRIN

AN UNBRIDLED URGENCY can be counterproductive and costly. If you're too quick to react, you can end up with shortsighted decisions or superficial solutions, neglecting underlying causes and creating collateral damage in the process.

But if you're too deliberative and slow to respond, you can get caught flat-footed, potentially missing an opportunity or allowing an emergent challenge to consume you.

To balance these two extremes, you need *reflective urgency*—the ability to bring conscious, rapid reflection to the priorities of the moment—to align your best thinking with the swiftest course of action. In my work of coaching leaders at every level through a variety of management dilemmas, I've developed three strategies to practice reflective urgency:

Diagnose your urgency trap. To get started, you need to identify what's limiting your quality thinking time—the habitual, unconscious, and often counterproductive ways that you push harder to get ahead when you feel the pressure of too many demands.

Common urgency traps include:

- Ending one meeting prematurely only to rush to the next one with more unfinished business
- Multitasking during work that requires your complete presence and full attention, which only diminishes the quality and accuracy of your output
- Saying yes to projects that dilute your contribution and burn your energy, when selectively saying no is the wiser choice

Traps like these keep you stuck in triage mode. In this mindset, taking time out to reflect on your intentions and actions feels like a luxury you can't afford. But if you can spot your trap, you can stop the self-defeating habits that keep you in a constant state of elevated urgency.

For example, Jenna was a new manager struggling to adjust to the dueling pressures of delivering her own work while keeping the team accountable for theirs. As she tried to get it all done with-

If you can spot your trap, you can stop the self-defeating habits that keep you in a constant state of elevated urgency.

out any drop in performance, her urgency trap was an involuntary shift to extreme command-and-control. In her words, "Everything felt like an urgent crisis, so I acted like it was."

This mindset triggered knee-jerk reactions to over-involve herself in delegated work and to communicate harshly by bottom-lining every email, one-on-one conversation, and team discussion. The result was that her team felt increasingly micromanaged and less engaged in their contributions. And because Jenna's conversations were all rushed and impersonal, she failed to deepen relationships and establish trust within the team.

To stop leading with such an acute sense of urgency, Jenna made two changes. First, she got better at learning from her own experience. When demand spiked and she felt the instinct to control things as a means of staying ahead of the curve, she got out of her own way and followed through on previous delegation. Before sending an email to demand a progress update, she paused to review the timeline and task completion agreement already in place. This helped her avoid micromanaging the team and freed up time for her to focus on the big picture.

Second, Jenna implemented a new communication habit to shift her leadership presence from cold and excessively direct to engaging and supportive. Before each conversation or meeting, she quietly considered two questions: *What impact do I want to have on my team right now? When I walk out of the room, what words do I want them to use to describe my influence?* For Jenna, these two questions were straightforward enough to start applying immediately. The reflective act of pausing to review delegation agreements and to consider her communication impact was enough to jolt her out of the autopilot mode fueled by her urgency trap.

Once you diagnose your own urgency trap, you can bring the same thoughtful reflection to your critical moments to disrupt the pattern.

If you're unaware of what your trap is, answer the following prompt to explore it: "When the demands I face increase and my capacity is stretched thin, a counterproductive habit I have is..." Once you pinpoint the initial behavior, the unproductive thinking that holds it in place will be evident.

Focus on the right priorities. Another problem is the unconscious tendency to focus on less important work—because we enjoy it or we're good at it—at the expense of our highest priorities. Chris Argyris, the influential MIT professor and organizational thinker, showed how routine behaviors like this can become accepted norms when we fail to recognize and challenge ourselves to address them.

This was true for Marcus, a senior leader who obsessed over administrative tasks. The busier he got, the more he slipped into tactical mode to get things checked off his to-do list as quickly as possible. It helped him feel productive, but failing to delegate these tasks meant he never had time to focus on longer-term strategic issues.

To shift this pattern, Marcus applied a quick reality test during pivotal moments of transition throughout his day. The task was to fill in the blanks to complete this sentence: "I'm tempted to work on..., but I know I should focus on..."

On the surface, this question seems obvious. But for Marcus, the simplicity and ease of application helped him combine reflection with quick action. The thoughtfulness embedded in the statement triggered a deliberative choice, one dictated not by the urgencies of the moment or easy tasks that felt gratifying to accomplish but by his honest assessment of his highest priorities.

Avoid extreme tilts. In a perfect world, you would fluidly pivot from reflection to action, but that's not the world you inhabit. You cannot reduce the demands you face, nor can you afford to attack them with the reckless abandon of unchecked urgency. But you can recognize that not every issue requires the same approach. Depending on the situation, you can consciously, and subtly, turn down or dial up the required elements of reflection and urgency.

Haruto was the VP of sales for a technology company. In the midst of a major new product launch, he knew that he had to think very carefully about his team's strategy, but the pressure of impossible deadlines was constant. As a result, Haruto vacillated between the extremes of thoughtful reflection and urgent action. On some issues he flexed toward too much deliberation, got lost in the details, and became bogged down with analysis paralysis. As a result, he appeared aloof and indifferent to others, and his response to emerging issues was slow and ineffective. But with other issues, he swung toward urgency. With a mindset of "react first, think later," Haruto spent more time cleaning up his hasty decisions than he did making them.

Haruto recognized that he needed to stop the pendulum

swing and focus more on the subtle tilts toward greater urgency in some cases and a reflective stance in others. To do this, he used a 60/40 breakdown as a logic model to increase his situational agility. For each initiative, he assessed whether success relied more on urgent action or thoughtful reflection. If he determined that a 60% focus on action was required (for example, for tactical routine work), Haruto would shrink the time and attention devoted to the work in order to favor efficiency. But if deliberation mattered more and action was only valued at 40% (for example, for relationship-defining moments, innovation-specific work, and so forth), he expanded the time and deepened his focus to allow for dynamic thinking.

In some cases this was as simple as adding 20 minutes to an agenda to avoid the temptation to rush and leave half-considered issues on the table. In other instances it was a matter of scheduling shorter meetings or setting self-imposed timelines to not get lost in the weeds.

As you evaluate your daily responsibilities, avoid the temptation to treat every initiative the same. Knowing that you need the best of both—and that a perfect 50/50 split is unrealistic—make the subtle tilts toward reflection and action as needed to get the balance right.

Like Jenna, Marcus, and Haruto, you can take these steps, at any time and in any sequence, to increase your capacity for reflective urgency. When you combine these microreflections with a heightened sense of urgency, your decisiveness and speed to impact will not be at the mercy of the counterproductive habits and unconscious oversights that occur when you act without your best thinking.

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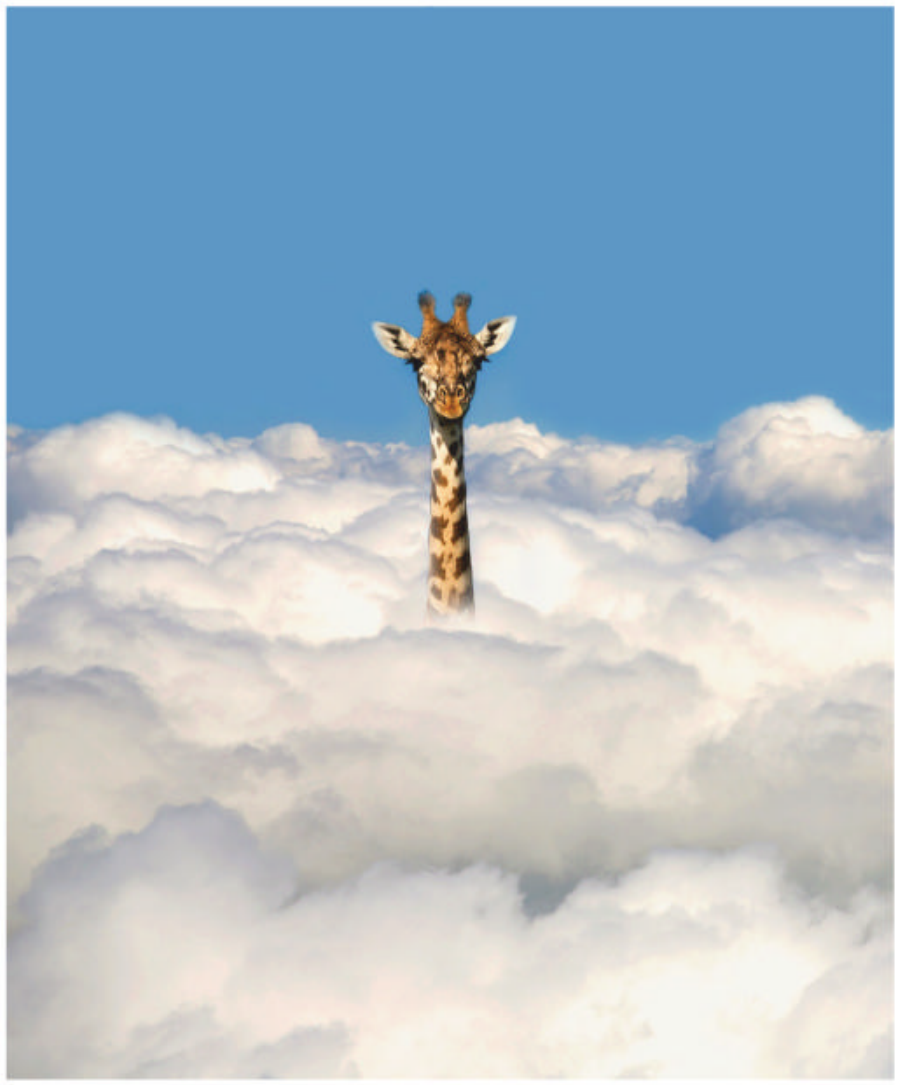

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3. To Change the Way You Think, Change the Way You See

→ by ADAM BRANDENBURGER

"THINK DIFFERENT," SAID the famous 1997 Apple advertisement. Excellent advice, obviously, to all creators, innovators, and entrepreneurs.

But, along with thinking differently to come up with revolutionary new ideas or products, there is also *seeing* differently. Great creators, innovators, and entrepreneurs look at the world in ways that are different from how many of us look at things. This is why they see opportunities that other people miss.

The story of Velcro is well known. A Swiss engineer, George de Mestral, decided to look more closely at the burrs (seeds from plants) he found clinging to his clothing after a walk in the woods. He took out his microscope and saw that nature had designed hooks on the burrs, which had then attached themselves to looped fibers in his clothing. The famous hook-and-loop alternative to the zipper, under the name Velcro, was born. (Today, there is a whole field, called biomimetics, devoted to imitating nature to solve human problems.)

Less well known but equally deserving of fame is the story of Softsoap. An American entrepreneur, Robert Taylor, decided to look more closely at how bars of soap actually appeared once unwrapped and used in bathrooms. Zooming in on the soap dish in an otherwise spotless setting, he saw an unpleasant puddle of ooze. He decided that the answer was liquid soap dispensed in a beautiful pump dispenser, and this is how Softsoap, which changed the entire soap industry, was born.

These two brilliant entrepreneurs looked at things differently. Whether through a microscope or a zoom lens, and whether literally or metaphorically, they took the key step of looking at the familiar in an unfamiliar way. The great French mathematician Blaise Pascal said: "Small minds are concerned with the extraordinary, great minds with the ordinary." It seems he had in mind something similar: Look at what is right in front of us, but in a way that escapes most people.

There is a word for this activity: *defamiliarization*. In the early 20th century, a Russian literary theorist called Viktor Shklovsky pointed out how Tolstoy achieved heightened effect in his writing via techniques such as describing objects from a distorted perspective and refusing to use the customary names for objects, and by generally "making strange'" (defamiliarizing) the otherwise familiar. Later, the great French director Jean-Luc Godard revolutionized cinema with his use of jump cuts in *Breathless*. Taken for granted today, this innovation must have seemed baffling to many people at the time. Up until then, great efforts had gone into creating a smooth continuous flow ("continuity") on the screen. After all, a continuous flow is how we experience vision, thanks to the workings of our brains. This is the familiar. But Godard decided to break up this flow to force us to step away from our usual assumptions and see his characters as, literally, jumpy and disconnected. Now, we sense the feelings of isolation experienced by his characters and also their efforts—unsuccessful and tragic, in the end—to connect with one another. Godard lifted the technique of defamiliarization from the page to the screen.

The examples of these great artists give everyone—entrepreneurs included—some tips on how to stop seeing the world in the familiar way and start seeing it in unfamiliar and generative ways. When we look at the world, we should not just *examine,* but examine with a deliberately different perspective. Not just name what is around us, but come up with new names. Not just consider the whole, but break things up (or down) into pieces. These techniques can help us see our way to the new and the revolutionary, whether in the arts or in business.

Sherlock Holmes famously said once to Watson: "You see, but you do not observe. The distinction is clear." More advice on how to break through the familiar and instead observe, truly observe, comes from psychologist and writer Maria Konnikova in her book *Mastermind: How to Think Like Sherlock Holmes* (Viking, 2013). She writes: "To observe, you must learn to separate situation from interpretation, yourself from what you are seeing." To improve our ability to operate this way, Konnikova suggests describing a situation of interest out loud or in writing to a companion. As she notes, Holmes used Watson in this way to talk through his observations when investigating a case, and often it was through this exercise that key points in the case would become evident. This is another technique for aspiring artists and entrepreneurs—and consulting detectives—to try.

Our brains are designed to stop us from paying too much attention. This is well demonstrated by the optical illusion called Troxler's fading (named after the 19-century Swiss physician who discovered the effect). If presented with a steady image in the area of our peripheral vision, we actually stop seeing it after a while. This phenomenon—the general neuroscientific term is *habituation*—probably points to an efficient way in which the brain operates. Neurons stop firing once they have sufficient informa-

tion about an unchanging stimulus. But this does not mean that habituating is always our friend.

We can think of the effort not just to think differently but also to see differently as a way of countering our built-in tendency to habituate, to sink into the familiar way of seeing and experiencing. One way in which great artists, entrepreneurs, and creators of all kinds come up with the insights that enable them to change the world is that, very literally, they do not see the way most of us do. Their methods teach us that by seeing differently, we can end up seeing what no one else has yet seen. This is how the future is built.

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CASPAR BENSON/GETTY IMAGES

4. How to Get Better at Dealing with Change

→ by NICK TASLER

CHANGE IS an unavoidable constant in our work lives. Sometimes it's within our control, but most often it's not. Our jobs or roles change—and not always for the better. Our organizations undergo reorgs and revamp their strategies, and we need to adjust.

Fortunately, there are ways to adapt to change, and even to take advantage of it.

Find the humor in the situation. Trying to find a funny moment during an otherwise unfunny situation can be a fantastic way to create the levity needed to see a vexing problem from a new perspective. It can help others feel better as well.

Pioneering humor researcher Rod A. Martin, who has studied the effects of different styles of humor, has found that witty banter, or "affiliative humor," can lighten the mood and improve social interaction. Just make sure it's inclusive and respectful. A good rule of thumb is that other people's strife is no laughing matter, but your own struggles can be a source of comedic gold.

Talk about problems more than feelings. One of the most common myths of coping with unwanted changes is the idea that we can "work through" our anger, fears, and frustrations by talking about them a lot. This isn't always the case. In fact, research shows that actively and repeatedly broadcasting negative emotions hinders our natural adaptation processes.

That's not to say you should just "suck it up" or ignore your troubles. Instead, call out your anxiety or your anger at the outset of a disorienting change so that you are aware of how it might distort your thinking or disrupt your relationships. Then look for practical advice about what to do next. By doing so, you'll

zero in on the problems you can solve instead of lamenting the ones you can't.

Don't stress out about stressing out. Our beliefs about stress matter. As Stanford psychologist Kelly McGonigal argues in *The Upside of Stress,* your reaction to stress has a greater impact on your health and success than the stress itself. If you believe stress kills you, it will. If you believe stress is trying to carry you over a big obstacle or through a challenging situation, you'll become more resilient and may even live longer.

When you start to feel stressed, ask yourself what your stress is trying to help you accomplish. Is stress trying to help you *excel* at an important task, like a sales presentation or a big interview? Is it trying to help you *endure* a period of tough market conditions or a temporary shift in your organizational structure? Is it trying to help you *empathize* with a colleague or a customer? Or is stress trying to help you successfully *exit* a toxic situation?

Stress can be a good thing—if you choose to see it that way.

Focus on your values instead of your fears. Reminding ourselves of what's important to us—family, friends, religious convictions, scientific achievement, great music, creative expression, and so on—can create a surprisingly powerful buffer against whatever troubles may be ailing us.

In a series of studies spanning more than a decade, research led by Geoffrey Cohen and David Sherman has shown how people of all ages in a range of circumstances, from new schools to new relationships to new jobs, can strengthen their minds with a simple exercise: spending 10 minutes writing about a time when a particular value you hold has positively affected you.

The technique works because reflecting on a personal value helps us rise above the immediate threat and makes us realize that our personal identity can't be compromised by one challenging situation.

Accept the past, but fight for the future. Even though we are never free from change, we are always free to decide how we respond to it.

Viktor Frankl championed this idea after returning home from three horrific years in Nazi death camps. He discovered that his mother, brother, wife, and unborn child were all dead. Everything in his life had changed. All that he loved was lost. But as fall became winter and winter gave way to spring, Frankl began to discover that even though he could never go back to the life he once had, he was still free to meet new friends, find new love, become a father again, work with new patients, enjoy music, and read books. Frankl called his hope in the face of despair "tragic optimism."

Frankl's story is an extreme example, of course, but that's all the more reason we should find inspiration from it. If we fixate on the limitations of a specific change, we inevitably succumb to worry, bitterness, and despair.

Instead, we should choose to accept the fact that change happens and employ our freedom to decide what to do next.

Don't expect stability. In the late 1970s a researcher at the University of Chicago named Salvatore Maddi began studying employees at Illinois Bell. Soon after, the phone industry was deregulated, and the company had to undergo a lot of changes. Some managers had trouble coping. Others thrived. What separated the two groups?

The adaptive leaders chose to view all changes, whether wanted or unwanted, as an expected part of the human experience rather than as a tragic anomaly that victimizes unlucky people. Instead of feeling personally attacked by ignorant leaders, evil lawmakers, or an unfair universe, they remained engaged in their work and spotted opportunities to fix long-standing problems with customer service and tweak antiquated pricing structures.

In contrast, Maddi found that the struggling leaders were consumed by thoughts of "the good old days." They spent their energy trying to figure out why their luck had suddenly turned sour. They tried to bounce back to a time and a place that no longer existed.

Although each of these six techniques requires different skills to pull off—and you'll probably gravitate toward some more than others—you must do one thing if you want to be more successful at dealing with change: accept it.

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DANIEL CREEL

5. Our Brains Were Not Built for This Much Uncertainty

→ by HEIDI GRANT and TAL GOLDHAMER

BEFORE THE PANDEMIC, the working world already felt to most of us like it was undergoing rapid, unrelenting change—changes in customer preferences, client and employee expectations, and competitive advantages. Covid-19 managed to upend the few things that felt relatively predictable, like where we spent our working hours, how we collaborated with colleagues, and whether we bothered to put on real pants every day. Today, leaders across industries are feverishly trying to figure out what the "new normal" needs to look like, which seems to be constantly shifting under their feet.

To stay motivated as we encounter unprecedented levels of uncertainty in every aspect of our lives, we should understand that the human brain simply was not built for this. Knowing what your brain does well—and what it does surprisingly poorly—can give you a much clearer sense of the strategies you need to not just endure but thrive.

For most of human history, we have been hunter-gatherers, living in groups where individuals had established roles and lives. While sometimes dangerous, life was largely predictable. The brain evolved to be remarkably good at recognizing patterns and building habits, turning complex sets of behaviors into something we can do on autopilot. (Ever drive home from work and end up in your driveway, with no memory of actually driving home? That's the kind of thing we're talking about.)

Given that habits and recognizable patterns are kind of its "thing," the brain evolved to be uncertainty-averse. When things become less predictable—and therefore less controllable—we experience a strong state of threat. You may already know that threat causes fight, freeze, or flight responses in the brain. You may not know that it also leads to decreases in motivation, focus, agility, cooperative behavior, self-control, sense of purpose and meaning, and overall well-being. In addition, threat creates significant impairments in your working memory: You can't hold as many ideas in your mind to solve problems, nor can you pull as much information from your long-term memory when you need it. Threats of uncertainty *literally* make us less capable, because dealing with them is just not something our brains evolved to do.

The good news is that, from decades of studying human brains and human behavior, we know quite a bit about how to take the experience of threat from something overwhelming to something manageable. Whether you're attempting to keep yourself motivated and engaged, or you're

Having positive expectations is essential for staying motivated in the face of obstacles and setbacks.

a leader trying to help those in your care, here are three strategies based in science that can keep the brain in a good place.

Set expectations with realistic optimism. The concept of realistic optimism is a simple but powerful one: Believe that everything is going to work out just fine, while accepting that getting there might not be easy. Research consistently shows that having positive expectations—or as pioneering social psychologist Albert Bandura called it, a strong sense of self-efficacy—is essential for staying motivated in the face of obstacles and setbacks. People sometimes mistakenly believe that being positive means believing that you'll succeed easily, or that success will happen to you. Work by NYU professor Gabriele Oettingen has shown that this unrealistic optimism consistently predicts failure—when you assume things will come easily, you're rarely prepared for when they don't.

So, when thinking about the changes and uncertainty that the pandemic (and working life in general) will surely bring, set realistically optimistic expectations for yourself and for others. Believe you will get there, and acknowledge to yourself and everyone else that uncertainty involves having to experiment to get things right. It means not everything works right away, but if we hang in there, eventually it can be better than it is now.

Lift to bigger-picture thinking. You can think about pretty much anything at different levels of abstraction or concreteness. Psychologists call this *level of construal*. For example, the act of voting can be described as "participating in democracy" (high-level construal) or "checking a box on a form" (low-level construal).

The level of construal we use to think about our actions turns out to have a significant impact on our behavior. When we think about the larger meaning or purpose that our actions serve (high-level construal), we're more inspired and motivated and feel greater boosts to self-esteem and well-being. When we drop down to the nitty-gritty details of what we're doing or need to do, we're better at solving concrete problems and anticipating obstacles. Each level of construal has benefits, which is why it's best to shift our thinking and lift up and drill down as needed.

Unfortunately, it can be all too easy to end up "in the weeds" and stay there—our brains naturally shift our thinking down to a lower level of construal when we encounter difficulty or uncertainty. Motivationally, however, these are precisely the moments we need to remember why we're doing what we're doing in the first place. At EY, we developed a unique program for our people to help them do exactly that, where EY professionals discover and clearly articulate the words of their personal purpose and vision through storytelling. This enables them to connect their personal purpose and vision to the work they do every day, lifting up to the bigger picture when they need it most. Not surprisingly, people who completed the program report that they're significantly better able to stay focused on what matters most and remain more resilient in the face of challenges.

Embrace candor. Working through so much change and dealing with unexpected setbacks means we need to be constantly and honestly communicating with one another to cocreate the right new norms and habits. We aren't just talking about giving useful performance feedback—we're talking about the necessary everyday conversations about what's working and what isn't as we figure out what a new normal needs to be.

Of course, this sort of everyday candor is hard. People worry about how they come across to others as they share truthful perspectives. They worry that their opinions might not be welcome or valued. They worry about bruising feelings and damaging relationships. And while these concerns are valid, in practice, the far greater damage is done when people operate in an environment that lacks transparency and empathy. People know when you aren't telling them everything, and the uncertainty threats that can create are off the charts.

We created a program at EY called Everyday Candor to enable open and honest communication about uncomfortable topics. Instead of a typical workshop-style experience, Everyday Candor is a team-based tool kit, helping teams surface specific obstacles to candor and decide on a small set of new habits to adopt together. It is, in fact, essential that this work be done at the level of teams because only there can you create new norms and provide the necessary support to reinforce one another when discomfort

arises. Participants in this program now ask one another daily, "Could I be candid with you?" and "May I have your candid perspective?," creating a new common language that better enables us to solve for the new normal together.

THRIVING THROUGH change and uncertainty is not easy. However, armed with the right strategies to help yourself and others, we're confident that (realistic) optimism is indeed warranted. Remember what matters most, keep honest communication flowing, and know that in the end, it will be better.

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JERMZLEE/GETTY IMAGES

6. Don't Let Uncertainty Paralyze You

→ by NATHAN FURR

WHEN CONFRONTING A situation freighted with anxiety and ambiguity—a pandemic, a recession, a job loss, an unwanted family change—most of us can imagine no upside. We become paralyzed, caught in a state I call *unproductive uncertainty*. But some can see their way through such moments and find a positive path forward. How?

For the past five years I have studied people who excel in the face of uncertainty. My subjects have included innovators, entrepreneurs, CEOs, and Nobel Prize winners—along with gamblers, paramedics, and surfers. I've identified the approaches they use to navigate turbulent times and discover the potential hidden within them. In this article I share three habits that can help you develop your own "uncertainty capability."

Open Your Eyes to All Options, Present and Future

When threatened with unproductive uncertainty, we may become so focused on the immediate situation that we overlook the broader possibilities. This not only creates disquiet but can also lead us to make rash decisions or forgo opportunities because we don't even recognize them. Psychologists call this tendency to miss the bigger picture "status quo bias," "big-fish-small-pond effect," and "relative deprivation."

One of my favorite illustrations of how narrow thinking leads to poor decisions comes from Malcolm Gladwell. Examining why university students choose to pursue STEM degrees (science, technology, engineering, and math), he found that at a typical U.S. university, students whose SAT scores put them among their school's top third had

Innovators who are adept at managing uncertainty think in terms of probabilities, not extreme either/or outcomes.

a 50% chance of pursuing a STEM degree, whereas those in the bottom third had only a 15% chance of doing so. He argued that the bottom third looked around, realized they weren't as smart as their peers, and so chose easier majors. But when he analyzed SAT scores and STEM degrees among Harvard students, he found the same distribution. Why? Because human nature leads us to make decisions on the basis of our lived experience rather than with an eye on the bigger picture. The lowest-scoring Harvard students are certainly smart enough to succeed in STEM disciplines, but they can't see that bigger picture and thus don't give themselves the chance. By contrast, the innovators I studied have learned to look for possibilities where others can't imagine them.

If we can remember there is a context vaster than we might initially have thought, filled with more possibilities than we might have envisioned, we are much more likely to find an optimal outcome. Most important, with that broader mindset we can weather the discomfort of unproductive uncertainty with greater optimism and calm. That's true whether the uncertainty relates to relatively small issues, such as missing a flight and wondering what to do with the unanticipated extra time, or to larger ones, such as losing a job and having to rethink our direction and priorities. We're able to recognize that even in worst-case scenarios, we have options marked by great beauty and recovery.

Think in Terms of Probabilities, Not Binary Outcomes

During times of unproductive uncertainty, we often get stuck imagining extreme either/or outcomes. Innovators who are adept at managing uncertainty think in terms of probabilities instead.

I saw the power of this firsthand while teaching an executive course at INSEAD just as the pandemic was accelerating. French president Emmanuel Macron was expected to give an address about the crisis. My international students started to worry that he would close the borders, leaving them stranded in France. When we thought in binary terms—stranded or not stranded—we all felt a great deal of anxiety. When we considered the full range of possible outcomes and assigned probabilities to them, we saw things differently. We realized there was a good chance the borders would be closed in a few days, a modest chance they would be closed sooner, and a near-zero chance they would be closed immediately. That brought us immense relief. The experience reminds me of French philosopher Michel de Montaigne's poignant observation: "My life has been full of terrible misfortunes, most of which never happened."

Remember That Possibilities Always Exist

Is it really true that possibilities always exist, even amid the most painful unproductive uncertainty? Or is uncertainty capability an idea only for the privileged? Does the theory hold in times of grave and horrible tragedy? I recently reread Victor Frankl's account of his years in concentration camps and was struck by his emphasis on how critical it was to their survival that prisoners could find meaning in their lives, even with their suffering. His conclusion is a powerful testament to the potential for growth even in unthinkable circumstances. He wrote: "Everything can be taken from a [person] but one thing: the last of human freedoms—to choose one's attitude in a given set of circumstances, to choose one's own way." The opportunity to exercise that freedom is available to all of us—and it is key to finding a way forward in uncertain times.

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NISIAN HUGHES/GETTY IMAGES

7. Lessons in Agility from a Dancer Turned Professor

→ by JENNIFER JORDAN

"AGILITY" HAS BECOME a hugely popular management buzzword. But what does it really mean?

My first introduction to the concept came long before I studied management, let alone talked about it with executives in the classroom. My first exposure to agility was in the ballet studio, when I was studying to be a dancer. All young dancers aspire to agility—to be up there with the leaping Baryshnikovs, the twirling Kents, and the gliding Nureyevs. But now, far from the ballet studio, I see many of the characteristics that are required in ballet transferring to the executive suite: core strength, ability to change focus quickly, extreme flexibility and the accompanying range of motion, and knowing where you want to go.

First, to be agile requires *core strength*. For a dancer this means that the abdominal and back muscles are strong enough to support the turns, jumps, and extensions that they have to perform. Core strength also provides a visual esthetic of stability in the midst of rapid and sometimes extreme movements. For a manager, core strength is also at the heart of agility, requiring that the manager know their core values—that is, what they stand for and what provides them with purpose in their life and in their business. It also means that they are not blown from one direction to another by the next fad.

Core strength is not to be confused with rigidity. In fact, core strength allows one to avoid rigidity, which results from a perceived threat of being set off-balance. If a manager knows their true North Star, they will be able to explore the full range of motion without fear of being thrown off.

An example of a leader who harnessed core strength for agility was Angela Ahrendts, the former CEO of Burberry and later the head of retail for Apple. Ahrendts brought Burberry back from obsolescence by harnessing what was at the core of this 150-year-old company: the trench coat. By resurrecting its core competency in a way that acknowledged the tastes and trends of the next generation, Burberry was able to reemerge as a digitally relevant fashion brand.

Second, agility requires the *ability to change focus quickly*. For a dancer, this means constantly transferring weight from one side of the body, from one foot to the other, or from the toes to the heels. For managers, changing focus is realizing

that what they once thought was the right route from point A to point B might have changed, given the evidence at hand. This kind of shift requires not only core strength but also confidence in movement—knowing where they ultimately want to be but being open to different ways of getting there. Hilti is a company that was able to change focus and keep up with changing trends. Known as a top-quality producer of construction tools, Hilti transitioned to being a full solution seller for the construction industry, providing service contracts and making tools that could not only share data with one another but also transfer that data to the cloud.

Third, agility requires *extreme flexibility and the accompanying range of motion*. One mark of a great dancer is being able to contort the body into shapes and spaces that mere mortals are unable to attain. This is known as flexibility. But dancers also need a broad range of motion, including the ability to make themselves very small—to diminish the body—as well as to take up all the space that one is in—to seem larger than they actually are (think about a petite female dancer leaping across the full stage of Lincoln Center in New York City). For a manager, flexibility is required not only in the change of direction but also in how ideas are conceived, where those ideas come from, and the expertise brought in to solve problems. Range of motion is necessary to know when one should step out of a space—and also when to forge ahead. IBM is a company notable for this quality. Faced with a reality of rapidly decreasing computer sales, IBM was able to move into the cloud computing space by enabling its Watson technology and partnering with other companies like Samsung, Visa, and H&R Block.

And lastly, agility requires *knowing where you want to go.* Every dancer knows that to perform a piece correctly, the mind needs to be at least one beat ahead of the music, that is, to predict the immediate next move and to move with deliberation. It doesn't mean that the dancer predicts movement 60 or even 30 seconds in advance—to do so takes them out of the present moment—but it does mean being slightly ahead of the next step.

For managers, knowing where they want to go means that while they might not have a three-year plan, they do have a clear vision of what they ultimately want to achieve. The Singaporean bank DBS is a prime example of creating a vision and realizing it through short-term steps. First, the CEO, Piyush Gupta, decided to move out of Singapore into Southeast Asia, India, and China to be a big player in the region. Leadership also set the goal of improving internal operations and customer service by achieving consistency of systems across the bank and measuring customer service performance with over 1,000 different measurements. Their ultimate goal was to reduce the time it took customers to wait for various services by 10 million hours. DBS won the *Euromoney* magazine awards for Best Bank of the Year–Global and Best Bank in the World in 2018 and, more recently, World's Best Bank in 2019.

Agility is not to be confused with pushing oneself beyond one's physical or mental limits. Yes, just like a professional dancer, being a top corporate athlete requires an incredible amount of hard work and dedication. But top dancers know that the body and mind have limits, and when you try to push them beyond these limits, they will tell you by becoming exhausted or injured—anything but agile. Thus, as the pace of business pushes people to work longer and longer hours, fostering agility starts with managers prioritizing things like sufficient rest and good nutrition. A relentless pace is not conducive to agility.

I'm not suggesting that managers put on their ballet shoes and learn how to leap across the stage. But the world of ballet can give us a clear, concrete definition of agility, as well as direction on how to achieve it.

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DIMITRI OTIS/GETTY IMAGES

8. When Managing Through Ambiguity, Develop a Clear Vision

→ by CHERYL STRAUSS EINHORN

DWIGHT EISENHOWER HAS been credited with saying that plans are nothing, but planning is everything. It's a remarkable statement coming from the man who was responsible for planning the Allied invasion of Europe in World War II.

Eisenhower recognized that he needed to set goals, consider a variety of perspectives, challenge his own and others' biases and assumptions, lay out a course of action, and identify potential points of failure. By taking the time—in the case of the Allied invasion, many months—to make careful plans, Eisenhower might not have been able to guarantee success, but he knew the thinking would not go to waste. He could ensure that everybody on his team understood what success looked like, what the cost of failure would be, and why they were following this course of action.

Luckily none of us has to plan the invasion of Normandy, but in our current times, making even simple decisions as leaders—whether in your business or in your home—can feel as complicated as landing troops on a French beach. With so much up in the air during the Covid-19 pandemic, we're fighting against two forces: uncertainty (we don't have the information we need) and ambiguity (the best outcome is a matter of interpretation).

The degree of uncertainty that we can tolerate depends upon our personal or organizational comfort level. Some of us try to avoid uncertainty, some of us tolerate it, but few of us actively embrace it. We can never shrink uncertainty to zero, because the future is always uncertain, but we can reduce it by turning to experts or sleuthing for information we don't have. For example, while we may not fully understand how Covid-19 spreads or what its long-term effects are, we do know that we can take evidence-based steps to reduce the likelihood that we'll contract the virus.

Gathering more data, however, won't reduce or resolve ambiguity. Our decision will ultimately be a judgment call, based on our values. We have to drill down on what matters to each of us, or to our family, or to our organization. To confront an ambiguous problem, we have to invert our decision-making: Instead of focusing on the problem itself, we need to define what a successful outcome looks like—what I call your "vision of success."

Take the example of parents trying to figure out how to raise successful, well-adjusted children. The classic question would be: *How do I raise good kids?* Asking it may help you navigate some uncertainty—you can research child development or listen to the advice of experts—but it won't solve

To confront an ambiguous problem, define your vision of success instead of focusing on the problem itself.

your problem. Ultimately the definition of a "good kid" is ambiguous. Is it one who's academically successful? Close to their family? Good at team sports?

To find your answer, you need to start at the end with your vision of success: *What does a good kid look like for me and my family?* What's empowering about this approach is that you can answer the question even without knowing how you'll get to that successful place. Your answer will help you identify what has to happen to get to the outcome you desire. And your answer will be rooted in your values. All of these components give you agency and a kind of control.

Take Marisol and Fernando Caro, for example, parents of two tweens who wanted to raise good kids. Their ultimate vision of success was an emotionally connected, communicative family who enjoyed spending time together.

Marisol and Fernando are working parents with fixed work schedules. Their kids are athletic and enjoy playing team sports. As they worked backward to figure out how to achieve their vision of success, they realized that weeknight dinners and weekends were their only options for meaningful family time. Ultimately that meant that travel sports teams were a no-go, because they required weekend trips to distant game locations. Instead they enrolled the kids in local town and school teams. When their son's soccer coach recommended he join the travel soccer team, their answer was a calm "no," centered in their family values.

Or take the example of Eric Dawson, founder of Peace First, a charity that operated in 140 countries to empower young people to work toward a more just and peaceful world. In 2018 Peace First was awarded a small grant from the Gates Foundation to explore expanding their work into the Mideast and North Africa, the so-called MENA region. Peace First had no idea whether young people in the region would be open to and engaged by peace-making work. Through the grant, they found the answer: yes. But as the grant was ending, the organization arrived at a "choice point," Dawson says. "Without the grant, should we wind things down in the MENA region, or keep our presence small, or scale up slowly, or place one of our two or three big bets in this area? Each pathway had a myriad of issues connected to it that could put the organization's future at risk."

To move forward, Dawson and Peace First needed to frame their ideal outcome, and they looked to their mission to define their vision of success. Ultimately they decided their existing work was fundamental, and any new opportunity—even one that showed great promise—could not detract from existing projects. Once they were grounded in what success looked like—maintaining their presence and impact in the 140 countries where they were well-established—Peace First could assess the fit of the MENA project. From there, Peace First evaluated and decided that yes, the MENA-area opportunity met Peace First's mission, impact, and fundraising needs, and elected to continue working in the region.

Whether you are planning for your family's or your organization's future, starting from your values will help you plot a path through ambiguity. Maybe, like Eisenhower, you're planning to land your troops safely somewhere. Maybe, like the Caros, you're intent on securing relaxed, connective family time. Or maybe, like Peace First, you're deciding how your organization will expand. In all these cases and more, beginning with your vision of success will help you get there.

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9. Predicting the Future

What's really preventing leaders from taking the long view?

→ by ANIA G. WIECKOWSKI

LEADERS HAVE ALWAYS been eager to see into the future. What will delight customers in six months, a year, two decades? What external factors will influence their industries? What technologies will upset them? Uncertainty, complexity, and volatility—not to mention our own cognitive biases—often foil these attempts to take the long view.

That's why we need to remain vigilant in rationally calculating the future effects of big choices, says science writer Steven Johnson. In *Farsighted: How We Make the Decisions That Matter the Most* (Riverhead Books, 2018), Johnson reminds us that "the ability to make deliberative, long-term decisions is one of the few truly unique characteristics of *Homo sapiens*"—and we're actually getting better at it.

Take scenario planning. The power of this common tool lies in the discipline with which it forces us to explore uncharted territory. For example, we can counteract the "fallacy of extrapolation"—a bias that causes us to assume that a current trend will continue into the future—by imagining in detail multiple ways a situation might unfold. Johnson suggests examining at least one model that is particularly optimistic, one that is particularly conservative, and one that is just plain odd. The exercise is not about predicting the future; it's a "rehearsal" for it.

A rule of thumb for predicting is that the more inputs you have, the better. Research by Wharton professor Philip Tetlock shows that people who consider multiple points of view make better predictions than those who hew to one perspective. Johnson concurs, recommending that decision makers cultivate diverse voices to avoid blind spots, using small-group activities like charettes to allow those voices to be heard.

Varied points of view can lead to friction, but that's to be encouraged. In *Imagine It Forward: Courage, Creativity, and the Power of Change* (Currency, 2018), former GE executive Beth Comstock has a name for outsiders who challenge the team to think differently: sparks. She notes that for corporate incumbents like GE, the problem

of predicting the future is compounded by the paralyzing fear of making a wrong move because there's so much to lose. Sparks create the kind of discomfort that jolts people into action.

One such spark was entrepreneur and *The Lean Startup* (Currency, 2011) author Eric Ries, whom Comstock brought in to talk to GE leaders and engineers about new-product development. The existing process depended on making big forecasts about sales and then slowly building a massive product toward that prediction. Comstock wanted to challenge people to think about the future in fresh ways. Ries came from a very different cultural context: Silicon Valley. When he began prodding, the folks at GE admitted that they didn't actually believe the predictions—and realized that they didn't have to predict so far out if they found ways to test ideas in the market quickly.

Fear of forward movement in the face of the unknown is just as prevalent among individuals as it is in firms, and Comstock has a tool for that, too. When her students at Crotonville, GE's institute for management, say they can't do something new because the company won't let them, she literally hands them a permission slip. As interested in creating the future as she is in predicting it, Comstock suggests that would-be innovators keep a stack of such slips at their desks: "Give yourself permission to imagine a better way," she advises.

Leadership guru Simon Sinek sees our difficulty in taking the long view as a mistake of mindset. In his book *The Infinite Game* (Portfolio, 2019), he contrasts activities that have finite rules—like chess—with those that constantly present new challenges—like business. In "infinite games," fixing on a just cause is the only way to outlast existential crises, adapt, and thrive into the future. Much as some parents focus on raising an inquisitive child rather than an obedient one, Sinek urges leaders to think less about endgames and more about new opportunities: Strive to build a customer relationship rather than close a sale; be attentive to the growth of individuals rather than quarterly earnings.

In *On the Future: Prospects for Humanity* (Princeton University Press, 2018), Martin Rees doesn't tell us how we should think about the future; instead he lays out his own predictions. A celebrated cosmologist and astrophysicist, Rees has written many books on popular science. This one examines trends in biotech, AI, the global climate, and spaceflight. In prognosticating about AI, Rees notes that machines will enable us to make better predictions about everything from which stocks will soar to which diseases will do us in. Of course, they also reveal the overwhelming complexity of our world, as technologist David Weinberger warns in a recent *Wired* article, forcing us to confront the fact that uncertainty isn't going away anytime soon. (Disclosure: I'm editing Weinberger's book *Everyday Chaos: Technology, Complexity, and How We're Thriving in a New World of Possibility* (Harvard Business Review Press, 2019).

A common thread across these volumes is the importance, and difficulty, of combating climate change. Rees laments the ongoing destruction of our planet, sorting out what we can predict—say, how much our CO_2 emissions will warm the planet—from what we can't—how the associated changes in clouds and water vapor will influence further climate change. Comstock's story of bringing the Ecomagination strategy to life at GE exemplifies the challenges of getting a big organization to tackle global ecological problems. Sinek sees federal legislation to reduce emissions as an act of an infinite mindset. And Johnson opens his book with a critique of the shortsighted decision to fill in Manhattan's only source of fresh water in the early 19th century.

Johnson maintains that we're much more deliberate in our predictions and decisions today, but I'm not so sure. Leaders seem unable to agree on what to do in the face of a warming planet. These books point to the need for a stronger response to looming challenges like climate change. We must push ourselves to imagine the fast-approaching future, counteract short-termism and other biases clouding our perspective, look for opportunities to innovate, and recognize that, although it may seem impossible to chart a course in an unpredictable world, inaction itself is also a decision.

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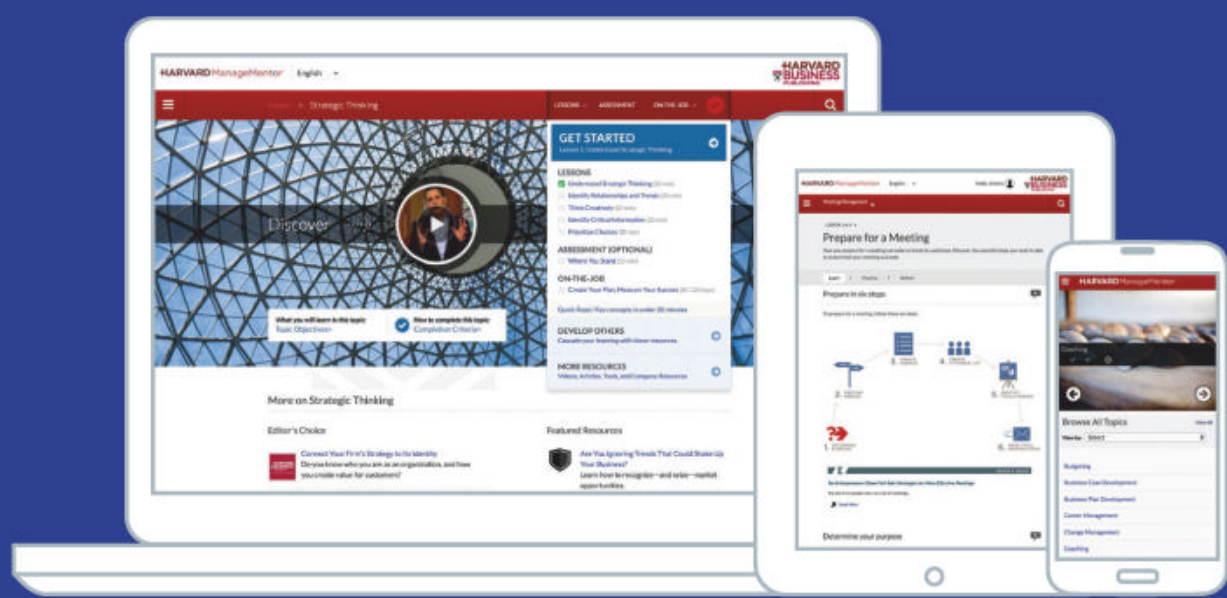

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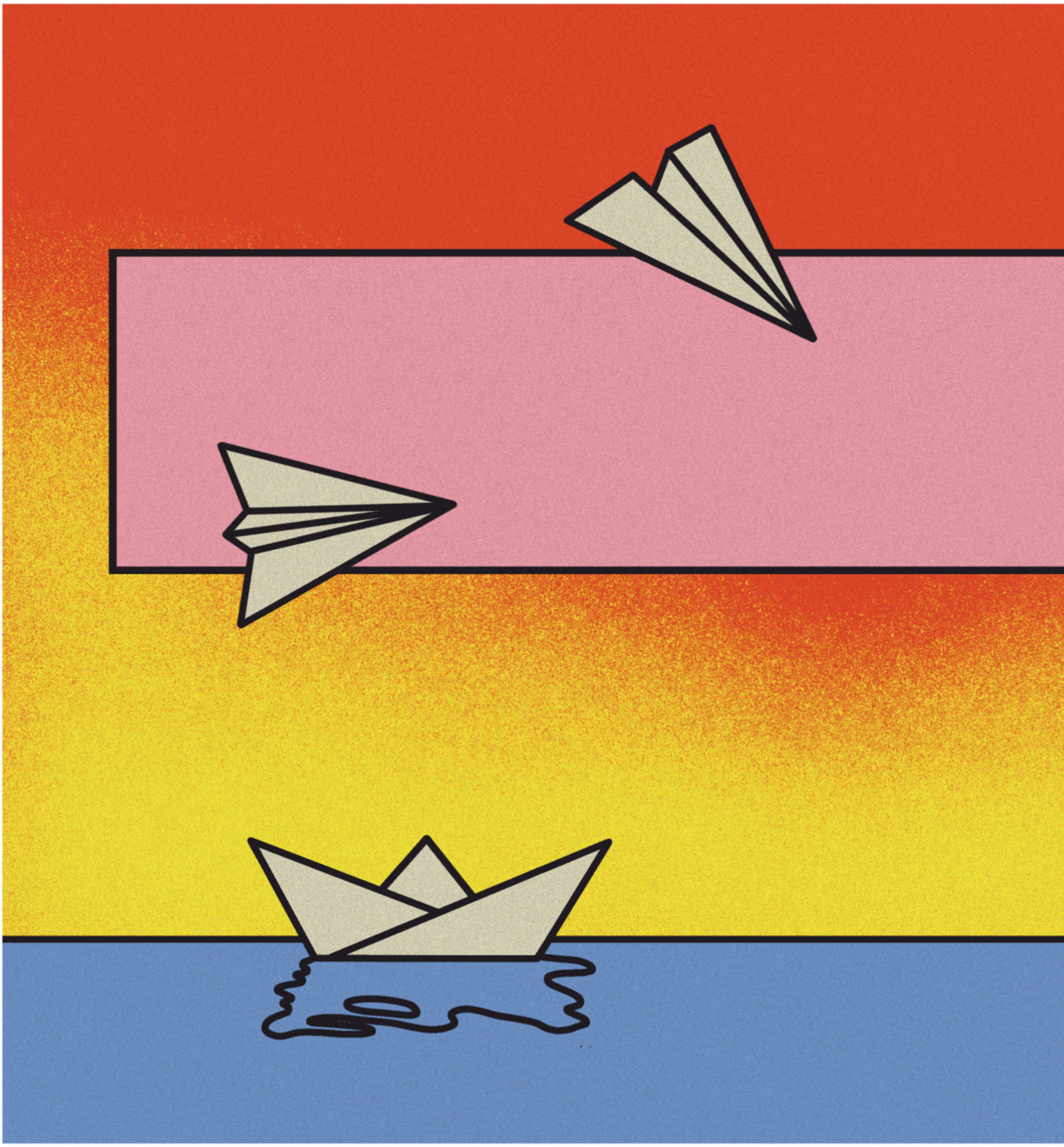

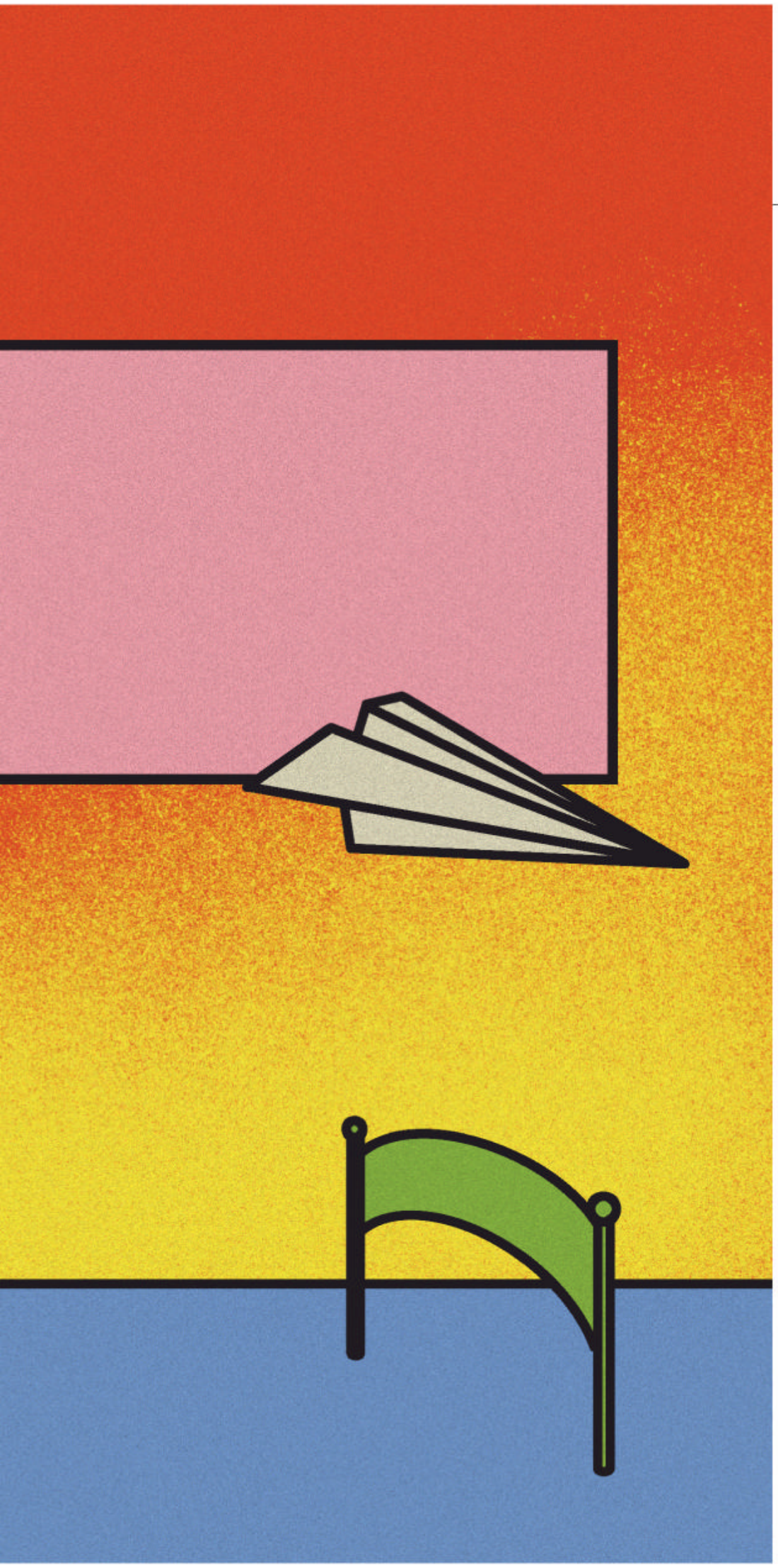

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Agility Hacks

How to create temporary teams that can bypass bureaucracy and get crucial work done quickly

→ by AMY C. EDMONDSON and RANJAY GULATI

IN THE PAST 20 YEARS, the agile approach to improving products, services, and processes has swept the business world. It calls for organizations to adopt small, empowered, cross-functional teams, break initiatives or challenges into small modules, and develop solutions using rapid prototyping, tight customer-feedback loops, and quick adaptation. Rooted in software development, agile has spread to many other functions, and some companies have turned much of their organization, including the C-suite, into agile teams.

Although agile can benefit the parts of a business that must be nimble—those that manage shifting customer

Illustration by **VICTORIA SIECZKA**

relationships, explore new markets, and develop new products quickly and responsively, for example—it is less effective for operations or functions that require consistency and efficiency rather than agility. Consider mature, high-volume production processes such as those used to produce aluminum, commodity chemicals, and paper. They can run efficiently for weeks or months without interruption, and tweaks can be extremely costly and even dangerous. Other repetitive activities, including bill processing, payroll, and budgeting, are also best run with bureaucratic systems. Indeed, bureaucracy—characterized by specialized functions, fixed rules, and a hierarchy of authority—has gotten a bad rap: When designed well, it excels at ensuring reliability, efficiency, consistency, and fairness.

But understandably, such systems don't adapt quickly to changing circumstances in the market, and occasions arise when businesses need to bypass them to tackle select projects that demand speed, flexibility, and experimentation. Examples include jump-starting an R&D function to generate more-radical innovation; figuring out how to serve the needs of a strategic new client in an emerging market whose requirements differ dramatically from those of existing customers; and responding very quickly to a sudden contextual change, as happened during the early days of the Covid pandemic.

In such cases, how can large, established organizations bypass their own processes to act quickly and effectively while leaving the overall system alone? Our research identified several large companies—among them PepsiCo, Sony, Novartis, and GE—that used temporary teams to carry out time-sensitive strategic projects quickly. All employed agile principles and values, but some did not use formal agile methods. Instead, they used what we call *agility hacks*. Similar in spirit to life hacks, they are shortcuts or novel methods that increase productivity or responsiveness, and they deliver on computer programmers' original use of the term "hack": a quick, effective, if inelegant, solution to a specific problem.

In some instances, teams were unleashed to pursue a new market opportunity; in others, they were formed to respond forcefully and creatively to serious performance problems such as an alarming and sustained decline in revenues. Team members knew they were trying to capture something that the organization would otherwise miss. All teams used unorthodox methods to achieve results quickly; they acted as work-arounds to get things done outside the organization's established architecture and normal operating processes. Although the projects differed in size and duration, we uncovered commonalities in their approaches—related to their purpose, the permission granted to them to operate outside the norm, and the disciplined, iterative process they employed—that other companies seeking to create agility hacks can apply.

Purpose

Each project we studied began with an animating purpose that was inspiring and actionable—for example, winning a bid for a mega-order, regaining a key account, or catalyzing novel innovation. The importance of the goals helped minimize pushback from the custodians of standard operating procedures in the organizations. And in all cases project team members—and those in other parts of the company whose expertise or resources were necessary to succeed—believed that the objective mattered.

Consider what happened at GE in 2012. Indian Railways, the second-largest rail network in the world, had announced a $2.5 billion plan to revamp its entire fleet of diesel locomotives and asked for bids to be submitted within six months. Given the decades-long life span of a locomotive, it was a rare opportunity. But Nalin Jain, a young executive at GE India, realized that a variety of factors stood in the way of being able to submit a bid in time to compete: the company's plodding traditional systems; the distant location of GE Transportation's headquarters in Erie, Pennsylvania; Indian Railways' vague requirements and the likelihood that the specifications would shift during the bidding process; and the deal's high risks (bid too high and the deal would be lost; bid too low and the deal would result in a massive financial loss). A nimble approach to assembling a winning proposal was the only option. Jain pulled a team together and got to work. The team needed expertise in manufacturing, sourcing, finance, and contracts, and in how a government tender process worked in India. It also needed people who could think about the problem in new ways. By highlighting the enormous size of the opportunity and making the case that it might be possible to win the bid

Understandably, bureaucratic systems don't adapt quickly to changing circumstances in the market, and occasions arise when businesses need to bypass them to tackle select projects that demand speed, flexibility, and experimentation.

and make it profitable, Jain gained the support of executives and the cooperation of various groups at GE whose expertise was critical to putting together a strong bid.

Another example is PepsiCo UK. In mid-2016, the unit had experienced two consecutive years of declining revenues and was poised to suffer a third. Ian Ellington, the general manager, knew he needed to take action. But he realized that PepsiCo's entrenched systems and rules would impede rapid, novel responses. Ellington also knew that reforming the entire organization from within would take too long and most likely engender significant resistance. His solution was a "SLAM" (self-organizing, lean, autonomous, and multidisciplinary) team tasked with turning the ship around. Over eight weeks, team members reached out to key stakeholders with brand expertise or relationships with frontline retailers to understand what had gone wrong and to collect and generate ideas for revitalizing the different brands and accounts. Some brand experts, for instance, had ideas for improving online sales but had never been invited to experiment with them. The SLAM team did not dictate solutions; rather, it collected ideas and empowered others to create a viable path out of the decline. It led to an increase in UK revenues of 2.3% in the first year and 2% in the second.

Permission

A motivating purpose provides a starting point. But agility hacks fail unless they deviate from conventional ways of doing things. In every case we studied, project teams were given permission—and resources—by senior leadership to try new things fast, without going through the usual channels and approvals. But significantly, none of the teams we observed were skunkworks—off-site autonomous enterprises shut off from the rest of the organization. Instead, all relied on support from and interactions with colleagues in traditional roles.

The Indian Railways team at GE bypassed organizational layers and reported directly to the CEOs of GE India and of GE Transportation. The team kept them abreast of progress and hurdles. Given the stringent cost and customization requirements, it wasn't clear whether GE could make a profit on the deal. Worse, Indian Railways had put out similar bids in the past only to pull them back later. For these reasons, there was resistance within GE to even pursuing the deal. With the strong support of the two CEOs, however, the team overcame those obstacles by moving fast to recruit key experts from within GE, sharing the cost across divisions, engaging extensively with Indian Railways, triangulating information from different sources to improve cost estimates, and taking quick action to test ideas. When the team encountered problems in getting necessary resources or decisions, the senior executives intervened.

Consider also an agility hack launched in 2013 by Sony's new CEO, Kaz Hirai. An important part of his transformation effort, it reversed a long period of slow decline that had started in the early 1990s. Hirai recognized that a risk-averse bureaucracy had

Idea in Brief

BYPASSING BUREAUCRACY
To stay competitive in a shifting marketplace, businesses occasionally need to circumvent the reliable but often slow systems of bureaucracy in order to tackle select projects demanding speed, flexibility, and experimentation. One way to do so is to use temporary teams to carry out time-sensitive strategic projects quickly.

OUTSIDE THE NORM
Companies that have done this successfully—like PepsiCo, Novartis, Sony, and GE—employed agile principles and values, without necessarily using formal agile methods. Instead they used *agility hacks*—shortcuts that increase productivity or responsiveness and deliver a quick, effective (if inelegant) solution to a specific problem.

THREE P'S FOR SUCCESS
Factors for successful projects include an animating *purpose* that is inspiring and actionable; *permission* (and resources) to try new things fast; and a systematic, disciplined *process* of trial and error aimed at producing results quickly. These short-term solutions can be effective in addressing immediate challenges and thus illuminating new possibilities for success.

When to Use Agility Hacks: Three Examples

1. When dealing with an immediate crisis that requires fast execution (e.g., saving a large corporate account)

2. When viable innovation opportunities would otherwise be missed due to bureaucratic processes and organizational silos (e.g., overriding incremental product development to pursue radical ideas)

3. When standard operating procedures preclude speed in addressing an issue of long-term strategic importance (e.g., new manufacturing technologies that threaten to reshape the market)

prevented exciting innovations from getting from the lab to the market because they didn't fit neatly into one of Sony's existing business verticals. His solution? An innovation hack that enabled the pursuit of concepts outside existing product categories and ultimately launched a series of successful innovations. He assembled a team that reported directly to him, allowed it to bypass Sony's cumbersome budgeting and decision-making processes, and ensured that it could quickly access whatever resources and technologies it needed from wherever in Sony they resided. This setup provided the team with the air cover to imagine new possibilities and then get them done within and outside the Sony organization. Among the innovations the team launched was a popular 4K home projector that cast high-resolution large-screen images onto walls and also served as a piece of furniture, and a glass speaker system housed in a light bulb.

At pharmaceutical companies, R&D tends to be a top-down affair: Senior leaders allocate research dollars to specific areas, often leaving lab scientists boxed in by defined therapeutic areas, such as cardiovascular disease or cancer. In addition, specific scientific methods, disciplinary silos, and a reluctance to fail often discourage risky experiments.

When Jay Bradner left academic science to become head of R&D at pharma giant Novartis, in 2016, a series of breakthroughs had put the company in a strong place. But Bradner wondered how many great ideas were being missed by not tapping into the more out-of-the-box thinking of bench scientists—a question amplified by the departure of a number of them who had left for start-ups. So when scientist Ian Hunt suggested a new approach to catalyze more-radical innovation, Bradner invited him to step away from his current role and give it a try. The result was Project Genesis.

Set up as a competitive, fast-paced innovation contest, Project Genesis encouraged cross-disciplinary teams to pitch proposals for dream projects to a panel of scientists, which included Bradner. Of the 90 proposals, five were ultimately selected. The winning teams then received lab space, funding, and time to develop their concepts further. One scientist told us, "I am surprised by how much Genesis speeds things up. We were able to get prime lab space and equipment in just a couple of weeks." Each project was able to tap into diverse expertise as needed. But despite their risky, novel content, all the projects remained housed inside the parent organization. After 18 months, each would have to either find a home within one of Novartis's existing R&D programs or end the project.

Following its positive reception, Project Genesis attracted more than 150 proposals in its second round, in 2018. The panel selected six to be funded. Although the full impact of the initiative remains to be seen—it takes many years to bring a new drug to market—Bradner praises Project Genesis for quickly generating efforts to explore breakthrough ideas with little cost and disruption to the overall organization. "Genesis isn't very expensive," he says. "It isn't very disruptive." But it greatly accelerated the launching of initiatives in new areas, boosted collaboration and engagement among scientists across disciplines, and increased the number of transformative technologies and therapeutics in the pipeline.

Process

The agility hacks we studied were anything but chaotic or sloppy. Each followed a systematic, disciplined process of rapid trial and error aimed at producing results within a tight time frame. All shared a bias for action. They didn't let the pursuit of perfect solutions get in the way of speed. In every case the project processes were designed to accelerate the pace of learning—despite risks—by forcing progress and providing guardrails. (Gulati's article

The agility hacks were anything but chaotic or sloppy. Each followed a systematic, disciplined process of rapid trial and error aimed at producing results within a tight time frame. They didn't let the pursuit of perfect solutions get in the way of speed.

"Structure That's Not Stifling," HBR, May–June 2018, offers guidance on how companies can empower employees and yet retain control.) They embodied what we call "execution as learning," a structured approach to getting projects done while paying close attention to what works and then changing course frequently in small, responsive ways. (For more on this, see "The Competitive Imperative of Learning," HBR, July–August 2008.)

Novartis and other firms we studied that ran innovation contests set up rules and timelines for the competition process and for the projects selected for funding. Project Genesis offered coaching and presentation-skills training to scientists who chose to compete and facilitated collaboration among them by hosting structured ideation sessions and creating an internal social media platform. That allowed people to find partners in key disciplines more easily. A fast-paced schedule of deadlines was posted to put the pressure on the ideation process.

PepsiCo UK's initial SLAM team and the others that followed worked intensively on a tightly defined mission, with a deadline, and used a structured agile method. The process included forming a team charter around the problem or opportunity; identifying a team leader, coach, and stakeholders; specifying key work areas, which were sorted into one-week blocks; designing successive experiments; and adopting a set of practices that organized the collaborative work in a transparent, iterative way. The process allowed SLAM teams to bypass organizational roadblocks and coordinate as needed with colleagues in various functions, such as marketing or manufacturing, to ensure execution of time-sensitive tasks. Once results were achieved, team members returned to their former roles. The GE Transportation team pursuing the Indian Railways deal was also able to move fast as long as it didn't violate size, cost, and other parameters outlined by the customer and GE leadership.

ADMITTEDLY, AGILITY HACKS are short-term solutions that don't address underlying causes of entrenched performance problems. But they can be extremely effective in tackling immediate challenges quickly and in doing so awaken people to new possibilities and pave the way for success.

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Quick Takes

GARY S. CHAPMAN/GETTY IMAGES

1. Don't Let Teamwork Get in the Way of Agility

→ by ELAINE PULAKOS and ROBERT B. (ROB) KAISER

EFFECTIVE TEAMWORK HAS never been more important than it is today, as organizations face an exceedingly volatile economy with significant business threats. Prevailing wisdom would have us use teamwork as much as possible to face these challenges head-on. The theory is that working in teams—especially those with different skill sets and backgrounds—sparks innovation, enables agility, and leads to better outcomes. However, our recent research suggests that maximizing teamwork often fails to yield the results we expect; in fact, in some cases, it undermines them.

The reality is that productive teamwork and collaboration are hard to achieve. Bringing together people with diverse expertise can potentially stall rather than fuel innovation, especially when responding to an urgent need, not to mention the larger, structural tensions that often leave team members jockeying for positions, making power grabs, and withholding information to protect their turf.

This is not to say we should throw teamwork out the window entirely.

With teamwork, more is not always better, and sometimes, less or even none is best.

Rather, we believe a change in mindset about how to best implement it is needed to achieve the agility and resilience that are vital for surviving through, and thriving beyond, Covid-19.

Instead of maximizing teamwork, our research on what distinguishes agile organizations suggests that we need to rightsize it. This means considering what form and how much teamwork is needed at each stage of a project to get it done efficiently and effectively. Rightsizing teamwork requires judiciously selecting the right people to contribute, at the right time.

This approach may initially seem to be in conflict with goals of inclusivity, consideration, and respect, but when done right, it can improve those things. Involving others when they are needed, rather than by default, is actually more considerate and respectful of the many people who are suffering from project overload and burnout. Rightsizing is not about minimizing inclusion. It's about changing "teamwork" from a buzzword to an optimized practice that creates seamless company-wide connections.

We believe organizations that master rightsizing will have a greater chance of success in this new business environment. The most agile companies do so by using three evidence-based practices:

Define what kind of teamwork needs to take place. Different stages of work require different kinds of teamwork. For example, successfully completing tasks in the early production stage of a new initiative involves activities and requirements that differ from those needed in the final stage. There is no one-size-fits-all definition of what "good teamwork" looks like throughout a single project. More is not always better, and sometimes, less or even none is best. It's helpful to think of teamwork in four broad categories:

1. Sometimes teamwork is nothing more than a handoff. In this case, each person's work is mostly independent, but at the right point in time, one person needs to pass information or resources to another to complete a task. This type of teamwork relies on clear communication and coordination to help everyone involved understand what is needed and when. A good example is when different business units within a company provide monthly financial results to the corporate finance department, which then consolidates them into a monthly financial report for the executive team and board members.

2. Other projects require synchronized work. This is when two or more separate teams (or individual contributors) perform the same routine but must remain coordinated in their work to reach a successful outcome. An example is a regional sales team. Each member prospects, closes, and manages their own customers using the same process. While each person works independently, the sum of everyone's work determines the regional team's success.

3. In some cases, a project requires coordinated work. People perform independent roles that impact one another, such as the heroic critical care teams handling the Covid-19 crisis. These teams consist of different specialists—physicians, pharmacists, dietitians, respiratory therapists, and nurses—each of whom performs their own clearly defined tasks to achieve a team outcome.

4. Lastly, some projects require truly interdependent work, which is the most complex form of teamwork. An example is bringing a new product or innovation to market. People with different skills come together to solve a new problem. The team structure is often flexible and tends to take a more concrete shape as the problem is solved. As such, people are required to adjust their roles and responsibilities on the fly in order to address and communicate through unpredictable situations.

One example is a team we spoke to at Scripps Research. Members were charged with evaluating whether their program that focused on developing health detection devices could be reengineered to test for Covid-19 cases. Unlike the other teams at Scripps, which use well-defined playbooks and have narrow roles, this new project required putting together a group of people who wear many hats and pitch in as needed.

Sometimes a team's work easily fits into one category. But more often—especially for teams involved in knowledge work, innovation, and repositioning their business—this is not true. What "good teamwork" means can change from project to project and even within projects as they evolve.

If there is room on a team for people to be lazy and not contribute, then too many people are on the team and the number should be reduced.

Given this, leaders across an organization can use the above categories to help develop a shared understanding of what type of teamwork needs to get done and when, including exactly who needs to collaborate, in what configuration, and why. This practice forces those handing out assignments to think of teamwork as something beyond "working together." Instead, it asks them to contextualize what good teamwork means in a given situation.

Simplify and then simplify some more. Rightsizing teamwork is an exercise in simplicity. To solve problems and overcome business challenges, leaders need to strike a balance between engaging those whose contribution is vital and boldly cutting out the people and processes that bog work down. This requires distinguishing what should be taken on as individual work versus what requires a team effort. For some, this might mean sunsetting that update meeting in lieu of an email or assigning the problem to two people who can solve it rather than dividing it among all six members of a team.

A simplification strategy we've seen work well is for leaders to ask one individual to get as far as they can collecting information and creating plans or draft materials at the start of a project. The rationale for this approach is based on the idea that it is more efficient for one person to create a draft that others can review than for multiple people to try to create a draft together. As the project evolves, the leader and assigned team member decide if others' input is needed and when, carefully planning what to ask and how to handle the feedback they receive.

However, just like there is no one way to define "good teamwork," there is no one-size-fits-all strategy for simplifying it. The strategy we offer above works when one person can in fact produce an initial plan alone, as is often the case with a handoff or synchronized work. This strategy works less well when different types of expertise are needed from the start, as in the case of interdependent work.

The key to defining the best strategy for a given team involves taking a few structured steps:

- Analyze work requirements in terms of the four categories above to determine what type of teamwork is needed or if none is needed.
- Decide what needs to be done by whom before convening your team. Your guiding principle is to make sure people's time is not wasted. Ask yourself: Who should be involved, why, and when?
- Review your process regularly. If something doesn't add value, eliminate it. For example, if three people are working on a task that one or two can achieve just as easily, reduce the number of team members involved. If a meeting is scheduled for an hour but everything is covered in 30 minutes, end the meeting. If you have the authority to make a decision, get input from the necessary stakeholders rather than waiting for the entire group to weigh in.

Give people permission to say "no." Today, we are experiencing so much rapid change that leaders cannot personally ensure every instance of teamwork is rightsized. This is why employees must similarly understand how to apply the approach. Igniting a needed behavioral shift among team members may require clear, simple, and even shocking communications to grab people's attention and provoke rethinking.

How can leaders start?

- Jump-start the process by giving team members explicit permission to say "no" to teamwork when they feel it is adding unnecessary complexity, confusion, or inefficiency.
- Leaders should continually challenge themselves and their teams to carefully consider how much and what type of teamwork is needed for effective performance of the task at hand and how this may change at different stages of the work. Remember that every single person on a team should be performing a clear, valuable, and needed role. If there is room on a team for people to be lazy and not contribute, then too many people are on the team and the number should be reduced.
- Reinforce and solidify the importance of rightsizing by calling out and discussing real examples of how saying "no" to teamwork has helped the team achieve more agile and effective performance. This will help team members develop a more mindful and judicious understanding of teamwork and how it can be applied.

At a time when we already face significant challenges, adding on even more require-

ments for change may seem poorly timed and ill-advised. But achieving the agility and resilience your company needs to bounce back relies on avoiding the dysfunction and inefficiencies teamwork frequently brings. Knowing how to rightsize teamwork and starting to teach it now is imperative to your success and your ability to prepare for whatever comes next.

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2. The Four Things Resilient Teams Do

→ by BRADLEY KIRKMAN, ADAM C. STOVERINK, SAL MISTRY, and BENSON ROSEN

WHETHER IT'S AN entrepreneur who finally succeeds in the marketplace after numerous failed attempts or bankruptcies, a scientist who generates the breakthrough compound for a lifesaving medication after years of failed drug trials, or a basketball player who overcomes a severe injury and a shooting slump to advance their team in a big tournament, resilience is often identified as one of the factors that helps individuals get ahead. But few of us work entirely alone, and how our teams persevere matters just as much as how individually resilient we are.

But how do teams build resiliency? We surveyed almost 2,000 NCAA coaches to get their perspective on how they build resilient teams. We also worked with hundreds of team leaders and members in a wide variety of industries to find out how teams become more resilient and why it

On resilient teams, members respect one another's thoughts and trust that they will not be ridiculed or rejected for speaking up.

matters. We discovered that resilient teams—different from resilient people—have four things in common.

They believe they can effectively complete tasks together. Beyond each individual having confidence in their ability to be successful, team members collectively believe that they can effectively complete tasks. Consider the 2017 New England Patriots, who trailed by 18 points at the Super Bowl LI halftime but dug deep and clawed back to win their fifth title. When asked about the remarkable comeback, Bill Belichick, the football team's head coach, said, "We were confident that we could still make the plays that we needed to make to win." But these kinds of teams also manage their confidence. Too much confidence, and team members become complacent and don't look for signs that adversity is ahead. Too little confidence, and they may not take important risks.

They share a common mental model of teamwork. All team members must be on the same page about their roles, responsibilities, and the ways they interact with one another during adversity. This is their mental model of teamwork, and it helps them coordinate effectively, predict one another's behavior, and make decisions collectively on the fly. These mental models have to be both accurate (Are we doing the right thing at the right time?) and shared (Do we all agree on what we're supposed to do?) to be effective. Having one or the other is not enough, as team members might agree on what actions to take but end up taking the wrong set of actions, or team members might know the right thing to do, but their disagreements cause a delay in responding. Neither scenario is good for teams facing adversity. When team members share an accurate understanding of what needs to be done and how their roles—and the roles of others—fit into the big picture, they are well positioned to respond to adversity effectively and without hesitation.

A good example is the incredible "Miracle on the Hudson" emergency landing of U.S. Airways Flight 1549 by pilot Sully Sullenberger and his crew in 2009. Once adversity struck, Sullenberger's team immediately leapt into action. They knew what to do and didn't stop to talk about it—there was no time for that. The entire event unfolded in three and a half minutes. "We were able to collaborate wordlessly," Sullenberger says. "Everything you do, you double-check and back each other up. It's finely choreographed—it's a thing of beauty when it's done well." The mental model of Sully's crew saved lives that day.

They are able to improvise. Teams must be able to develop new ideas or ways of handling adversity. Improvisation is really about the deliberate process of adjusting to changing circumstances in real time. To do so effectively, teams need to access existing knowledge from previous experiences and creatively reconfigure it to develop novel ideas when facing a setback. Resilient teams are intimately familiar with one another's knowledge, skills, and abilities so that they can draw upon the right expertise at just the right time.

Think about the rapid, creative response of the *Apollo 13* mission operations team when one of the spacecraft's oxygen tanks exploded 205,000 miles above the Earth. Using miscellaneous objects on the shuttle, the operations team collectively employed their knowledge and experience to create a novel apparatus that would remove carbon dioxide from the lunar module, thereby enabling the crew to breathe long enough to return home. This NASA team's ingenuity was credited with the safe return of the flight crew and earned them the Presidential Medal of Freedom.

They trust one another and feel safe. Finally, team resilience is enhanced when members believe that it is safe to take interpersonal risks in their team, such as offering unusual or creative ideas without fear of being criticized or singled out by fellow team members. This is often called "team psychological safety." Studies have shown that team members often discuss only commonly known ideas rather than unique ideas, because they fear being ostracized or rejected for offering novel information. On resilient teams, members respect one another's thoughts and trust that they will not be ridiculed or rejected for speaking up. This feeling of safety enables members to openly and honestly voice their ideas and opinions, which leads to a greater diversity of perspectives at a time when such diversity is badly needed.

A good example is the rescue efforts of the team charged with saving the members of the Thai soccer team who were trapped in a deep, flooded cave in 2018.

The multinational rescue team overcame extreme conditions and the loss of a former Thai Navy SEAL to save the boys. The team members drew upon their collective expertise to generate as many solutions as possible, which included drilling down from the top of the cave and even pumping enough water out of the cave to possibly enable the boys to walk to safety. In novel situations such as these, input is needed from everyone, so team members need to feel that their ideas will be taken seriously, no matter how unconventional they may be. Master Sgt. Derek Anderson of the U.S. Air Force presented the final plan, which would be modified by suggestions from Thai Navy SEALS before execution. The plan involved providing the boys with a sedative and tightly packing them onto stretchers, which would then be pulled underwater to the rescue base. Because the team culture was one that encouraged—and even demanded—creative idea generation, the team not only was open to hearing this novel plan but also collaborated to improve it.

Building a Resilient Team

Team leaders and managers can increase their teams' resiliency by making sure they are working to develop these four attributes. In our research we identified three key moments to do this: before adversity strikes, during an adverse event, and after adversity has subsided.

Before adversity strikes. Leaders should build team confidence, clarify how team members' roles fit together, strengthen improvisation ability, and develop a culture of safety. This can be done through activities such as establishing clear goals and processes, empowering teams with hypothetical training exercises and opportunities to master difficult challenges, training and cross-training, providing a general framework for crisis response that can be applied to a variety of different situations, emphasizing the strengths and advantages of diverse teams, teaching them to leverage their diverse expertise to generate novel solutions, repeatedly and passionately discussing the culture of mutual trust and respect within the team, emphasizing inclusivity and speaking and acting appreciatively, and immediately and publicly reprimanding any disrespectful comments likely to deteriorate the team's shared feeling of safety.

During an adverse event. Leaders should remind their teams of their resiliency. They should also provide teams with as much relevant information as possible, help them set a direction, coach members and boost their confidence as they move forward with a strategy, and reframe challenges as opportunities to learn and reflect.

After an adverse event. Leaders should provide a forum for careful reflection and debriefing. These after-action reviews should focus on a balance of successes and failures. Leaders should encourage their team members to speak up and raise any relevant concerns they have about the adversity. They should also recognize and show appreciation for those who do. Leaders should span boundaries by coordinating activities and relationships between their teams and other parts of their organization. Leaders will also need to be good buffers against outside pressure and be skilled at acquiring resources so that their teams are adequately prepared for future adversity.

Resilient teams are just as important to businesses as resilient individuals, but while individual resilience is built independently, team resiliency must be carefully cultivated by leadership. Our work with many team leaders and members demonstrates that the actions we describe here should help make sure team resilience is a widespread team attribute, rather than a scarce one. It's hard work, but the payoff is organizations and teams that are built to last.

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3. Managing When the Future Is Unclear

→ by LISA LAI

IT'S ONE OF the few facts in business everyone agrees on: Without a clear and compelling strategy, your business will fail. From MBA programs, to business book jackets, to the last keynote you attended, you've heard it repeated again and again.

Despite this, we frequently find ourselves managing in situations of strategic ambiguity—when it isn't clear where you're going or how you'll get there. Why does this happen? Market conditions shift rapidly. Customers have more choices than ever. Resources are constrained. Executives leave, interims are appointed, and searches drag on. The list continues, and even if your company is nimble enough to set strategy effectively at the top, keeping the entire organization strategically aligned is an entirely different challenge. Your company might have a clear strategic imperative, but your unit or team might not.

In my consulting practice, I work with leaders all over the world on strategy and execution, and they shift uncomfortably in their chairs every time I broach this topic. Strategic uncertainty can feel like slogging through mud. Leaders avoid investments. Decisions are deferred. Resources are frozen. Fear, uncertainty, and doubt drive bad behavior and personal agendas. Even so, companies often succeed or fail based on their managers' ability to move the organization forward precisely at times when the path ahead is hazy.

The best managers find ways to provide steady, realistic direction and to lead with excellence, even when the strategy isn't clear. Push your leaders for clarity, yes. In the meantime, be productive. You can do three things today that will put you in a better position to manage strategic ambiguity: Take pragmatic action, cultivate emotional steadiness, and tap into others' expertise.

Take Pragmatic Action

I'm a proponent of practical approaches to dealing with uncertainty. Doing something, anything, in support of your company's success makes you and your team feel better than doing nothing.

Get back to basics. Deliver value. First, focus on what you can control. You owe it to the organization and to your team to deliver value every day. What clientele does your team serve today, and what do they expect or need from you? How can you perform better, faster, or smarter to deliver on the promise of excellent service? What matters to the organization's mission or vision? How can your team contribute to that? When uncertainty comes, first and foremost do good work. You'll put the company in the best possible position to navigate new strategic choices.

Place intelligent bets. What's likely? When the strategy is uncertain, the best managers acknowledge what's unknown but also

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When the strategy is uncertain, the best managers look ahead to what is known and what is likely to happen.

look ahead to what is known and what is likely to happen. What do you know about the dynamics impacting your company? What options are being discussed? What does your boss think will happen? What can you do today to prepare yourself, your team, and potentially your clients for change? In almost every case, managers can place intelligent bets and start to work toward a future state—even when the complete landscape remains out of focus.

Operate in sprints: Embrace short-term strategies. Once you've focused your team on delivering value and started to explore what's possible, you're prepared to move forward with a discrete set of priorities. Take a note from organizations that use agile methods and create your own strategic sprint. What can you do personally to contribute to strategic clarity for your part of the business? What projects can your team execute in 30, 60, or 90 days that will benefit the organization regardless of which direction the strategy takes? Strategy isn't only the work of senior executives—any work you do to further the company's capabilities and position your team for the future is a great investment. Don't stand still, awaiting the "final" answer on strategy. Move your team and the company forward.

Cultivate Emotional Steadiness

Strategic ambiguity pushes you out of your comfort zone. When there's clear, unwavering direction, you can focus on defined targets and deliver results. When strategies shift, or are hinting toward a shift, it's normal to feel unsettled, and you'll see this in your team too. Here are three steps you can take to help yourself and your team navigate the emotions of strategic ambiguity.

Be proactive. Learn more. One of the reasons I suggest pragmatic action is because doing something concrete helps you move beyond your raw emotions. But there's more to emotional steadiness. Questions arise naturally: How will this impact my group? What if everything we're doing today alters? What if this involves job changes, layoffs, or lost resources? Learn as much as you can so that you're informed, not just reacting to rumor and innuendo. Use your internal network and ask others in the organization for insight, context, and clarity. When you've done the hard work of sense-making, you'll be able to anticipate the questions your team will ask and prepare the most effective answers you can.

Acknowledge and navigate emotions. Emotional steadiness requires that you be intentional about the way you show up in the workplace. Your role is to be calm, transparent, and steady, all while painting a vision for the future. Acknowledge your emotions and talk to a peer or your boss if you need to work through them. Play out the worst-case scenario in your mind and then move on to the more likely outcome. Chances are the reality isn't as bad as what you might conjure up when your emotions are heightened. Commit to avoiding stress responses, frustration, rumors, or other nonproductive behavior. Your team members are watching and taking their cues from you.

Keep team communication open. Strategic uncertainty can cause managers to communicate with team members less frequently and less openly. "If I don't have clarity to provide, why not wait?" the thinking goes. But in truth, ambiguous situations require you to communicate even more than normal. To demonstrate emotional steadiness, share your own emotions and acknowledge those of your team in productive ways. Let team members know that what they feel is OK. But talk with them about your commitment to being emotionally steady even during times of uncertainty. Ask them to do the same and come to you if they are frustrated or concerned. Maintaining open dialogue will keep your team engaged and aligned until a clear direction emerges.

Tap into Others' Expertise

Leading through periods of uncertainty and change can be isolating for managers. Remind yourself that you are not alone. You have a network of people who have most likely faced similar challenges, and you can learn from their experiences. Here are three ways you can tap into the expertise of others for support.

Imagine your most respected leader's approach. What would they do in your situation? How would they deal with the ambiguity or state of flux? How would they view the way you're handling yourself? This exercise can be incredibly powerful in

helping you stay calm and emotionally steady, exercise your critical thinking, and take pragmatic action even in the most uncertain circumstances. Those we most respect have demonstrated traits we admire. Tap into their strengths to inform your own.

Engage other managers. Managers often believe they need to "be strong" and go it alone to demonstrate managerial confidence and competency. That's not true. My executive clients reach out to peers and former colleagues regularly for advice, counsel, and emotional support. If someone you know asked for your advice, you'd happily provide support and feel valued as a peer. Your network will feel the same. Start the conversation with "I could really use another point of view" and you'll be surprised how quickly others engage.

Embrace the wisdom of thought leaders. Your network becomes global when you expand beyond those you know personally to those you can access in today's digital environment. The greater your understanding of how others think about strategic agility and change leadership, the better you'll be able to navigate ambiguity in your company. The brightest and most inspiring minds are at your fingertips—read books and articles, listen to podcasts and interviews, and watch instructive videos, webinars, and more to expand your thinking and learn new approaches relevant to your specific situation.

The ability to thrive during periods of strategic uncertainty separates the great managers who go on to become exceptional leaders from the rest. Don't allow a lack of clarity at your company to cast a shadow over your confidence or performance. Even in the most challenging and ambiguous situations, you can succeed when you commit to taking pragmatic action while demonstrating emotional steadiness and drawing on the expertise of others.

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4. Six Strategies for Leading Through Uncertainty

→ by REBECCA ZUCKER and DARIN ROWELL

IF THERE WAS ever any doubt about the importance of a leader's ability to navigate change, uncertainty, and disruption, the emergence of the global pandemic in 2020 made this necessity abundantly clear. And while we all hope to avoid future pandemics, one thing is certain—we cannot avoid ever-increasing complexity.

Leaders must shift from a "know it all" attitude to a "learn it all" mindset.

The leaders we work with often report feeling stuck, ill-equipped, or overwhelmed as they face the growing challenges of their roles. Understandably, it's easy to feel this way when the complexity of our world has surpassed our "complexity of mind," as Robert Kegan and Lisa Lahey describe in their book *Immunity to Change: How to Overcome It and Unlock Potential in Yourself and Your Organization* (Harvard Business Press, 2009). To put this in concrete terms, computing power has increased more than a trillionfold since the mid 1950s, but our brains remain unchanged.

To effectively lead others in increasing complexity, leaders must first learn to lead themselves. Although each leader faces their own unique circumstances, we have observed six strategies that accelerate your ability to continually learn, evolve, and navigate progressively more-complex challenges.

1. Embrace the discomfort of not knowing. Throughout our careers, we are conditioned to come up with the answer—a single, definitive, correct answer. Given that our brains are hardwired to see uncertainty as a risk or threat, it's physiologically normal to feel stress when faced with unfamiliar situations. This is especially true for high achievers who have built their career on knowing or finding the "right" answer. Although avoiding these unpleasant feelings is a natural human tendency, it can become a significant barrier to learning, future growth, and ultimately performance.

Rather than avoid these feelings, we must learn to acknowledge and embrace the discomfort as an expected and normal part of the learning process. As described by Satya Nadella, CEO of Microsoft, leaders must shift from a "know it all" to a "learn it all" mindset. This shift in mindset can itself help ease the discomfort by taking the pressure off of you to have all the answers.

2. Distinguish between complicated and complex. Most of us use the words "complex" and "complicated" interchangeably when, in fact, they represent critically different circumstances. For example, tax law is complicated, meaning it is highly technical in nature and difficult to understand, but you can break the problem down into discreet parts, consult with an expert (or several), and generally find a solution.

Conversely, complex challenges contain many interdependent elements, some of which may be unknown and change over time in unpredictable ways. In addition, an action or change in one dimension can result in disproportionate and unforeseen outcomes. As an example, foreign policy and climate change are complex challenges. While there may be no shortage of opinions on these topics, there are no clear solutions. As a result, solutions to complex challenges typically emerge through trial and error and require the willingness, humility, and ability to act, learn, and adapt.

3. Let go of perfectionism. In a complex environment, the context is continually shifting; thus, aiming for perfection is futile. Instead, aim for progress, expect mistakes, and recognize that you can continually course correct as needed. For high achievers, prone to perfectionism, egos and desired identities (for example, of being successful or "the expert") can get in the way. To let go of perfectionism, identify and acknowledge your specific core fears that are triggered—such as "I'll fail," "I'll look bad," or "I'll make the wrong decision." Underlying these fears is an often implicit and unexamined assumption that "if any of these fears come to fruition, I wouldn't be able to recover from it."

We've worked with several clients over the years to help them actively debunk these assumptions by having them talk with others they respect about the role of mistakes or failure in their careers. They hear a lot about learning, new opportunities, and professional growth that emerged as a result, but never the career-ending catastrophes that they imagine. Loosening the grip of these assumptions over time can allow you to let go of perfectionism and accept that mistakes and failure are to be expected along the way.

4. Resist oversimplifications and quick conclusions. It's tempting to oversimplify complex challenges so that they seem less daunting. For example, breaking a challenge into its respective components can help you feel like you have a greater command of the challenge at hand, but it can also narrow your view and obscure critical interdependencies, leading to a false sense of security. Likewise, drawing analogies from challenges that you've faced

Solutions to complex challenges require the willingness, humility, and ability to act, learn, and adapt.

in the past can be useful but can also lead you to miss the unique nuances of the present challenge.

Many high achievers have a bias for action and become quickly frustrated when facing challenges that don't present an evident solution and clear course of action. Instead of caving to the desire for quick resolution, leaders must learn to balance their need for action with a disciplined approach to understanding both the core problem and their own biases. For example, hiring a DEI leader at an organization, by itself, is insufficient if more-systemic issues like outdated recruiting, promotion, development, and compensation practices go unaddressed.

5. Don't go it alone. Many of the leaders we work with report feeling isolated as they face the continuous change and uncertainty in the challenges they face. Part of their sense of isolation comes from an implicit belief that they need to solve all the issues themselves. As the complexity and volume of our workload increases, our natural tendency is to double down on our focus and individual efforts. When facing relatively short-term challenges with known solutions, this can be an effective strategy. However, when facing challenges where the full scope of issues and interdependencies, let alone solutions, are unclear, it can be a disaster. Instead, this is when it's most important to cultivate the practice of intentionally reaching out to your network and beyond for insight and perspective.

There is an inherent limit for each of us regarding what we can know and our ability to have an objective perspective on any given situation. Yet, we can exponentially expand our knowledge and perspective by cultivating and connecting with a network of peers and colleagues—each with their own set of experiences and perspectives. As stated by one CEO client, "When I'm trying to make sense of a complex issue, the first thing I do is reach out to people whose opinion I value and whose experience is in some ways different from mine. I want to know 'How are they are looking at the situation? What's their point of view? Whom else should I talk to?'" He went on to explain, "It's not so much that I expect them to have an answer as I want to plug into their thinking and their sources."

6. Zoom out. Leaders often get stuck in the challenges they face because they are too immersed in them. "Zooming out," or moving from "the dance floor to the balcony," as described by Ron Heifetz, Marty Linksy, and Alexander Grashow in *The Practice of Adaptive Leadership: Tools and Tactics for Changing Your Organization and the World* (Harvard Business Press, 2009), provides you with a broader perspective and a systemic view of the issues and can shine a light on unexamined assumptions that would otherwise not be visible. From this "balcony" or elevated vantage point, interdependencies and larger patterns become observable, potentially revealing unforeseen obstacles and new solutions. This more holistic perspective allows for greater adaptability and course correction, when needed. Making a regular practice of conducting this dance floor–balcony shift, you can build your capacity to see the bigger picture and become more agile.

It seems that any given week provides ample reminders that, as leaders, we cannot control the degree of change, uncertainty, and complexity we face. However, adopting the strategies above can improve our ability to continually learn, grow, and more effectively navigate the increasing complexity of our world.

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5. The Best Strategic Leaders Balance Agility and Consistency

→ by JOHN COLEMAN

AS A FORMER consultant, I have a deep and abiding love for the use of 2×2 matrices in business strategy. My favorites are those that highlight two factors that seem, at first glance, in conflict. I find these particularly relevant to personal development, as individuals often must resolve the tensions between competing values and traits and carefully monitor their own strengths so that those strengths don't lapse into weaknesses.

I've recently been thinking about this with regard to how leaders can be more strategic and able to effectively execute the core of their business while remaining open to trends in the market and adapting to meet them. I've begun to view this as the ability to hold two specific traits in balance: consistency and agility. You can picture it like this:

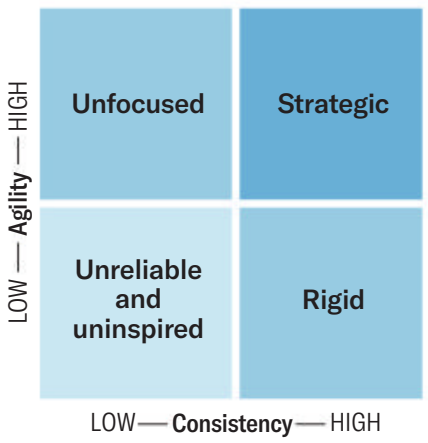
The best performers are, of course, consistent. Consistent leaders work hard and show up on time. They set goals for themselves and their employees, and they achieve them. They plan diligently and produce excellent products and experiences for clients time and time again. They are industrious and possess resilience and grit. Consumers expect consistent products; people appreciate consistent management.

But if organizational leaders are merely consistent, they risk rigidity. In changing environments, they can struggle to adapt and may cling to old habits and practices until those practices become counterproductive, distracting them from the more important new work that needs to be done.

On the other side of the spectrum, great leaders are agile. Markets demand that companies and people adapt and change constantly. By one analysis, 88% of companies appearing on the *Fortune* 500 list in 1955 were not on it in 2014 (having merged, gone bankrupt, or fallen off the list). As we know, buggy whip makers and telegraph companies must evolve or die. And the most successful managers must change similarly as they assume additional or different responsibilities throughout their careers, moving from head of sales to COO or from CFO to CEO. These leaders must pivot when needed, and agility requires that they be

Agile visionaries should find a structured, methodical, and disciplined deputy or peer.

Strategic Leaders Must Be Agile and Consistent at the Same Time



intellectually curious, ready to learn from others, communicative, collaborative, and willing to change.

But just as consistency can become rigidity, agility can become a lack of focus when it isn't tempered by consistency. Purely agile leaders may be visionaries and change agents but lack the single-mindedness and dedication to execute their visions. They often turn to new projects before they've finished prior projects and, in extreme cases, force their teams or organizations into chaos and instability.

It's in the combination of consistency and agility that leaders can become strategic, performing an organization's purpose with excellence but changing course when the situation demands. These leaders have high quality standards, achieve goals, and expect consistency, but they are also open to change, keep an eye on the external environment, and understand when old ways of working no longer pass the test of the market in which they compete. They stay the course until it no longer makes sense and combine continuous improvement with ideation and strategy.

Of course, few individuals are equally consistent and agile, just as few people are ambidextrous. So how can leaders hold these traits in balance?

First, to paraphrase Socrates, "know thyself." Are you more prone to consistency or agility? Are you more naturally capable of deep focus or ideation? Do you thrive in periods that require relentless pursuit of a clearly defined goal or in situations of chaos and rapid change? If in doubt, ask a spouse, best friend, or close work colleague—they almost always know. Understanding and accepting our tendencies is the foundation for growth.

With that understanding in hand, surround yourself with others who complement your traits. For managers, it's wise to find a strong "number two" who can check your worst impulses and enhance your strengths. Are you an agile visionary? Find a structured, methodical, and disciplined deputy or peer. If you are a consistent operator, find a strong voice for agility on your immediate team or a mentor to push your creativity, no matter how frustrating that might be. And empower those people to speak up and challenge you.

Complement this organization model with operational process. To ensure consistency, develop strong dashboards and balanced scorecards to assure outcomes are consistently reached and continually improving. To assure agility, develop a fluid planning model that allows the organization to change outside of the formal annual planning process and create an annual strategic planning process that looks outward to the external environment and forces the organization to contemplate big ideas. As an individual, do this for yourself, perhaps as an end-of-year exercise, to make sure you're pointed at the right goals and aspirations for where you are as a leader.

Finally, with these people and processes in place, seek to learn and grow. If you're naturally an agile thinker, you may never be the most consistent operational manager (and some research would argue against attempting it), but you can get better. And you can often do so simply by consciously observing what's working around you and then forcing yourself to learn and grow. Make note of those traits you admire in others—those that complement your own—and find ways to practice them.

As leaders, all of us will be forced to balance consistency and agility in our careers and in the organizations we serve. Are you doing so today? If not, do you understand yourself and have you thought about the people and processes around you that can help move you into greater balance?

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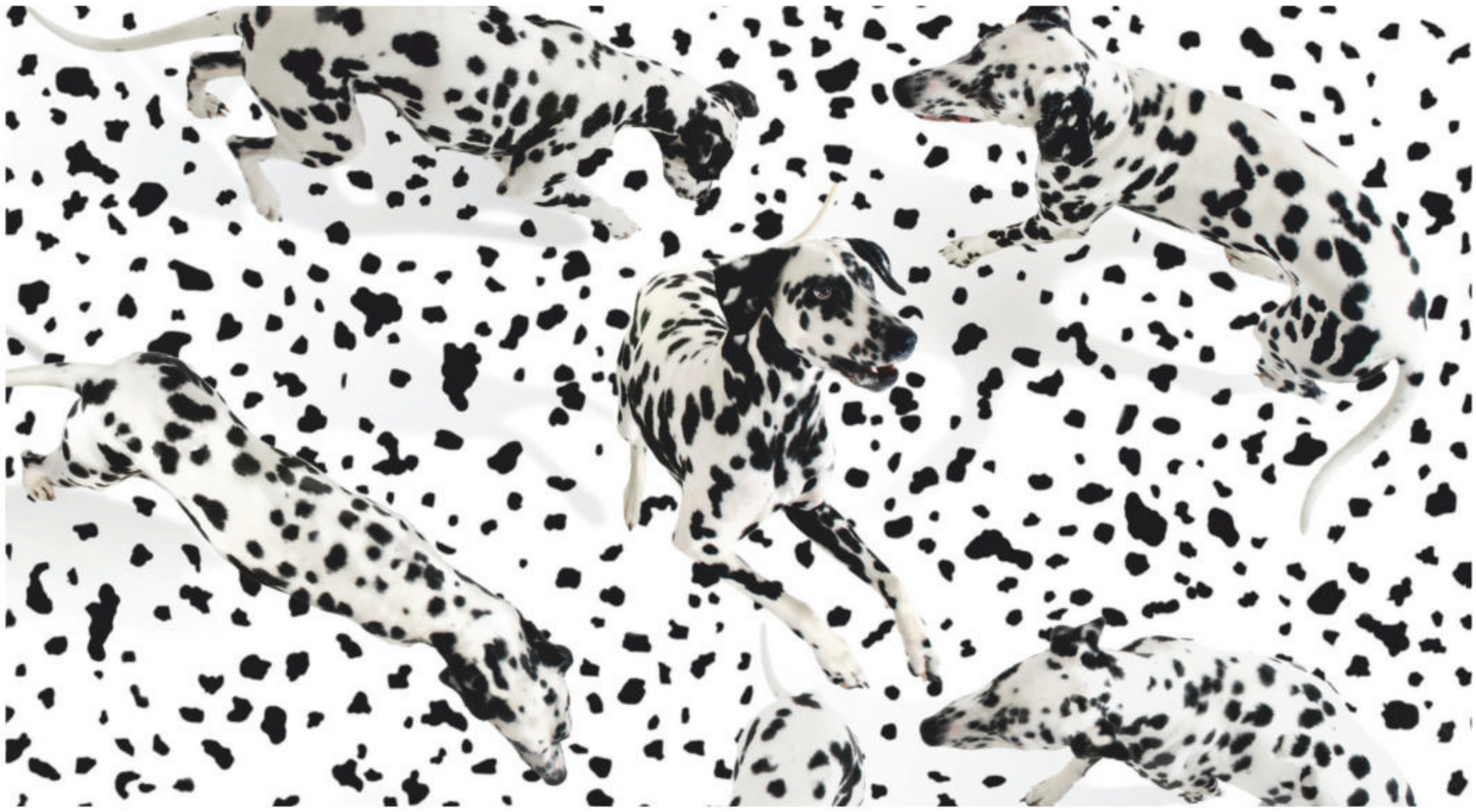

GANDEE VASAN/GETTY IMAGES

6. How to Manage Someone Who Can't Handle Ambiguity

→ by MANFRED F.R. KETS DE VRIES

JOAN, A SENIOR executive I coached once, had many excellent leadership qualities. She was creative, hardworking, and extremely knowledgeable about her industry. But most people working with or for her also found her impossible to deal with. Rigidly opinionated and prone to angry outbursts, she was constantly critical of everything and everyone and played vicious office politics. With Joan, you were either for her or against her—there was no middle ground. She would deal with only the people she perceived as "good" and lost no time in vilifying those she perceived to be "bad." The consequence of this behavior was intense strife wherever she went.

After she got a very negative 360-degree feedback, Joan's boss laid it on the line: She needed to change her behavior or she would not get the promotion she was expecting. At the same time, cognizant of Joan's qualities and contributions to the success of the company, he arranged for me to support her as she worked on trying to change.

Many of us have come across a Joan, who is what psychologists would call "bivalent," a person who splits the world into friends and enemies, seldom

examining their own behavior and attitudes. The strategy is as old as human nature. Everywhere we go, we fall into interpreting the world in binary terms: good and bad, negative and positive, hero and villain, friend and foe, believers and unbelievers, love and hate, life and death, fantasy and reality, and so on.

Like most behavioral patterns, splitting originates in childhood. It is related to insecure or disrupted attachment behavior patterns. How the caregiver interacts with the child is the major factor in the child's ability to subsequently form relationships effectively. If the child is exposed to strife and discord early in life, before they have learned to tolerate ambiguity, it is more likely that they will cope by categorizing people and situations as either all good or all bad.

Essentially, splitting is a failure to integrate the positive and negative qualities of one's self and of others. People like Joan struggle to accept that they can have both positive and negative feelings about someone or something, and splitting gives them clarity, of a sort. They are able to take a confusing mass of experience or information and divide it into meaningful categories. But the cognitive distortion brought on by viewing a multifaceted complex world through a binary lens means that we are bound to miss out on essential details.

Coaching bivalent executives isn't easy, whether you're a professional coach or a manager trying to help them learn to interpret the world around them in a more productive way. They resist interventions, quickly interpreting any attempt at behavioral change as an attack. You have to begin by helping them acknowledge that they don't understand as much as they think they do about their own inner thoughts, beliefs, desires, and intentions—let alone anyone else's. And it is extremely difficult to interpret other people's desires and motives accurately unless you understand your own.

A good way to do this is to turn the lens of analysis onto the relationship you have with each other first. When something happens within your relationship, work together to explain what happened and why, exploring alternative interpretations and intentions from both points of view. This gives the person you're coaching an opportunity to contrast their perception of themselves and their perception of you. It is particularly important for them to learn that their anxiety narrows their focus, so they end up concentrating only on potential threats.

In addition to focusing the engagement on our relationship, I also encourage the bivalent people I coach to keep a diary in which to reflect on each day's events. Recording thoughts explicitly helps people think about them more deeply, an essential step in making them more effective at replacing negative self-defeating thoughts with more-nuanced, realistic ones. When you actually find yourself writing down your perception that your boss was late at a staff presentation you organized because they want to undermine your credibility with your reports, for example, you are more likely to question the reality of that perception.

This two-pronged approach helps people start to pay attention to their feelings and try to stop and think about what is happening before reacting. By using our relationship as an experiment and by keeping a diary, Joan gradually learned to bring her impulses under some control. This helped her realize that at work she was projecting her own fears and insecurities onto others. Slowly but surely, she became ready to accept that we all have flaws, and not everything is either black or white. After a year of learning to let in the gray, she got the promotion her boss had previously ruled out.

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How Good Is Your Company at Change?

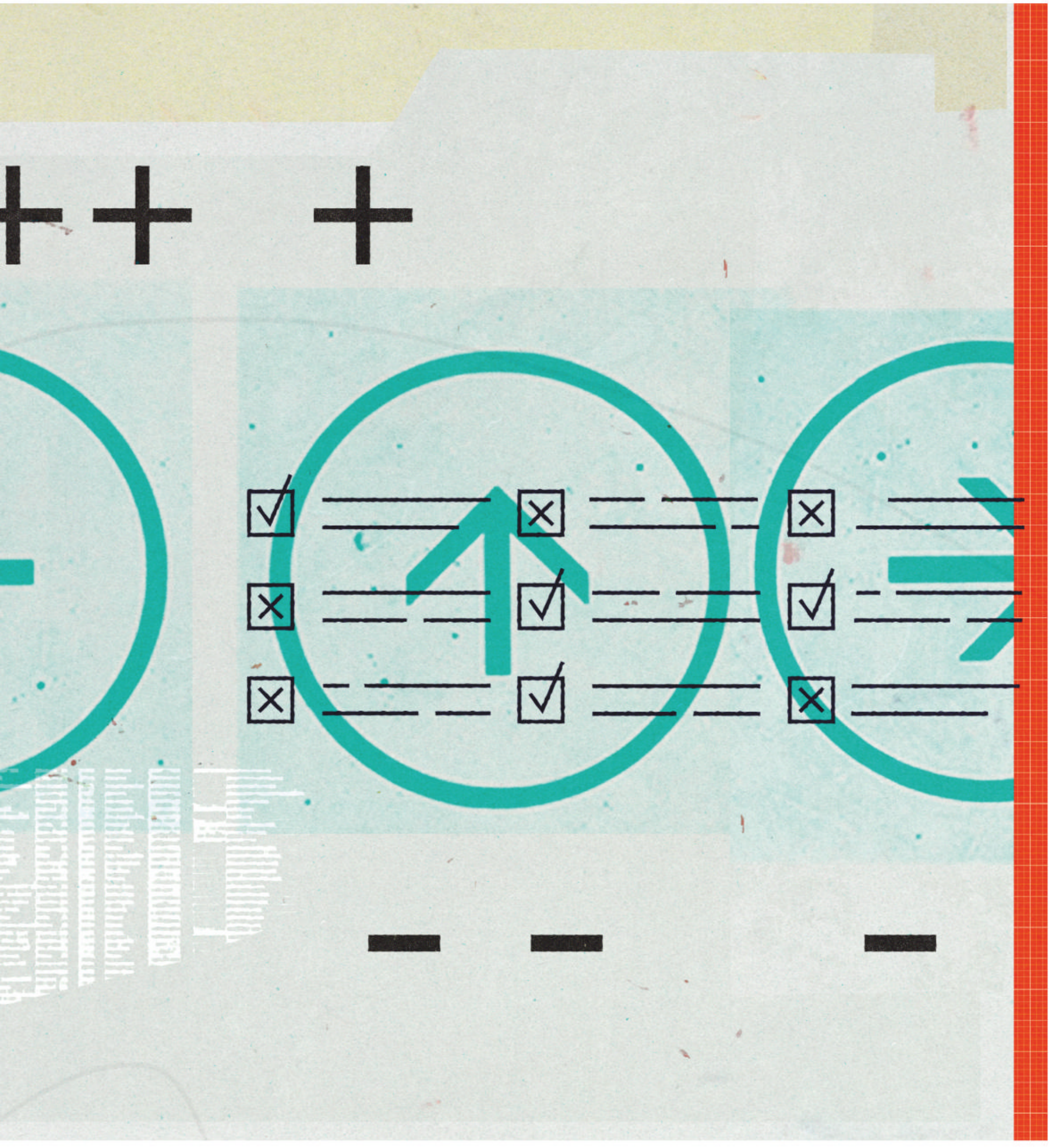
A new system for measuring (and improving) your ability to adapt

→ by DAVID MICHELS and KEVIN MURPHY

IT WAS A MONTH like no other that Delta Air Lines had ever experienced: March 2020. Travel bans and rising coronavirus fears sent bookings into negative territory—more customers were canceling upcoming trips than booking new ones—and at the nadir the airline cut 85% of its flights. Not even the terrorist attacks of 9/11 had precipitated such a sharp drop in business, and the decline was accelerating each day.

Unprecedented change required a serious response. A week after the United States locked down, Delta began calling big corporate clients and surveying leisure travelers. What can we do, the company asked, to make you more comfortable with air travel? Customers consistently said they just

Illustration by **MR. NELSON DESIGN**



didn't feel at ease being seated next to strangers, even with mask requirements, improved air-circulation technology, and heightened cleaning.

Though it would be costly, the best response, Delta executives decided, would be to block the sale of middle seats. In the first week of April 2020, when Delta's CEO, Ed Bastian, made the decision, planes weren't filling up anyway, so the immediate impact was muted, but Bastian and his team were playing the long game. According to Paul Baldoni, Delta's vice president of Americas pricing and revenue management, the goal was to help customers relax about traveling—in that difficult moment and over the long term. Indeed, Delta kept its block in place for 12 months, until May 1, 2021, by which time, management argued, vaccines and a decline in overall cases had customers feeling much more secure about flying in full cabins again.

Delta made the decision to block the sale of middle seats relatively quickly. But implementing it wasn't easy. As a legacy airline, the product of multiple mergers over the years, Delta has many different technology systems. Instituting a change of this magnitude across all those systems, executives knew, would be complicated. They drew up a list of 25 to 30 things they would need to do to succeed, from adjustments to the digital site to internal and external communications about the new policy. As they worked through their to-dos, and as more levels of the organization became involved, that list grew to hundreds of items.

To help ensure that no one was placed in a blocked seat, for example, the company laminated cards detailing the new policy and distributed them to gate agents and flight attendants—a simple fix, but it worked. Over time, though, Delta shifted from emergency fixes to systemic changes. "We start with the quick solution," Baldoni says, describing its approach, "and then look at how we can make it more efficient." Soon the company was building new rules into all its technology systems, which allowed it to automatically determine passenger limits by plane model. Many of Delta's competitors eventually followed suit, though often with less clear-cut policies, and most dropped the restrictions within a few months.

Delta's quick response to the pandemic illustrates how a large-scale, complex organization can lean into its strengths and effect major change in rather short order. In the fourth quarter of 2020 removing the middle seat left the airline with 9% fewer seats to sell than its competitors had, but even so, Delta's revenue was 12% higher than the average of American, United, and Southwest combined—a difference management sees as an indication that its customers were willing to pay for the extra space. Delta's overall Net Promoter Score also skyrocketed to an all-time high, demonstrating that its long-term focus paid dividends.

The lesson: A company's capacity for change matters. A lot.

Determining Your Change Power

We talk to executives all the time, all over the world, and no matter how we start out, we always end up discussing change. These executives are seasoned professionals—experts in their fields, with a deep understanding of their companies and their markets, and usually very well schooled in the art of management. But the current business landscape is evolving so rapidly and unpredictably that they are full of questions about change. *How much?* they want to know. *How fast? How sustainable?* And sometimes just *How?*

In our experience companies can't hope to answer these questions unless they understand their own capacity for change. Traditionally that has been hard to determine, because they've lacked effective tools for measuring it. To paraphrase the old adage: If you can't measure it, it sure is hard to address.

Two years ago, in response to the rising chorus of questions, we began devising a system to help companies measure their capacity for change—their *change power,* as we call it. Some people were skeptical. The idea seemed impractical, even quixotic. How can you possibly measure something as amorphous and intangible as the capacity for change? But the more we thought about it, the more we felt that question demanded an answer. After all, we have metrics for many things in business today that once seemed impossible to measure. Just a few decades ago companies had no good measure of customer loyalty. Then, in this magazine, our Bain colleague Frederick Reichheld introduced the Net Promoter System. Today NPS is so widely accepted as a barometer of success that many companies report it to their investors. That example inspired us to

Some people were skeptical. How can you possibly measure something as amorphous and intangible as the capacity for change?

develop a roughly analogous system for measuring change power.

We had been studying corporate change efforts for more than a decade, tracking which programs worked and which didn't. From that research we identified nine common traits and abilities that make companies excel at change: *purpose, direction,* and *connection* (necessary for leading change); *capacity, choreography,* and *scaling* (necessary for accelerating change); and *development, action,* and *flexibility* (necessary for organizing change). Delta Air Lines has strengths in each of the three groups, which helps explain why it responded so well when the pandemic hit, relative to its competitors. The company is particularly strong in purpose, connection, and action.

To determine the change profile of an organization, employees are asked to score it on statements related to each of the nine traits. The scores are combined to get an overall change power number, which provides a ranking relative to competitors and other companies on our change power index.

In developing our system we conducted a survey of close to 2,000 employees from 37 large global organizations representing a variety of industries. What we found is that a company's change power is a strong predictor of its performance. Companies that appear in the top quartile of the index are more profitable, with margins twice those of companies in the bottom quartile. Companies in the top half grow revenue up to three times as fast as do companies in the same industry that rank in the bottom half. Each move into a higher decile on the index (from, say, the 50th to the 60th percentile) correlates with a margin improvement of 150 basis points and an increase in total shareholder return of more than 250 basis points. In addition, companies that appear in the top quartile of the index tend to have leaders and cultures that rate significantly higher in the eyes of their employees than those in the bottom quartile, and they have employees who feel more inspired and engaged. These findings on leadership, culture, inspiration, and engagement were consistent with Glassdoor rankings for the same companies.

What we learned in our research convinced us that change power is a valuable metric for companies to focus on. By working to understand their capacity for change, they can identify their strengths and weaknesses, take stock of how they compare with their competitors, and use that knowledge to develop focused plans for getting better at change.

Four Common Archetypes

Every company will have its own balance of factors that affect change power. But we've found that most fit a pattern corresponding to one of four common archetypes: *In search of focus, stuck and skeptical, aligned but constrained,* and *struggling to keep up.* Each archetype has its own symptoms and remedies.

In search of focus. This archetype describes 37% of the companies we reviewed. Their strength is their energy. They're beehives of activity and have had many successes. They're constantly innovating, and their people have the capacity to take on a lot. But, like young

Idea in Brief

THE PROBLEM
In today's rapidly evolving business landscape, companies need to understand their capacity for change. But until now, that capacity hasn't been easy to determine because we've lacked effective tools for measuring it.

THE SOLUTION
To gauge the capacity for change, the authors have created a system that rates companies on nine common traits and abilities. These ratings illuminate strengths and weaknesses—and allow companies to determine their overall change power.

THE BENEFITS
Change power is a strong predictor of performance. Companies with high change power scores are more profitable, grow revenue faster, offer better shareholder returns, have leaders and cultures that are more highly rated, and are home to more-engaged employees.

Success will come only from reigniting the enthusiasm of your teammates, which starts with convincing them that they can in fact succeed.

children playing soccer, everyone in these companies seems to be chasing the ball. Statistically, this group shows weakness in the traits of purpose, direction, and connection.

To address this, leaders should focus on the big picture, connecting company activities to purpose and strategy. Defining a multiyear ambition—and then telling and retelling the story of how you and your company will make that ambition a reality—is important to a sense of common purpose. It can also be helpful to identify top initiatives and assign them to agile teams that connect various disciplines, functions, and parts of the organization. But you must prioritize ruthlessly: To stay focused on the best initiatives, you'll have to say no to some good ones.

Delta has harnessed its proclivity for action by focusing on purpose and connection during this time of change. The company has accelerated a number of its airport-renovation projects despite the drop in air travel, and it is now 18 months ahead of schedule on one of the biggest: a $1.9 billion project to connect and refurbish two terminals at LAX in Los Angeles. Speeding up construction meant closing an entire terminal, so Delta management worked with frontline employees to understand what the implications would be, from mapping new shuttle bus routes to adjusting staffing. Executives consistently made the case with employees for the value of new technology and the better door-to-door customer experience the upgrades would enable. To build connection and ensure that its workforce felt part of the process, Delta (which, unlike many other airlines, manages its own construction projects) invited all employees, from gate agents to pilots, to come out and sign the beam that would be placed over the new terminal entrance before it was hoisted into place. "It's making everybody a participant in the process," says Mark Pearson, Delta's vice president for corporate real estate. "Change is hard. People don't like change in general. The more you can get people excited about better service, the community, a better airport, the better."

Stuck and skeptical. Of the companies we reviewed, 20% fit this archetype. They have good ideas and a history of success, but too much of their change gets stuck at the local level. They tend to underestimate the full scope of what they have taken on. They are commonly weak in connection, scaling, and action. Innovations seem to stall and don't spread across the organization. That makes people impatient: How can all our hard work have so little impact? The elusiveness of success comes to feel almost unfair. Skepticism, even hopelessness, grows.

No single leader can lift a whole company out of this state. Success will come only from reigniting the enthusiasm of your teammates, which starts with convincing them that they can in fact succeed. One way to do that, and to build energy fast, is to quickly put some wins on the board.

A few years ago, the CEO of one of the world's largest transportation and logistics companies found himself in exactly this situation. After a year of hard work on a strategic transformation designed to ease competition with digitally native rivals, he noticed that the pace of change seemed to be slowing. This was frustrating. There was still so much to do. His team struggled to convey the urgency of the challenge. Operating in a highly competitive, increasingly commoditized industry, the front line was focused on day-to-day execution and thus easily distracted from the broader strategic challenges.

After some debate over the best approach, the company's leaders tried something they had never done before. They invited 40 influential and respected executives from across the company to meet at the European headquarters. Their task was to create a shared story of the company's future—its common purpose. Together they would articulate why they had to change and what was needed to get there.

Two days later they had come up with a narrative that they all owned. It did more than set targets and make logical arguments. It had emotional goals: to create a sense of belonging and purpose at all levels, to tap into the staff's love of the industry, and to cultivate a culture of caring, humility, and honor. The 40 leaders returned to their respective markets around the world inspired, aligned, and connected. They were able to catalyze the next phase of transformation for the company, including an energetic new focus on data analytics and artificial intelligence, which they are now using to improve capacity utilization, cut energy usage, and better predict and plan for required maintenance.

Aligned but constrained. This archetype applies to 24% of our companies, which share important strengths: Their employees work well as a unit, have locked arms, and are headed in the

same direction. Early success heightened their expectations, and now they find themselves pushing against hard constraints. These companies often don't have the people they need to fill key roles in managing greater amounts of change and its accumulating disruption. Picture running a race in the mud. Each step requires more energy than the one before, which saps optimism. Teams that fall into this category struggle with connection, capacity, and development.

To counter these problems, companies need to identify and address their capacity bottlenecks. They may have to reorder their priorities and add resources where most needed. That involves closing key capability gaps across the organization by bringing in new talent and helping existing talent develop new skills.

Talent development has played an important role at Worley, a global company that provides professional project and asset services to the energy, chemicals, and resources sectors. During the past six years the company has met a series of difficult challenges and established a record of effectively managing change. The first challenge came when a glut of oil overwhelmed a slow-moving economy, causing prices to plunge by 70% from mid-2014 to early 2016. With many of Worley's customers and much of its revenue vulnerable to changes in the price of oil, the downturn forced a significant restructuring.

According to Worley's CEO, Chris Ashton, the stark circumstances demanded that the company create a transformation team staffed by its best people—those with the ability to learn quickly on the job and engage the broader organization. Many of these people were emerging leaders, and the operations they worked for often had a difficult time letting them go. But given the circumstances, they had little choice. The new team built a turnaround strategy that helped Worley survive the shock. And for the leaders who took part, it was a big development opportunity, says Francis McNiff, the company's executive group director of transition and change, who estimates that the time they spent on the transformation team probably accelerated their careers by several years. When they returned to the business lines, these leaders were armed with a new network of connections from across the organization and quickly became effective local evangelists for the company's strategy.

Worley followed a similar blueprint in 2019, when it merged with the energy, chemicals, and resources division of Jacobs Engineering Group: It assembled a team that was able to ensure a successful integration of the businesses. Then, in 2020, came the "double black swan" of Covid-19 and another oil-market crash. "We had to get right back on the horse," says Mihaela Carpo, a member of the new transformation team. Job one for the team: almost immediately equipping 45,000 people to work from home. Carpo, now the director of Worley's Group Project Management Office and Innovation, gained confidence in earlier transformation projects. "If this had happened a few years ago," she says, "I'm not sure if we would have been able to mobilize everybody as quickly or know what to do or what levers to pull. The last few years prepared us for this."

The Elements of Change Power

Nine traits and abilities help companies excel at change. Understanding your strengths and weaknesses in these categories allows you to determine your capacity for change and to create a blueprint for increasing it over time.

ELEMENT	FUNCTION
Purpose	Creates a sense of belonging; guides decisions and inspires action
Direction	Translates your purpose into a plan; clarifies where you are going and how to get there
Connection	Taps into the social side of change; creates networks of influencers and fans
Capacity	Defines the limits of change; allows you to absorb more change
Choreography	Helps you be more dynamic; adjusts change priorities and sequences moves
Scaling	Creates a virtuous cycle; spreads innovation and amplifies impact
Development	Prepares you for growth; builds learning and change capability
Action	Builds momentum; fosters a can-do mindset and a bias for change
Flexibility	Helps you stay in front of change; redefines how you work and even what work is

What Kind of Company Are You?

To better understand your organization's change archetype, consider these questions.

In search of focus

- Are your teams uncertain about where the business is headed?
- Is there an ongoing debate about direction?
- Do your efforts feel disjointed?

Stuck and skeptical

- Do new ideas get stuck where they originate?
- Do people across the organization feel disconnected?
- Do results take longer than they should

Aligned but constrained

- Do you feel as if you're moving through mud?
- Do you worry you don't have the right talent to deliver?
- Do you struggle to get your arms around everything that's going on?

Struggling to keep up

- Are your teams weary?
- Do you seem to be losing the battle for energy?
- Are you slow to make decisions and adapt your approach as conditions change?

Worley recently tapped more than 1,000 people, from support staff to PhDs and senior executives, for 70 structured workshops held around the world and designed to help develop and codify a shared purpose and values for the company. At them, groups of 20 to 25 people spent three to four hours exploring questions about what got them out of bed in the morning, what they saw as the company's greatest business opportunities, what behaviors they believed were key to success, and what they understood Worley's key strengths to be. Karen Sobel, the group president of Worley's business in the Americas, took part in a number of workshops. She recalls that at a large fabrication facility in Norway, teams working in a mix of Norwegian and English really put their hearts into it. "It allowed the people in our organization to tell their story and share their perspective on the direction they thought the company should take," she says.

The workshops produced a huge amount of data that the team distilled into a core purpose—"Delivering a more sustainable world"—and four company values. According to Ashton, everybody from "graduates to grandparents" agreed that this was the right focus, and the process gave employees a valuable feeling of connection. That sense of purpose, he says, became "a powerful force for change."

Struggling to keep up. Among the companies we reviewed, 19% fit this archetype. They're like teams of cyclists in the Tour de France, battling a grueling race of many stages. Each day the riders must adjust to changing terrain, unpredictable weather, and the strategies of their competitors. They must plan how they'll work as a team, supporting and even sacrificing for one another. They're great athletes whose single-minded focus and action orientation have delivered results. As the race wears on, fatigue sets in, and adaptability becomes increasingly important. But these companies struggle to cope because they're weak in choreography, scaling, and flexibility. Their single-minded focus, once a virtue, begins to morph into a vice.

Companies in this category need to get better at anticipating what's around the corner and changing their plans accordingly. To catalyze this shift, they must first take stock. Is their strategic direction still the right one? If not, they need to reprioritize and reallocate resources to be ready for the next leg of the race.

Seven years ago Assurant began just such a transformation. In 2014 it was an insurance holding company, a conglomeration of independent businesses acquired over several decades by its former Dutch parent. Each division had its own chief executive and its own leaders of finance, IT, HR, marketing, distribution, and operations. The business units were so distinct that in 2015, when its recently appointed CEO, Alan Colberg, traveled to Atlanta to meet with senior leaders from three of the company's businesses, he discovered that those executives had never been together in one room, even though they worked in the same office building.

Not long after that, it became clear that Assurant's health insurance business—the oldest in the company's portfolio but recently upended by market changes created by the Affordable Care Act—no longer had a sustainable

Among the companies we reviewed, 19% are like teams of cyclists in the Tour de France, battling a grueling race of many stages.

business model. Colberg and the board seized the opportunity to make dramatic changes. Since then Assurant has exited three of four business segments, made a number of significant acquisitions, and centralized many functions. "It's been perpetual change," says Keith Demmings, a 24-year veteran of the company who will succeed Colberg at the end of 2021.

Constant change has led to a lot of questions at Assurant, so management has put a strong focus on communicating its strategy to employees and making the case that as the business evolves, they personally can have a bright future at the company. Today half of every meeting with employees is devoted to Q&A, and executives are always on the lookout for signs of change overload. "I step back every once in a while," says Francesca Luthi, Assurant's chief administrative officer, "and ask myself, Can we still absorb all this? Because it has been fast and furious. There are opportunities for growth, to stretch yourself, but is this just too much? Are we going to break?" Since Colberg became CEO and began to shift its operating model, Assurant's annual shareholder return has risen to 14.6%, up from 10.1% in the decade prior.

According to Luthi, Assurant in recent years has developed new "muscle" and "elasticity" and as a result is better equipped than ever to handle change. The company is more open now to trying new things—and to learning from failure. It has trained 1,000 employees in agile principles of IT management and has introduced a new focus on customers, innovation, testing, and learning.

Steps to Take Now

We live in unprecedented times, and our challenge as leaders is to build businesses that will thrive in a world of unpredictable and accelerating change. So what can you do to boost your change power?

1. Get the facts. Too many companies and executives are wandering in the dark, speculating about what might or might not be. Dig in, determine your change power baseline, and understand where you are relative to your competitors. Identify specifically what you can and must improve. Small moves now are better than big ones later—test, learn, and iterate, as Delta did when implementing its middle-seat block.

2. Disrupt how you work. Approach your current and upcoming changes by thinking not in terms of distinct projects but, rather, in terms of an organizational shift—just as Assurant did when it transformed itself from a disjointed group of independent operators into an organization focused on evolving toward a shared future. Consider these changes a balance-sheet issue and invest actively to build the strength necessary for sustained success.

3. Mobilize your leaders. Transformations provide the best training ground for the next generation of leaders. If you want to disrupt old patterns, embrace a new approach, and improve critical change capabilities, you've got a lot to do: You'll need to orchestrate a team effort, develop a shared ambition, and map an action plan. That's what the logistics company's 40 executives did at their European retreat.

MORE THAN EVER before, companies need to measure, understand, and boost their capacity for change. The ideas we've laid out in this article can help with that. By studying and improving your change power, you can build a nimbler and more resilient organization and become a more formidable competitor in the process.

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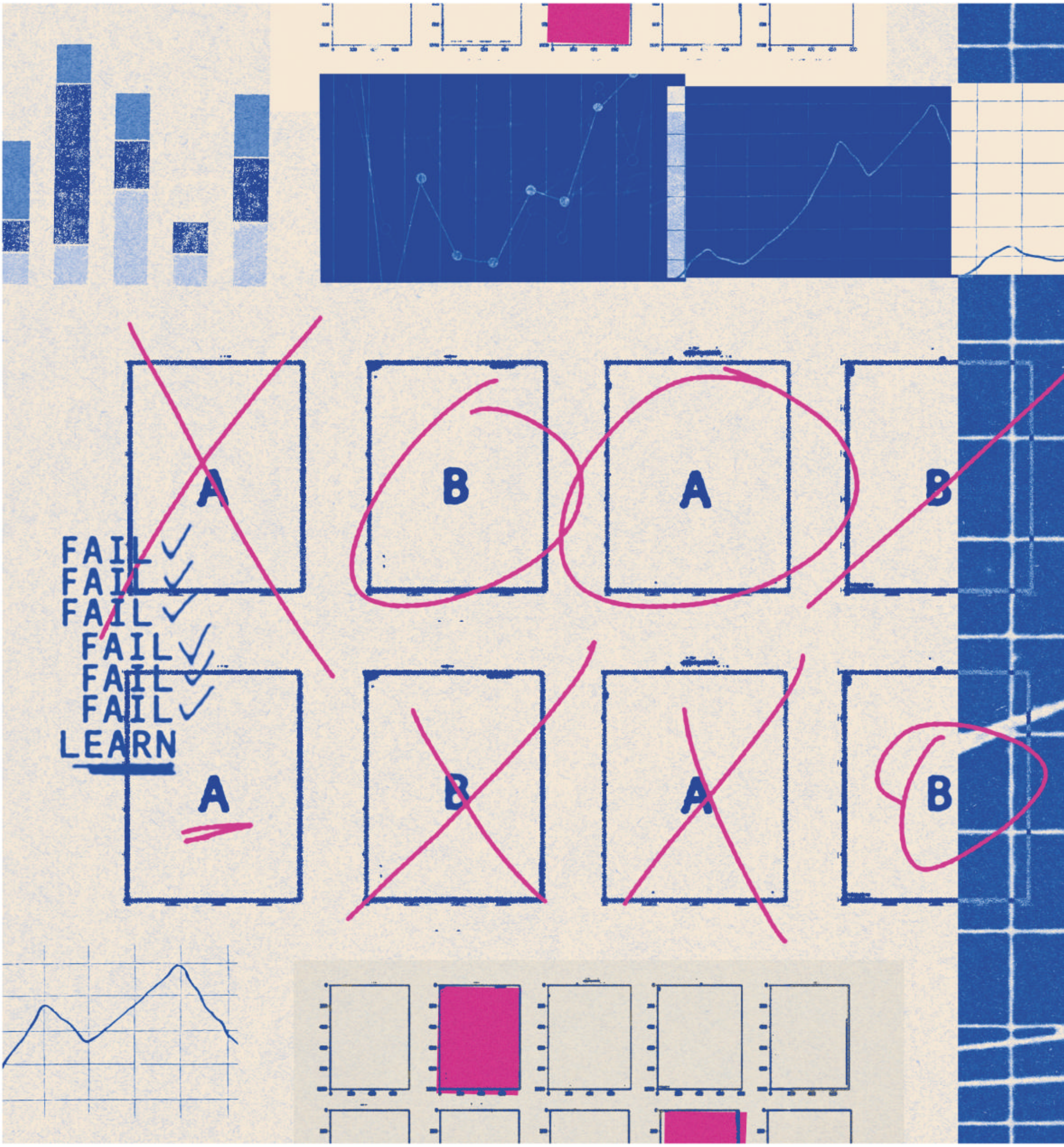
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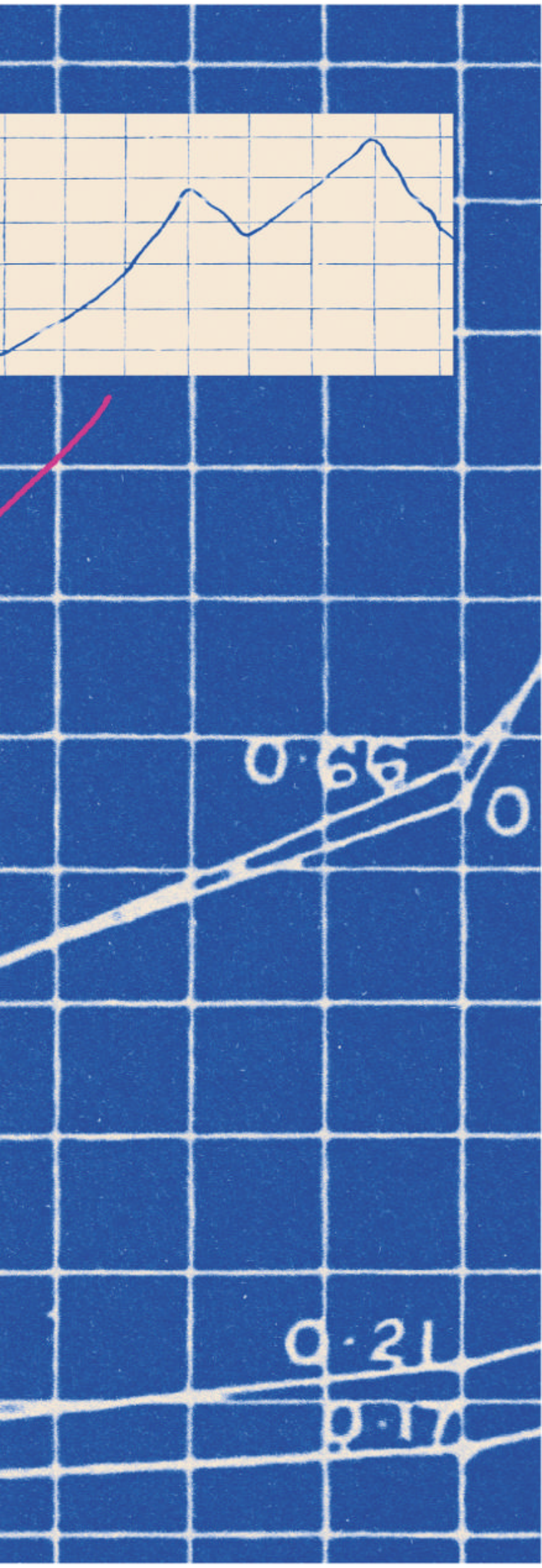

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Building a Culture of Experimentation

It takes more than good tools. It takes a complete change of attitude.

→ by STEFAN THOMKE

IN DECEMBER 2017, just before the busy holiday travel season, Booking.com's director of design proposed a radical experiment: testing an entirely new layout for the company's home page. Instead of offering lots of options for hotels, vacation rentals, and travel deals, as the existing home page did, the new one would just feature a small window asking where the customer was going, the dates, and the number of people in the party, and present three simple options: "accommodations," "flights," and "rental cars." All the content and design elements—pictures, text, buttons, and messages—that Booking.com had spent years optimizing would be eliminated.

Gillian Tans, Booking.com's CEO at the time, was skeptical. She worried that the change would cause confusion among the company's loyal customers. Lukas Vermeer, then the head of the firm's core experimentation team, bet a bottle of champagne that the test would "tank"—meaning it would drive down the company's critical

Illustration by **MR. NELSON DESIGN**

performance metric: customer conversion, or how many website visitors made a booking. Given that pessimism, why didn't senior management just veto the trial? Because doing so would have violated one of Booking.com's core tenets: Anyone at the company can test anything—without management's permission.

Booking.com runs more than 1,000 rigorous tests simultaneously and, by my estimates, more than 25,000 tests a year. At any given time, quadrillions (millions of billions) of landing-page permutations are live, meaning two customers in the same location are unlikely to see the same version. All this experimentation has helped transform the company from a small Dutch start-up to the world's largest online accommodation platform in less than two decades.

Booking.com isn't the only firm to discover the power of online experiments. Digital giants such as Amazon, Facebook, Google, and Microsoft have found them to be a game changer when it comes to marketing and innovation. They've helped Microsoft's Bing unit, for instance, make dozens of monthly improvements, which collectively have boosted revenue per search by 10% to 25% a year. (See "The Surprising Power of Online Experiments," HBR, September–October 2017.) Firms without digital roots—including FedEx, State Farm, and H&M—have also embraced online testing, using it to identify the best digital touchpoints, design choices, discounts, and product recommendations.

"In an increasingly digital world, if you don't do large-scale experimentation, in the long term—and in many industries the short term—you're dead," Mark Okerstrom, the CEO of Expedia Group told me. "At any one time we're running hundreds, if not thousands, of concurrent experiments, involving millions of visitors. Because of this, we don't have to guess what customers want; we have the ability to run the most massive 'customer surveys' that exist, again and again, to have them tell us what they want."

But in studying more than a dozen organizations and analyzing anonymized data on experiments from upwards of 1,000, I have seen that Booking.com, Expedia, and their ilk are the exception. Instead of running hundreds or thousands of online tests a year, many firms run no more than a few dozen that have little impact.

If testing is so valuable, why don't companies do it more? After examining this question for several years, I can tell you that the central reason is culture. As companies try to scale up their online experimentation capacity, they often find that the obstacles are not tools and technology but shared behaviors, beliefs, and values. For every experiment that succeeds, nearly 10 don't—and in the eyes of many organizations that emphasize efficiency, predictability, and "winning," those failures are wasteful.

To successfully innovate, companies need to make experimentation an integral part of everyday life—even when budgets are tight. That means creating an environment where employees' curiosity is nurtured, data trumps opinion, anyone (not just people in R&D) can conduct or commission a test, all experiments are done ethically, and managers embrace a new model of leadership. In this article, I'll look at several companies that have managed to do those things well, focusing in particular on Booking.com, which has one of the strongest cultures of experimentation I have found.

Cultivate Curiosity

Everyone in the organization, from the leadership on down, needs to value surprises, despite the difficulty of assigning a dollar figure to them and the impossibility of predicting when and how often they'll occur. When firms adopt this mindset, curiosity will prevail and people will see failures not as costly mistakes but as opportunities for learning.

A classic example concerns an incident at Amazon involving a revision of Air Patriots, a game for mobile devices in which players defend towers from attack with a squadron of planes. When Amazon launched a new version of it, the development team was taken aback by the response: The seven-day user-retention rate dropped by an astonishing 70%, and revenue fell 30%. The team discovered that it had inadvertently increased the game's difficulty by about 10%. Amazon quickly shipped a fix, but the developers wondered if making the game easier could produce large *gains* in retention and revenue. To find out, they ran a test with four new levels of difficulty, in addition to a control, and learned that the easiest variant did the best. After some further refinements, Amazon launched a new version—and this time users played 20% longer and revenue increased by 20%. An accident had led to a surprising

It's actually less risky to run a large number of experiments than a small number. If a company does only a handful of experiments a year, it may have only one success—or none. Then failure is a big deal.

insight, which became the starting point for new experiments.

Unfortunately, this kind of reaction is an anomaly. At many companies the risk associated with experiments makes managers reluctant to allocate resources to them. But the gains enjoyed by companies that have made the leap of faith should give others the courage to follow them.

Many organizations are also too conservative about the nature and amount of experimentation. Overemphasizing the importance of successful experiments may encourage employees to focus on familiar solutions or those that they already know will work and avoid testing ideas that they fear might fail. And it's actually less risky to run a large number of experiments than a small number. At Booking.com, only about 10% of experiments generate positive results—meaning that "B," a modification that attempts to improve something (sales, repeat usage, click-through rates, or the time users spend on the site, for example), performs better among randomly assigned users than "A," the control, which is the status quo. (In addition to A/B tests, Booking.com also runs more-complex tests that assess more than one modification at the same time.) But when you conduct a large volume of experiments, a low success rate still translates into a significant number of successes, which, in turn, diminish the financial and emotional costs of the failures. If a company does only a handful of experiments a year, it may have only one success or, if it's unlucky, none. Then failure is a big deal.

At the companies I studied, the success rate for ideas tested early in the development of a brand-new offering is even lower. Early failures, however, allow developers to quickly eliminate unfavorable options and refocus their efforts on more-promising alternatives.

In experimental cultures, employees are undaunted by the possibility of failure. "The people who thrive here are curious, open-minded, eager to learn and figure things out, and OK with being proven wrong," says Vermeer, who now oversees all testing at Booking.com. The firm's recruiters look for such people, and to make sure they're empowered to follow their instincts, the company puts new hires through a rigorous onboarding process, which includes experimentation training, and then gives them access to all testing tools.

Insist That Data Trump Opinions

The empirical results of online experiments must prevail when they clash with strong opinions, no matter whose opinions they are. This is the attitude at Booking.com, but it's rare among most firms for an understandable reason: human nature. We tend to happily accept "good" results that confirm our biases but challenge and thoroughly investigate "bad" results that go against our assumptions.

The remedy is to implement the changes that experiments validate with few exceptions. As one director at Booking.com told me, "If the test tells you that the header of the website should be pink, then it should be pink. You always follow the test."

Getting executives in the top ranks to abide by this rule isn't easy. (As the American writer Upton Sinclair once quipped, "It is difficult to get a man to understand something, when his salary depends upon his not understanding it!") But it's vital that they do: Nothing stalls innovation faster than a so-called HiPPO—highest-paid person's opinion.

Note that I'm not saying that all management decisions can or should be based on online experiments. Some things are very hard, if not impossible, to conduct tests on—for example,

Idea in Brief

THE OPPORTUNITY
In an increasingly digital world, randomized, controlled A/B experiments are an extremely valuable way to create or improve online experiences.

THE OBSTACLE
Culture—not tools and technology—prevents companies from conducting the hundreds, even thousands, of tests they should be doing annually and then applying the results.

THE REMEDY
Create an environment in which curiosity is nurtured, data trumps opinion, anyone can conduct a test, all experiments are done ethically, and managers embrace a new model of leadership.

strategic calls on whether to acquire a company.

But if everything that can be tested online is tested, experiments can become instrumental to management decisions and fuel healthy debates. Sometimes, those discussions might result in a conscious choice to overrule the data. That's what happened with one decision involving a comedy series at Netflix, which has built a sophisticated infrastructure for large-scale experimentation. According to a *Wall Street Journal* article published in 2018, the company's executives were torn when tests showed that a promotion featuring an image of only Lily Tomlin, one of the stars of *Grace and Frankie,* resulted in more clicks by potential viewers than promotions featuring both Tomlin and her costar, Jane Fonda. The content team worried that excluding Fonda would alienate the actress and possibly violate her contract. After heated debates that pitted empirical evidence against "strategic considerations," Netflix chose to use images that included both actresses, even though customer data didn't support the decision. However, the experimental evidence made the trade-offs more transparent.

Democratize Experimentation

As I've noted, any employee at Booking.com can launch an experiment on millions of customers without management's permission. About 75% of its 1,800 technology and product staffers actively use the company's experimentation platform. Standard templates allow them to set up tests with minimal effort, and processes like user recruitment, randomization, the recording of visitors' behavior, and reporting are automated. A core experimentation team and five satellite teams used to provide training and support to the whole organization, but because the firm's needs evolved, that structure was recently changed to four central teams that report to Vermeer and specialists ("ambassadors") that are placed in product teams.

To get things rolling, individuals or teams fill out an electronic form, which is visible to all and includes the name of the experiment, its purpose, the main beneficiaries (customers or suppliers), related past experiments, and the number of modifications to be tried out in A/B, A/B/C, or A/B/n tests. Once an experiment is up and running, the team watches it closely for the first few hours; if its primary or secondary metrics tank quickly, the team can stop the test. After that initial period, the platform continues to automatically run data-quality checks and sends warning messages if something is odd. To encourage openness, Booking.com maintains a central searchable repository of past experiments, with full descriptions of successes, failures, iterations, and final decisions. And everyone can see the real-time information generated by ongoing experiments.

"Somewhat ironically, the centralizing of our experimentation infrastructure is what makes our organizational decentralization possible," Vermeer explained to me. "Everyone uses the same tools. This fosters trust in each other's data and enables discussion and accountability. While some companies, like Microsoft, Facebook, and Google, may be more technically advanced in areas like machine learning, our use of simple A/B tests makes us more successful in getting all people involved; we have democratized testing throughout the organization."

Democratization, of course, has its challenges. One is the risk that teams or individuals could break something on Booking.com's high-traffic website, causing it to crash. Another is that each team has to set its own direction and figure out which user problems it wants to solve. That requires extensive training and ongoing discussions among team members about what the right problems are. Debates are encouraged, and people reach out to colleagues if they see anything that strikes them as questionable. Just as anyone can launch an experiment, anybody can stop one. However, this happens only on the rare occasion when an experiment has gone catastrophically awry—for example, if someone is alone in the office at night and sees that an experiment is causing a key metric like the customer conversion rate to plunge and will cost the company millions of dollars in revenues if it continues.

This system gives teams the autonomy they need to try out new approaches they believe are valuable and allows people throughout the company to monitor the experiments and provide feedback in real time. It truly liberates everyone to test any idea about how to improve Booking.com's business.

Be Ethically Sensitive

When contemplating new experiments, companies must think carefully about

Over time experiments will result in thousands of small and not-so-small changes that collectively generate huge benefits.

whether users would consider the tests to be unethical. While the answer isn't always clear-cut, organizations that fail to examine this question risk sparking a backlash. Take the weeklong experiment that Facebook ran in 2012 to learn whether emotional states were contagious on its platform. Facebook rejiggered its news feed—an algorithmically curated list of posts, stories, and activities—to see whether viewing fewer positive news stories led people to reduce their number of positive posts. The network also tested whether the reverse happened when people were exposed to fewer negative news stories. The experiment involved nearly 690,000 randomly selected users, about 310,000 of whom were unwittingly exposed to manipulated emotional expressions in their news feeds, while the rest were subjected to control conditions in which a corresponding number of randomly chosen posts were omitted.

When researchers from Facebook and Cornell University published the results in an academic journal, public outrage erupted. Facebook's data science team had been running experiments on unsuspecting users for years without controversy, but the emotional manipulation struck a nerve. Critics raised concerns about whether the participants' consent to Facebook's general data-use policy sufficed; they felt the company should have made it clearer that users could opt out of testing and that data was collected for research. From a learning perspective, the experiment was a success: It found that emotional contagion existed online, though the effect was very small. But some users felt that Facebook had exploited them in the name of science.

Research suggests that companies that test new ideas first face greater customer scrutiny than competitors that implement new practices without conducting any experiments. In a published analysis of 16 studies in domains such as health care, vehicle design, and global poverty, bioethicist Michelle Meyer and her collaborators concluded that participants considered A/B tests to be more morally questionable than the universal implementation of an untested practice (A or B) on the entire population—even when both treatments were unobjectionable.

Clearly, ethics training and some kind of oversight are necessary. The challenge is conducting the latter in ways that don't make people overly cautious or tangle them in red tape. For those precise reasons, Booking.com has shied away from imposing rules from on high about what kind of tests can be run. Instead, it encourages employees to ask whether an experiment or proposed practice would help or hurt customers. "I'd rather stay away from policing or ethical review boards," David Vismans, Booking.com's chief product officer, told me. "That's not a scalable solution. You'd create a bottleneck, and testing police don't make people feel like they're empowered." Instead, the company encourages debates in internal online forums that are open to all employees. The debates can be vigorous and have tackled issues like the use of techniques to persuade customers to complete transactions (for example, messages such as "Please book now or you will lose this reservation" or "Only three rooms left"). "I would rather have a community that is self-correcting," Vismans explained.

To that end, Booking.com's onboarding process also includes ethics training. LinkedIn, another company with a large experimentation program, takes a slightly different approach. It has created internal guidelines that state the company won't run experiments "that are intended to deliver a negative member experience, have a goal of altering members' moods or emotions, or override existing members' settings or choices."

Embrace a Different Leadership Model

By democratizing experimentation and following test results where they lead, companies can enable employees to make good decisions on their own and accelerate innovation and improvements. But if most decisions are made this way, what's left for senior leaders to do, beyond developing the company's strategic direction and tackling big decisions such as which acquisitions to make? There are at least four things:

Set a grand challenge that can be broken into testable hypotheses and key performance metrics. Employees need to see how their experiments support an overall strategic goal. Say Booking.com's senior leaders challenged employees to design the best online experience in the industry. They might expect that a superior experience would generate more customer traffic, which would attract more suppliers to Booking.com's platform, helping expand the customer base and activity

How Booking.com Experiments with Site Improvements

Every day, employees at the company use A/B tests to try out their ideas for tweaks. Below are two examples.

SCENARIO #1

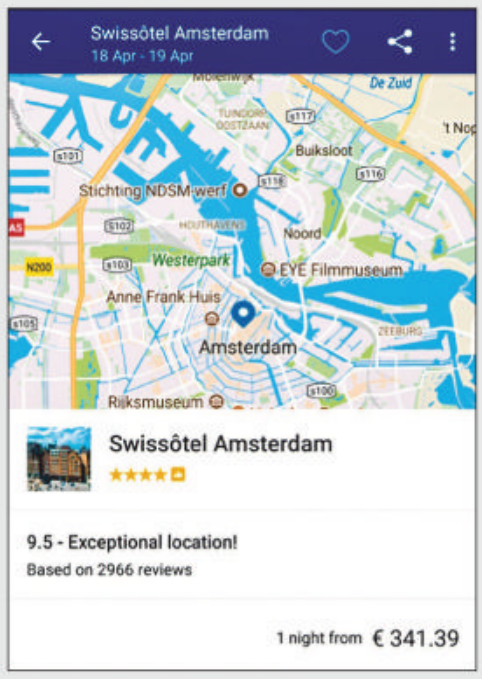
Hypothesis

Highlighting a neighborhood's walkability helps users make better decisions about property location.

A

The Control

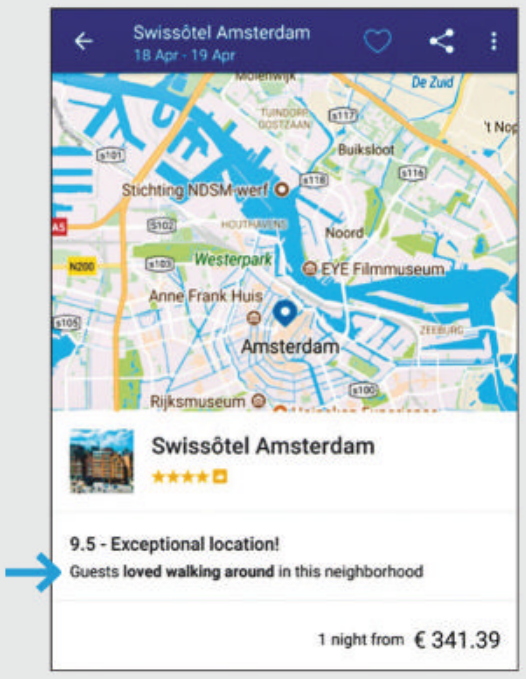
Shows the site's current practice



B

The Treatment

Adds walkability information



The Result

The treatment had no significant impact on the key metric. The current practice is kept in place.

SCENARIO #2

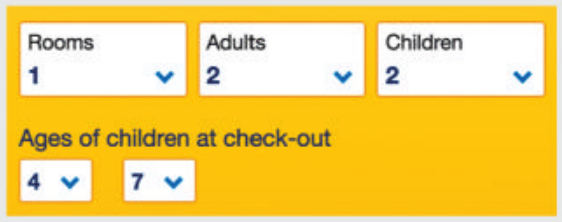
Hypothesis

Displaying the checkout date when users select the age of children in their party improves their experience.

A

The Control

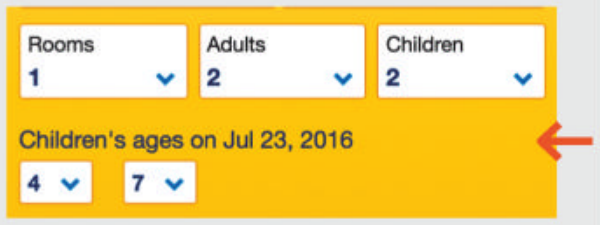
Shows the site's current practice



B

The Treatment

Adds the checkout date above children's ages



The Result

The treatment had a significant positive impact on the key metric, and the change is implemented.

even more. To discover ways to pursue that goal, employees could devise hypotheses and related metrics—for instance, that underlining important text would increase conversion rates by making critical information easier to find, and that a "one click, no cost" cancellation option would boost user return rates without causing net hotel bookings to drop.

Put in place systems, resources, and organizational designs that allow for large-scale experimentation. Scientifically testing nearly every idea requires infrastructure: instrumentation, data pipelines, and data scientists. Several third-party tools and services make it easy to try experiments, but to scale things up, senior leaders must tightly integrate the testing capability into company processes. Doing so requires striking the right balance between centralization and decentralization.

In centralized groups, dedicated specialists such as developers, user interface designers, and data analysts can run experiments for the entire company and focus on introducing state-of-the-art methods and tools. But if testing is limited to a small group of specialists, it will be hard to scale up experimentation and change a company's culture. In decentralized testing, firms spread specialist teams throughout different business units. While this approach expands

experimentation to more parts of the organization, it can hinder knowledge sharing and lead to conflicting goals and poor coordination among specialists. Decentralization may be needed to get the broader organization involved at first, but after that, firms should turn to improving their experimentation capabilities. That's what Booking.com did. It initially used satellite teams to spread experimentation across the company but found that they were too busy supporting users to focus on building firmwide capabilities. To address that problem and align the teams better, Booking.com recently switched to a center-of-excellence model that supports business units, standardizes the company's approach to experimentation, and makes sure that best practices are adopted and followed.

Be a role model. Leaders have to live by the same rules as everyone else and subject their own ideas to tests. "You can't have an ego, thinking that you always know best," Tans told me. "If I, as the CEO, say to someone, 'This is what I want you to do because I think it's good for our business,' employees would literally look at me and say, 'OK, that's fine, we are going to test it and see if you are right.'" Bosses ought to display intellectual humility and be unafraid to admit, "I don't know." They should heed the advice of Francis Bacon, the father of the scientific method: "If a man will begin with certainties, he shall end in doubts; but if he will be content to begin with doubts, he shall end in certainties."

Recognize that words alone won't change behavior. Ultimately, being a leader in an experiment-driven organization means letting go and empowering employees to perform their own tests—which doesn't happen by simply telling people that they can do so. It requires a concerted effort like IBM's.

In 2015 experimentation wasn't a core activity at IBM; the company's IT function offered to run tests, but they were costly, were charged back to business units, and had to follow a rigid process. The testing capacity consisted of just one specialist, who was also the gatekeeper and who rejected many proposed experiments because he felt that they weren't strong-enough candidates. As a result, the company ran only 97 tests that year. Then, Ari Sheinkin, IBM's head of marketing analytics at the time, took over experimentation and, with the backing of the chief marketing officer, empowered over 5,500 marketers worldwide to conduct their own tests. To induce them to do so, Sheinkin took a number of steps. He installed easy-to-use tools, created a center of excellence to provide support, introduced a framework for conducting disciplined experiments, offered training for everyone, and made online tests free for all business groups. He also conducted an initial "testing blitz" during which the marketing units had to run a total of 30 online experiments in 30 days. After that, he held quarterly contests for the most innovative or most scalable experiments. He also employed more-forceful tactics: IBM tied part of marketing units' budgets to experimentation plans. These efforts worked. By 2018, the number of annual tests had surged to 2,822.

REALIZING THE TRANSFORMATIVE power of experimentation requires a sustained commitment. Over time experiments will result in thousands of small and not-so-small changes that collectively generate huge benefits. Providing the right tools, while essential, is the easy part and isn't enough to make experimentation a way of life. Vismans put it best: "If I have any advice for CEOs, it's this: Large-scale testing is not a technical thing; it's a cultural thing that you need to fully embrace. You need to ask yourself two big questions: How willing are you to be confronted every day by how wrong you are? And how much autonomy are you willing to give to the people who work for you? And if the answer is that you don't like to be proven wrong and don't want employees to decide the future of your products, it's not going to work. You will never reap the full benefits of experimentation."

The lesson is that it's not so important whether any one experiment succeeds or fails; what matters is how decisions are adjudicated under uncertainty in an organization. They should not be based on faith or personal opinion alone. If they can be put to the test, they should be.

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Drive Innovation with Better Decision-Making

Don't let old habits undermine your organization's creativity.

→ by LINDA A. HILL, EMILY TEDARDS, and TARAN SWAN

TO STAY COMPETITIVE, today's business leaders are investing millions in digital tools, agile methodologies, and lean strategies. Too often, however, those efforts produce neither the breakthrough operational processes nor the blockbuster business models companies need—at least not before their competitors introduce their own advances. And a key culprit is the inability to make quick and effective innovation decisions.

The discovery-driven innovation processes companies now rely on involve an unprecedented number of choices, from big go/no-go gates that govern which ideas are pursued to countless decisions about how to conduct experiments, what data to collect, how to interpret findings, and how to act on them. But in companies that are just learning to experiment, too many decisions are made inefficiently or informed by past experience and narrow perspectives. As a result, critical risks aren't identified, and bad ideas hang around forever, eating up scarce resources and crushing the chances of bigger, more-transformative bets.

Take Pfizer. (One of us, Hill, has been a paid adviser to the company over the years.) In 2015 the pharmaceutical

Illustration by **MR. NELSON DESIGN**

giant kicked off a digital transformation effort in its Global Clinical Supply (GCS) arm, which delivers more than a million doses of investigative medicines to thousands of clinical sites in over 70 countries each year. Doing so while maintaining clinical trial integrity is a complex task. Any issue, such as inadequate refrigeration, unclear instructions for medical professionals, or patients' failure to comply with regimens, could delay the development of potentially lifesaving treatments. By 2018, GCS had made significant progress with its digital initiatives. But with new medical and digital technologies on the horizon, Pfizer's strategy changed to focus exclusively on breakthrough drugs and vaccines. GCS needed to become ever more agile, innovative, and patient focused so that it could adapt to myriad clinical-site and patient needs. Findings from a cultural survey, however, underscored that the organization was struggling to make good, timely decisions about systems, processes, and capability innovations.

So GCS altered its approach on a number of fronts, creating cross-functional teams that were responsible for key decisions, changing the frequency of decision-making meetings, and improving team members' ability to robustly debate ideas. Those efforts paid off when Covid hit: Thanks in no small part to the quick-footed support of GCS, the first emergency authorization of the Pfizer-BioNTech vaccine was granted only 266 days after the declaration of the pandemic. (GCS's journey in advance of the pandemic will be described throughout this article; for more on the race to make the vaccine, see "The CEO of Pfizer on Developing a Vaccine in Record Time," HBR, May–June 2021.) GCS's success at rapidly delivering tens of thousands of doses of the vaccine candidates and collaborating with colleagues across Pfizer to develop solutions to the thorny challenge of preserving them at subzero temperatures is just the most prominent of its many recent innovation achievements, which range from real-time tracking of trial-drug shipments to personalized tests for cutting-edge therapies.

We've spent almost two decades studying leaders at highly innovative organizations and, more recently, incumbent firms that are on their way to becoming innovation powerhouses. When we looked closely at 65 of the companies that were on the journey to becoming more nimble, we found that the more successful ones were applying many agile and lean principles to decision-making itself. In this article we'll show what that means: including diverse perspectives, clarifying decision rights, matching the cadence of decision-making to the pace of learning, and encouraging candid, healthy conflict in service of a better experience for the end customer.

Diverse Perspectives

Research has long shown that diverse teams are better at identifying opportunities and risks in any problem-solving situation. But in organizations that are learning to experiment, four perspectives tend to be underrepresented in decision-making:

The customer perspective. It's hardly a surprise that the customer needs to be at the heart of all decisions, whether they're about new products, business models, or internal processes. But we find that customer intimacy is all too rare. Because of that, firms end up chasing problems that don't really matter to customers and miss opportunities to address their unarticulated pain points and desires.

The solution here is to include in your decision-making processes the people who are most closely connected with end customers: frontline operations staff, customer service employees, salespeople, and the customers themselves. Organizations that are good at this also tend to work closely with user experience or user interface teams, ethnographic researchers, or experts in human-centric design. And if you're developing a new business process or a digital tool for employees, remember that *their* voices need to be heard—in this case they are the customers who will use it.

To represent the voices of patients in clinical trials and the health care professionals working directly with them, Pfizer's GCS unit created a new function, Clinical Research Pharmacy, and recruited pharmacists (who had prior experience administering the treatments) to join it. Over time, the CRP came to play an integral role in decision-making at GCS. Its pharmacists' insights have led to innovations ranging from user-friendly package designs to virtual-reality training for health care providers.

The local perspective. Too often decisions in global companies are made at headquarters without adequately taking into account perspectives from different geographies. Yet people at

Customer intimacy is all too rare. Because of that, firms chase problems that don't really matter to customers and miss opportunities to address their unarticulated pain points and desires.

headquarters rarely have the contextual intelligence required to judge which new business models, services, or operations are best suited to a local economy and regulatory environment. Getting local input can make a big difference.

At GCS, strategic decisions, even those that affected regional operations, had been made principally by U.S. teams. But once the unit began deliberately soliciting ideas from local managers, empowering them to innovate, it saw impressive improvements. For instance, when a new Latin America–based team was established, it used its expertise to cut the time it took to get trial medicines to local health care providers and patients from 55 to 20 days.

Even more prevalent is the failure to transfer local insights back to a business's core processes and products. Often small divisions in small markets can be quicker and more innovative than their larger counterparts in home markets. For example, eBay's successful Buy It Now button, which revolutionized e-commerce and helped shopping move online, was developed by eBay Germany and was based on its deep relationships with its user communities.

The data-informed perspective. Especially in years like the past one, when the business environment was in constant flux, relying on past experience to guide innovation efforts may lead a company astray. Lean methods call for testing ideas and using near-real-time quantitative and qualitative data to decide next steps. The challenge lies in making that information accessible to every decision-maker.

Data visualization provides a solution: It can allow timely, complex information to be interpreted by people from a variety of functional backgrounds, leveling the playing field so that those who are less data savvy can fully engage when making decisions.

At GCS, a new digital-business-operations group created visual dashboards that superimposed information about events such as weather, flight, and shipping route disruptions over supply chain data to predict risks to operations in real time. These dashboards, which were accessible to all team members, proved invaluable at the daily "light speed" meetings held to respond to the Covid crisis as it upended supply chains, shut down borders, and overwhelmed the hospitals running Pfizer's clinical trials. GCS teams were able to make critical decisions about the processes for supplying ongoing trials across the globe, including those for the new Covid vaccine candidates and antivirals. Despite the logistical challenges brought on by the pandemic and natural disasters from wildfires to hurricanes, the organization didn't miss a single delivery to trial patients.

The outside perspective. Even the best-intentioned innovators can get mired in their companies' dominant logic. Leaders of incumbent firms, especially ones that are still growing, albeit slowly, tend to reject bold ideas—ideas that present high risk as well as high reward, require new resources or capabilities, or threaten to cannibalize the core business. An outside view can help organizations contemplate those moves more seriously.

That outside view can come from within the company, however. GCS invited high-potential talent from other

Idea in Brief

THE PROBLEM
Despite their embrace of agile and lean methodologies, many organizations looking to become more innovative are still struggling to move quickly on new ideas. That's often because of their outdated, inefficient approach to decision-making.

THE RESEARCH
Over the past two decades the authors have worked with innovative companies across the globe, most recently focusing on incumbent firms that were transforming themselves into nimbler businesses, to learn what key challenges they faced and how they addressed them.

THE SOLUTION
Businesses need to strengthen and speed up their creative decision-making processes by including diverse perspectives, clarifying decision rights, matching the cadence of decisions to the pace of learning, and encouraging candid, robust conflict in service of a better experience for the end customer. Only then will all that rapid experimentation pay off.

In agile companies, innovation is based on discovery-driven learning. Leaders must encourage decisions to be made at a pace aligned with the learning cycle.

parts of Pfizer to join its leadership team permanently, increasing the group from six to 16 members. Many leaders at other firms ask less-experienced, recently hired employees to attend C-suite meetings. Because these people aren't steeped in the company's inner workings, they ask questions that challenge core assumptions and help reframe strategic choices.

An outside perspective can also come from beyond the company's walls or even its industry. GCS, for example, invited people from Delta Air Lines' innovation lab to participate in a design workshop on the clinical trial experience for patients. Delta's boarding-pass scanner and bag-tracking capabilities sparked ideas for new ways that GCS could enhance its own shipment-tracking capabilities, ensuring that more patients got the right dose of the right drug at the right time.

Clear Decision Rights

As they recognize the need to bring together many points of view, a lot of organizations are relying more on decentralized networks of cross-functional teams, both permanent and ad hoc, to increase their agility. But this can have a downside: Involving more voices in a decision can mean less clarity about who ultimately owns it, slowing the innovation process and often prompting frustration and disengagement.

For example, when executives at a financial services firm asked their high-potential team leaders to identify and pursue new business models, the results were disappointing. The team leaders didn't understand that they'd been given the authority to make decisions themselves and often came back to the executives and suggested options to choose from, rather than proposing an intended plan of action. The team leaders also had a mixed experience. At first they were honored and energized by being selected for an innovative project. But later they became discouraged by the disconnect between their recommendations and the decisions of the executives—who'd fallen back into their habit of calling the shots—and ultimately, by the ambiguity about decision-making rights.

To effectively empower decision-makers, leaders must be explicit in every case about who will be *responsible* for executing the decision, who will be *accountable* for making it, who will be *consulted*, and who will be *informed*. (Creating and sharing a traditional RACI chart can do the trick here.) If leaders are delegating decisions to a group, they should specify the process to be used and the parameters of the group's authority for everyone involved.

GCS transferred ownership of the investigative drug supply from a single leader to cross-functional teams of four known as "tetrads." Each tetrad became responsible for one therapeutic area. The members were collectively accountable for decisions, and they had clear guidelines about when they should escalate a decision to the tetrad's executive sponsors. It took some months for everyone involved to feel confident about the new structure and to refine the guidelines, but ultimately the tetrads helped GCS kill less-promising ideas faster, without having to push those choices up to senior leadership. With their enterprisewide view, the teams were also able to begin proposing more-innovative ideas for optimizing the whole clinical supply chain, such as how to pioneer delivery of highly personalized gene-therapy drugs.

The Right Cadence

Established companies tend to make innovation decisions on a fixed schedule, through quarterly or annual reviews at which senior teams step back, assess past plans, and make new ones. But in agile companies, innovation is based on discovery-driven learning. With each experiment, data and insights emerge that should be taken into consideration in setting up the next one. Leaders must encourage decisions to be made at a pace aligned with the learning cycle.

To gauge the right cadence for your meetings, think about how long it will take to gather enough data to validate (or disprove) your hypotheses. If you're learning quickly or confronting rapid change, you may need to make decisions more frequently. During the pandemic, for example, most leadership teams at companies we observed naturally increased the cadence of meetings. Given the unfolding nature of the crisis, every decision had to be considered a "working hypothesis," so they opted for short sessions daily over longer ones every few weeks. Many told us they hope to stick with the new, faster rhythm even after the pandemic is over.

The many decisions that come up daily in experimentation often call for continuous processes. For example, in one Indian organization we studied, the design team created a WhatsApp

How to Avoid Common Traps

A number of traditional decision-making habits can hinder agile decision-making. They need to be unlearned.

Don't let leaders and experts dominate.
More often than not, at the end of decision-making processes, one individual confidently makes the final call. This frequently stems from something innocuous: a respect for expertise. The problem is, experts can quickly become naysayers who shut down conversation. That's dangerous since they're often the most wedded to the status quo. Imagine a team with one digital expert who dismisses others' ideas about technology as naive or infeasible. No one wants to look ill-informed, so team members are likely to keep silent.

To combat this, experts should be asked to provide evidence for their points of view just like everyone else, keeping the argument rooted in fact rather than opinion or politics. Some leaders remove themselves from the process once the problem has been framed, letting their teams make the ultimate choice. Leaders often tell us it can be hard to stay quiet; Jessie Woolley-Wilson, the CEO of the ed-tech company DreamBox Learning, admits, "I am the worst practitioner of that because I get so excited and want to bring energy to the discussion." But she reminds herself, "My goal is to make fewer and fewer decisions."

Don't let people go along to get along.
Compromise to avoid conflict can be superficial—everyone agrees while in the room but disagrees after leaving it—and it usually prioritizes employees' needs over customer experience. A good way to avoid this problem is to have proponents of each alternative make the case for other options. That helps all involved broaden their points of view, empathize with the logic of their teammates, and make sure they really understand an idea before discarding it. People should be encouraged to ask questions like "What am I not seeing?" and "Where is my expertise creating blind spots?" and open-ended "what-if" questions to help them let go of any assumptions constraining their thinking.

Avoiding compromise can lead to novel solutions. In one company we studied, the marketing and product divisions were deadlocked over a new service that the product team envisioned offering through the company's mobile app. The marketing division believed it wouldn't bring in a large-enough return to justify the costs of adding it to the app. The service went nowhere for nearly three years, until the company brought in a new innovation leader who asked, "What if we promoted the service somewhere other than the app?" The ultimate solution this prompted was neither a compromise nor one of the two original options: The team developed the service and touted it over SMS and email. Ultimately, its success provided the data the marketing team needed to confidently add the feature to the mobile app.

Don't let people make a decision prematurely.
Decision-makers trying to keep up with the pace of change typically lean toward urgency. But even in an agile framework, the leader's role is to sense when more learning or synthesis of ideas is necessary and encourage patience.

At P&G, when a team wants to scale up a new product idea, its executive sponsor requires evidence that the product offers an "irresistibly superior experience" to customers. If the results look promising but not compelling enough to support a launch, teams are encouraged to continue to incubate the idea. Running additional experiments and collecting more data often leads to pivots that increase the value proposition.

forum to collect rapid feedback on its proposals from the whole organization, including remote employees working closely with end users in the field. Because the channel was always available, designers could spontaneously solicit feedback from employees and apply it to decisions immediately.

But longer timelines can still be needed to create the space necessary for collaboration and information gathering, especially if you're contemplating big bets. When Kathy Fish, P&G's former chief research, development, and innovation officer, introduced the lean start-up model to her organization, the business units supplemented their annual planning processes with a review of innovation portfolios every 90 days in order to issue metered funding to the initiatives in them. That gave teams enough time to conduct experiments and consolidate findings while preserving their momentum.

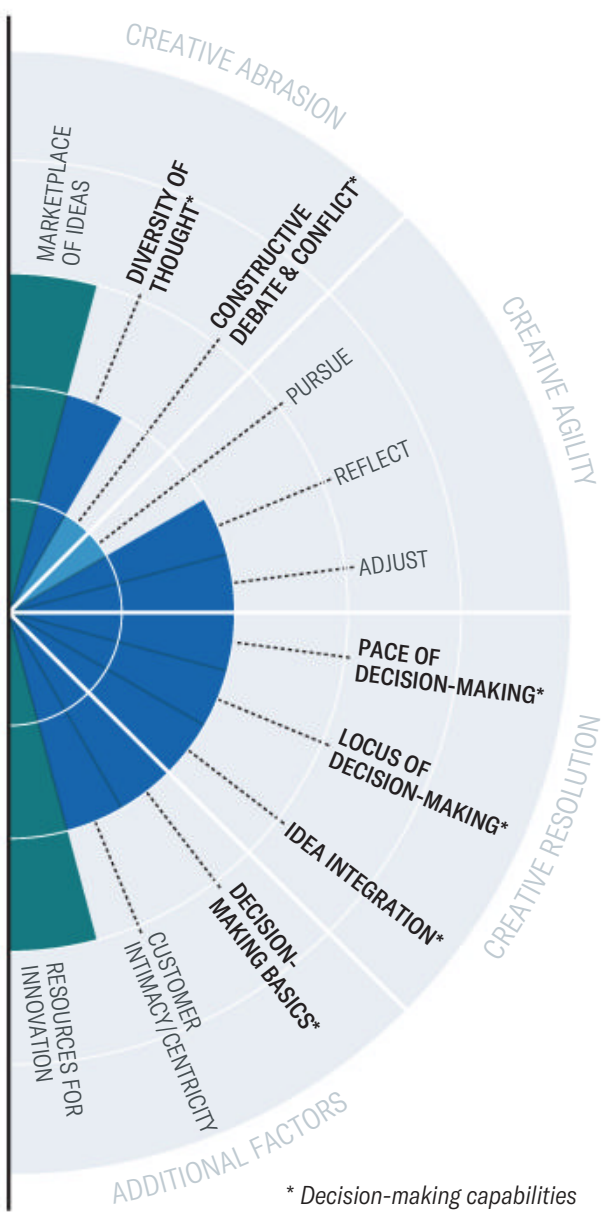
Good Fights

Inviting diverse sets of participants to well-timed decision-making forums doesn't automatically lead

Why Focus on Decision-Making?

In our almost 20 years of research with organizations across the globe, we have identified the most important factors that support innovation—whether it's the invention of new product or service offerings, business processes or models, or ways of organizing or cutting costs. They include both cultural factors and capabilities.

In more-recent research, we've found that companies trying to become more innovative tend to do better at the cultural factors but have weaker capabilities, including decision-making.



* *Decision-making capabilities*

Creative abrasion
is the ability to generate a marketplace of ideas through discourse and debate.

Creative agility
is the ability to do discovery-driven learning.

Creative resolution
is the ability to make decisions that combine disparate and sometimes even opposing ideas.

Additional factors
include decision-making basics, customer intimacy, and innovation investment.

to the thorough vetting of ideas. This is where so many organizations get stuck: They fail to create a competitive marketplace of ideas, where genuine debate increases the odds that risks are identified and the most-promising projects are pursued.

In some dysfunctional teams, productive discourse is stymied by political infighting, defensive behavior, or hidden agendas. Critiques of ideas often become critiques of personalities, and employees don't trust that their ideas will be taken seriously. Often any real conversations and decisions happen "outside the room," so members of the group feel disenfranchised even though they've been asked to participate.

Yet an even more common cause of unproductive debate is a culture of politeness. Many people try to minimize differences as opposed to amplifying them, in an effort to avoid conflict. The effect is that those with minority views don't speak up or compromise too quickly when they're challenged. As a result bosses or experts tend to dominate the decision-making process no matter how diverse the assembled group is.

In both kinds of situations, leaders must stop worrying about whether people can collaborate and instead worry about whether they know how to argue. Leaders can encourage the psychological safety that promotes good fights in three ways:

Ask questions. Leaders need to avoid shutting down the conversation with solutions from the outset. Instead, they should be transparent about what they don't know. At P&G (which

When innovation is called for, leaders need to create environments in which their people can find answers on their own.

has also hired Hill as an adviser in the past), leaders are encouraged to ask these four questions in response to every experiment: *What did you learn? How do you know? What do you need to learn next? How can I help?* By demonstrating that they don't have all the answers, leaders help set the expectation that all present should share their opinions and that anyone can be wrong. They also create an environment in which people feel more comfortable challenging one another.

At Pfizer, team members were initially reluctant to disagree with vice president Michael Ku when he became the head of GCS. But as he learned to admit what he didn't know and adopted the habit of being the last person to share his thoughts in meetings, they became more comfortable speaking up.

Focus on the data. Data can provide a solid foundation for productive debate. Team members who have the same data visualizations in front of them are likelier to develop a shared understanding of problems—common ground on which they can add their unique perspectives. Ku ensured that all decisions made at GCS's monthly operational review were informed by data. When things had to move quickly during Covid, this kept the team from making choices based on emotion or past experiences that were no longer relevant.

Articulate a shared purpose. Aligning the whole organization around a common, meaningful purpose (why we exist and whom we serve) gives people permission to fight about new ideas, because they all agree about what they're fighting for. Ideally the purpose will serve as a framework that ensures that decisions benefit the end user or customer.

A shared ambition can keep debates from getting personal. At one retail company we studied, a team created avatars for key customer segments. "Ali" was the avatar for urban Millennials, for instance. Whenever a discussion started to get more personal than substantive, someone would intervene and ask, "What does Ali need from us all right now?" That encouraged the team to focus on a joint concern for customers instead of descending into a winner-takes-all argument.

A purpose can also encourage criticism rather than silent politeness. A real challenge in companies learning to be agile is killing "walking zombies"—projects without enough value to justify their continuation. To meet it, leaders should remind teams of their purpose. When Ku first took the reins at GCS, most people were reluctant to criticize others' ideas. Decision-makers interpreted silence as agreement that an idea was worth pursuing, so the number of projects underway became overwhelming. Ku's first priority was to align the entire team around a shared purpose: "Patients First." In debates about which initiatives to pursue, people learned to ask, "Is that the best solution for the patient?" rather than staying silent. The team soon found itself rejecting more ideas and able to focus more effort on those that enhanced the patient experience.

A common purpose helps decision-makers focus on solving problems rather than fulfilling personal agendas. In the midst of Covid, while everyone was working 24/7, Ku observed with pride that leaders in GCS were advocating for decisions that were in the best interests of the patient even when doing so meant more work for their own functional areas.

Leadership Matters

Organizations and teams must adopt new behaviors to make informed decisions more quickly, but managers need to change, too. Too many leaders act unilaterally, swooping in to save the day with the "right" answers—especially during a crisis. But when innovation is called for, leaders need to create environments in which their people can find answers on their own. It takes courage and practice to step back and let others make decisions and especially to avoid taking the bait when teams naturally try to delegate up the chain. But until you adopt this new way of working yourself, your organization will never be as innovative as it could be.

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A New Crisis Playbook for an Uncertain World

We're entering a period of unprecedented instability. Is your business prepared?

→ by JOHN E. KATSOS and JASON MIKLIAN

TODAY WE STAND at the precipice of not one but three converging and potentially catastrophic long-term trends: climate change, globalization, and growing inequality. On their own, each of these makes the occasional crisis worse: We might see a more destructive hurricane, a more widespread financial meltdown, or longer or more violent civil unrest. Together, though, these trends magnify challenges. The Covid-19 pandemic, for example, was not just a health crisis but an economic and political one as well.

Welcome to the era of uncertainty, when constant crisis threatens every business in every place on earth. We see it in supply shortages that are no longer merely short-term inconveniences but disruptions that drag on for years. It's evident in power outages that last for a week or more, and in social unrest and protests over injustices that have persisted for decades. Millions of managers are desperate to do the right thing in these situations, but they have no clue just what that is or how to figure it out. That's because

Illustration by **MR. NELSON DESIGN**

the most common ways companies have responded to crises in the past are no longer applicable today.

For the past two decades, for example, many have argued that the key to weathering a storm is nimble, decisive action by a courageous leader. Advocates of this approach assume that a crisis is a singular event—typically a market-related or other financial upset—that happens, requires a response, and is then followed by a return to business as usual. Other executives and managers believe that when their companies are fighting to survive, prioritizing ethical action is a luxury. They do whatever it takes to protect themselves. A third approach is to use avoidance mechanisms, such as promising but never delivering solutions, in hopes that the crisis will simply pass.

As upheavals become more common and complex, those strategies will fail. Things will not simply go back to "normal" after pandemics, wildfires, and socioeconomic turmoil. Firms that act selfishly are not immune from struggling during a crisis; indeed, because they burn every bridge at the first sign of trouble instead of building critical relationships, they are likely to fare worse than their peers. And claiming to be ready to tackle a challenge without following through exposes companies to reputational damage; consider, for example, the public dissatisfaction with organizations that pay lip service to supporting the Black Lives Matter movement but then do precious little to make meaningful changes.

Some firms, however, have learned and perfected ways to manage the uncertainty that constant crisis brings. They do so in some of the most volatile places on earth: conflict zones. To understand what works in those conditions and why, we have conducted interviews with more than 300 business owners and managers in conflict-torn regions; held discussions with leading practitioners and scholars; and researched affected companies. In total, we studied hundreds of cases of businesses thriving, scraping by, or crumbling as they faced a broad range of violent and nonviolent political and social conflict from 1985 to today.

What we found was that successful companies intentionally made more contributions to their local communities than their peers did. In some places they helped stop wars. In less-fraught settings, they reminded people who disagreed with one another that they needn't be perpetual enemies. Whether the companies were small entrepreneurial ventures or large multinationals, they had a blueprint for engaging with society in a positive way.

Preparing for Crisis

Business leaders often recognize political, social, and environmental changes as they happen. But in interview after interview, owners and managers told us they regretted not taking those developments more seriously. Why did we keep hearing the same laments? For one simple reason: a mindset that left leaders reacting to crisis, rather than preparing for it.

It's tempting to worry that a proactive approach creates a signal-versus-noise problem: How do you know you're preparing for the right crisis? With so much information to consider, it can feel like searching for a needle in a haystack. But we've learned that successful crisis preparation is more like holding up a giant magnet to the haystack, revealing the needles and extracting them before they can do damage. Once you realize which problems might impact your operating environment, you can get ready for them.

Our playbook outlines the three most important lessons we took away from our fieldwork and illustrates them with real-world examples. In all these cases, the red-flashing danger signals were always apparent to anyone reading the local news or talking to local people. The companies we studied—even the ones that failed to cope well with crisis—were all trying to do what they thought was the right thing. But the ones that both survived and thrived had more than good intentions or strong leadership. The secret to their success involved three strategies: paying as much attention to the community as to the business, looking beyond local authorities for solutions, and making principled political choices even when they may be unpopular. These practices can help any company trying to navigate the age of uncertainty. And we've found empirically that they constitute the most profitable approach.

Partner with the community. You can't do effective strategic risk planning without understanding your sociopolitical context. Our research showed that companies that had little engagement with local communities, viewing them merely as sources of consumers or raw materials, were unlikely to outrun upheaval. When crisis hits, such com-

Successful companies intentionally made more contributions to their local communities than their peers did. In some places they helped stop wars.

panies often cut local ties by closing factories or country offices, laying off workers, or withdrawing in other cost-saving ways. Shutting out the local community multiplies the risk that the project at hand, or even the company itself, will fail.

Small corporate social responsibility (CSR) initiatives, such as sponsoring a local sports team or funding scholarships, are wonderful, but they don't go far enough and aren't likely to last. Instead, companies must build deeper ties with the broader community, because those connections are integral to business survival during crises. This means developing relationships with local leaders within and beyond the corporate world and working across societal dividing lines instead of siloing within the "safest" segment of the community.

A cautionary tale comes from the Lake Toba region of Sumatra, Indonesia, where, around 2010, Starbucks started buying coffee beans from local farmers and sharing the profits from the resulting (and pricey) limited-edition product. Initially, community members we interviewed thought the project was promising. The U.S.-based coffee chain worked with the farmers on enhancing production, building their capacity, and improving the quality of their goods—the hallmarks of creating shared value. But by 2018 it all ended.

When Starbucks came in, it introduced CAFE Practices (industry standards for ethical sourcing) and paid a premium to its suppliers. But the "land mafia"—an extensive network of criminals and politicians with de facto control over the local farmland—reportedly countered the new threat to its power by destroying farms and threatening disappearances. As a result, we learned, some of Lake Toba's most productive farmers stopped growing coffee.

Farmers and distributors told us that they think those operations could have been saved had Starbucks studied more about local politics, learned how to defuse the mafia's influence, and worked with the growers. But that didn't happen. And buyers for the company said they instead turned their attention to more productive valleys, depriving the local farmers of a promising livelihood and depriving customers of Lake Toba's most exceptional beans.

Compare that story to another—this one involving the National Beverage Company (NBC) in the Palestinian Territories. In 1993, shortly after Israel and the Palestine Liberation Organization signed the Oslo Accords, CEO Zahi Khouri struck a deal with Coca-Cola to bottle and bring the iconic soda to Palestinians. It was a gamble. Through its 40 years of operating in Israel, Coca-Cola was loathed by most people in the Territories because it was seen as a collaborator with the occupation. Khouri's timing was also terrible. While he was trying to set up NBC, a right-wing Israeli group assassinated Israel's prime minister, triggering a violent Palestinian rebellion. The peace accords were in tatters, and each new attack jeopardized Khouri's investment. But he pushed on with opening his bottling facilities, even as people told him it was financial suicide.

Today, after two intifadas, multiple failed peace negotiations, and intractable economic troubles in Gaza and the West Bank, NBC boasts more than

Idea in Brief

AN ERA OF UNCERTAINTY
In the coming period of unprecedented instability, three converging long-term trends—climate change, globalization, and growing inequality—threaten the fabric of businesses and the societies in which they operate. Millions of managers are desperate to figure out how to prepare for the unknown.

CONTRIBUTE LOCALLY
Companies that succeed in managing this uncertainty have a blueprint for engaging with society in a positive way. They *partner with the community,* building deep ties outside the corporation and developing relationships with local leaders, and *work beyond the government* by engaging directly with members of the community and local stakeholders. And they make *principled political choices*, taking a stand early, clearly, and in line with their values, growing new markets while limiting losses from groups that may disagree with them.

LICENSE FOR SUCCESS
These interlocking lessons can help managers understand what they need to do to steer through crises and give their companies a *social license* to operate in even the most contentious contexts, ultimately both benefiting society and leading to substantial long-term profits.

$100 million in annual revenue and employs hundreds of Palestinians, all while indirectly supporting the livelihoods of thousands more through supplier and contractor networks. NBC was one of the only start-ups from that period that survived.

How did Khouri do it? He wasn't harder-working or more ambitious than leaders and managers at other companies in Palestine at the time. But he was smarter about engaging key community leaders and building bridges. He leveraged his business experience with Western brands to persuade Israeli companies and officials to let him ship supplies through Israeli-controlled ports and border checkpoints. He then leaned on the trust he'd built with Palestinian leaders to get their help processing shipments and win their support for the operation, patiently explaining how it would provide jobs and a popular consumer product.

Khouri took major financial and reputational risks to engage with both communities. He could very well have been blacklisted by one or the other for "working with the enemy," which could have meant losing both the substantial sum he'd invested and the relationships he'd spent years cultivating. But he didn't shy away from those risks, and he was transparent about his plans. Everyone knew he was partnering with both sides (without favoring either one) to create something important.

Khouri's example illustrates the first rule in the new crisis playbook: Leaders must gain the trust of all the stakeholders in the communities where they operate.

Work beyond the government. The second, related rule is this: Companies must work not just with, but also beyond, government agencies and office holders. In our research, the most common mistake we've seen is businesses partnering only with local appointed or elected officials as if they are synonymous with community interests. When public institutions are inadequate or are thwarting progress, that approach is a recipe for disaster.

A good example comes from Odisha, India, where the South Korean steel manufacturer Posco tried in the early 2000s to launch an ambitious $12 billion project that would have provided thousands of jobs and $1 billion in development aid to local communities. The company's agreement with the state included a plan for the government to resettle 50,000 people living on the farmland where a new plant was to be built. But officials reneged on their promise, instead moving the farmers into barbed-wire tent cities and pocketing the resettlement money. Those who'd been displaced appealed to Posco, but because the company was unaware of the situation on the ground and wanted to do everything "by the book," it referred them back to the corrupt officials. In 2010, with groundbreaking set to begin, Posco highlighted the investment as a "success story" of working with the local community.

Meanwhile, the farmers grew desperate. They joined forces with Maoist insurgents waging war against the Indian government and attacked Posco's local offices, kidnapping visiting executives who came to christen the site. After 10 painful years and $1 billion lost, Posco abandoned and wrote off the project, claiming in 2015 that it failed as a result of unforeseeable circumstances and "because the Indian government has changed the law." Officials kept the farmers in the tent cities and sold the stolen land to domestic bidders.

Posco wanted to act ethically and comply with local laws, so it followed the government's lead. But it should have also engaged directly with the farmers and other members of the community to ensure better outcomes.

Dilmah Ceylon Tea used such a strategy to operate successfully during a civil war in Sri Lanka that split the country along ethnic, religious, regional, and political lines in the 1980s. While many companies closed as a result of supply disruptions, protests and labor strikes, Dilmah avoided those problems because CEO Merrill Fernando was prepared for the looming crisis. Fernando considered his firm's health to be part and parcel of his community's, and he was constantly asking for local reports from his employees. Many of Dilmah's tea plantations lay in remote areas, so Fernando had to trust his managers to do much of their work unsupervised. When he did interact with them, he was open about the problems he saw, and his team members were equally candid about issues they noticed.

Fernando wasn't a fortune-teller. He didn't know when or how the crisis would erupt or how long it would last, but, thanks to his employees, he did know that it was coming. As a result, he implemented forward-looking strategies. He built cash reserves and supplies to maintain a sufficient cushion for potential disruptions. He had frank discussions about how the unfolding situation would impact the company

Firms tend to thrive when they make consistent choices and communicate them clearly, even if a segment of the population disagrees with them.

and learned that even areas he assumed wouldn't be affected probably would be. This led Dilmah to embrace an expanded communication role within the community and be perceived as an honest broker with a stake in everyone's survival.

Make principled political choices. Our third rule might be the most surprising: Companies must not be afraid to take principled political stands. Our research shows that firms tend to thrive when they make consistent choices and communicate them clearly, even if a segment of the population disagrees with them. Consider the case of the American yogurt company Chobani in the highly polarized United States.

When Hamdi Ulukaya, a Turkish immigrant, founded Chobani in 2005, he wanted to wear his politics on his sleeve by employing people who, like him, had fled their home countries for safer lands. His company funded school lunches for undernourished kids, because he'd gone hungry as a child. He built his factories in former industrial areas to help revitalize communities most in need. And he hired lobbyists to push for more-progressive policies nationwide. By 2016, employees owned 10% of the company; by 2019, 30% of its workforce was made up of former refugees.

After President Donald Trump was elected, however, online trolls attacked Chobani, claiming that Ulukaya wanted "to drown the United States in Muslims" and calling for a national boycott of the company. Ulukaya doubled down. He hired even *more* refugees and continued to advocate for his adopted homeland to become a more welcoming and open society. By the end of 2017 Chobani was America's top-selling Greek yogurt brand. Today the company is in talks to do an initial public offering that would value it at over $10 billion, more than $7 billion higher than a 2015 valuation.

Businesses that think they can stay above the fray of contentious political issues are woefully misguided. Customers often view inaction as cowardice and think less of such firms, but standing on the sidelines can also have grave consequences. When Meta (formerly Facebook) entered Myanmar, for instance, it saw a unique chance to bring everyone in the country onto its platform as Myanmar tried to transition from authoritarianism to an open, democratic society.

But starting in 2014, the platform began to be used—often by government and military officials—to promote conflict and ethnic cleansing against Rohingya Muslims. It took the company until 2018 to finally remove inflammatory pages and the accounts of key instigators. Meanwhile, more than 25,000 people died and almost a million became refugees. Meta's global reputation was also badly tarnished. By trying to ignore politics in order to maximize market share, the company sparked widespread condemnation, burst the belief that it's a positive actor for democracy and openness, and came to be viewed in Myanmar as little more than a tool of the military.

Firms that take a stand early, clearly, and in line with their values (not just spouting what customers or shareholders might want to hear) are usually able to grow new markets while limiting losses from demographic groups that disagree with them. Coca-Cola has slammed Republican attempts to restrict voting in Georgia, but that hasn't alienated all Republicans; even Donald Trump still drinks Diet Coke. Chick-fil-A has come under fire for its CEO's donations to an organization that opposes extended civil rights protections for LGBTQ+ people, but when asked about the company during his presidential run, Pete Buttigieg, the only openly gay candidate, remarked: "I do not approve of their politics. I kind of approve of their chicken." In conflict and crisis contexts as far-ranging as the Philippines and Sierra Leone, as well as in Myanmar, companies willing to publicly make political choices still earned significant business from customers who disagreed with their positions, which allowed them to outperform their apolitical peers.

A Social License to Operate

The three lessons that we've just discussed are interlocking; all help explain why companies succeed or fail during times of crisis and uncertainty. Zahi Khouri made NBC successful despite the Israeli-Palestinian conflict by building bridges across community divides. But that was possible only because he extended his outreach beyond official government entities and he took consistent political stances. Merrill Fernando kept Dilmah going strong in Sri Lanka despite the civil war (and in 2004, the tsunami) because he did not rely solely on official channels for information. But the company's success also depended on the trust Fernando had built with leaders of all ethnic communities in the country.

The rules we've offered can help managers and businesses understand *what* they need to do to steer through crises. The *how* involves securing a social license to operate. By that we mean that in addition to legal licenses, a company needs the community's approval of its operations. Communities grant this when they feel confident that a firm is providing jobs and development opportunities and following certain local customs. In exchange, the firm gets to make a profit without major community objections.

Companies obtain a social license to operate by doing two things. First, as we saw in Chobani's case, they are clear about their purpose, goals, and beliefs. Of course, communities are diverse, and a firm that is up-front about what it stands for may put off some of the people it depends on: certain customers, shareholders, suppliers, and employees. But the real risk in uncertain settings, especially hyperpolarized ones such as the United States, isn't alienating people because of honestly held values—it's alienating them because of vague or blank-slate values. Those can be interpreted by anyone to mean anything, especially by those who don't like the company for other reasons.

The second part of obtaining the social license to operate is communicating directly with community members. As we saw with Starbucks, Posco, and Facebook, working with official partners alone (federal governments, municipalities, police, and so on) as if they are synonymous with community interests can be a major mistake. Instead, managers and employees must openly communicate about their values with the community, not forgetting that their local employees are part of their audience too.

Transitioning to this new crisis-readiness playbook is difficult work, but empirical evidence shows that it can lead to much more substantial long-term profits than does the old way of doing business. The good news is that the "hard path" benefits society too. We found that companies employing the lessons we've outlined made a host of positive contributions to their local communities. They have helped stop wars, built peace, and created value not just for themselves but for all of us. As the world moves out of the Covid-19 crisis and deeper into an era of unprecedented, accelerating instability, the best way for companies to get ready is to deliver on their unique influence as citizens in their own right.

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Big Idea Package Reprint BG2104

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Advertisement

ARTIFICIAL INTELLIGENCE – THE SIXTH SENSE FOR SUPPLY CHAIN RISKS?

The supply chain disruption triggered by the COVID-19 pandemic caught almost everyone off-guard. Although most enterprises had some business continuity plans, many were half-baked and never quite battle-tested.

The lockdowns and restrictions on movement of goods and people had pushed already stressed supply chains beyond the breaking point. Lean supply chains that had helped optimize costs were hit the hardest. These enterprises had to scramble to reconfigure alternative supply chains and stay operational.

For most enterprises, the rebuilding continues. The next year is expected to be a pivotal one for global supply chains as they transition from being "cost-efficient" to being "efficiently flexible."

As enterprises focus on building more agile and resilient supply chains, the just-in-time philosophy is yielding to a just-in-case mindset. While the pandemic isn't yet in the rearview mirror, enterprises recognize they need a risk management overhaul to weather the next disruption.

AI CAN HELP YOU SENSE, QUANTIFY AND VISUALIZE SUPPLY CHAIN RISKS

Enterprises face several challenges as they reconstruct their supply chains to mitigate risk. First, the risk signals are often weak and widely dispersed. That's where AI comes in — it can help decipher these shaky signals across your supply chain. AI can process vast amounts of data and understand patterns quickly and effectively. Think of it as a sixth sense, except it's based on real data and AI-based predictive analytics – not a hunch.

Another challenge is that enterprises do not have a quantified view of their supply chains' risk exposure. Risks vary for every company and industry. An AI-based digital supply chain "control tower" can help quantify and visualize these risks based on real-time data from multiple internal and external sources.

Last, but certainly not the least: Intelligence is only useful if it's reliable and gets to the right people at the right time to enable effective decisions and actions. To address the problem of stale and inaccurate data, revisit and refine your governance model. Information needs to flow efficiently to enable swift corrective action to mitigate potential risks before they become full-blown disruptions.

***PRAMOD GUPTA** is vice president of consulting at GEP, a global leader in digital supply chain and procurement transformation.*

> Risk signals are often weak and widely dispersed. That's where AI comes in — it can help decipher these shaky signals. Think of it as a sixth sense, except it's based on real data and AI-based predictive analytics – not a hunch.

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Quick Takes

MATTHIAS CLAMER/GETTY IMAGES

1. Start Stopping Faster

→ by DARRELL RIGBY, SARAH ELK, and STEVE BEREZ

BUSINESS EXECUTIVES could learn a lot from cheetahs, Earth's most agile land animals. Though their ancestors ran only about 20 miles per hour, today's cats can accelerate from zero to 60 within three seconds—faster than a Corvette Twin Turbo or a Ferrari Enzo. But speed alone is not what makes cheetahs such awesome hunters. Computer models show that the best predictor of a successful hunt is not a cheetah's top speed; rather, it's how fast it stops and turns.

There is an important parallel to the executive hunt for innovations. Whether companies are developing new products or processes, or overhauling old ways of doing business, it's not enough to pursue new ideas faster. Unless organizations develop new muscles for skillfully decelerating and adapting to unexpected twists and turns, they are most likely to come up empty-handed. It's one of the most common laments of executives struggling to increase their organization's adaptability: "We are terrible at stopping work, even when it's obvious that the work is a complete waste of time and money." This is as true for existing business lines and

Making decisions reversible ensures that a company won't have to live with bad consequences for very long.

processes that live on budget season after budget season zombielike as it is for a once-bright new idea that simply isn't panning out.

The cost of this problem is higher than managers imagine. Gary Hamel and Michele Zanini estimate that the cost of bureaucratic waste has hit $10 trillion and is growing. Between 70% and 90% of innovations fail, and healthy operations, having to subsidize foundering projects kept alive by political inertia rather than potential payoff, grow weaker every day. When power is determined by the amount of resources controlled, as it so often is in business, it is rare to admit failure and surrender resources.

Because stopping things is so hard, executives make starting them even harder, dampening innovation. They raise investment hurdle rates, demand more-detailed analyses, and add layers of scrutiny. Sadly, these actions don't improve decisions so much as damage speed to market and competitive positioning. Failures mount. Eventually, the horde of failing projects grows too large to ignore. Managers cull some large percentage of their people, traumatize the organization, and launch the doom loop all over again.

There is another way. Organizations can evolve by taking three specific actions.

1. Make more decisions reversible. While researching our book *Doing Agile Right: Transformation Without Chaos* (Harvard Business Review Press, 2020), we learned from former Amazon executive Jason Goldberger that to accelerate innovation, founder Jeff Bezos purposefully encourages executives to make decisions reversible, which ensures that a company won't have to live with bad consequences for very long. It thwarts risk aversion and accelerates experimentation.

"If you tell people to innovate without making mistakes, you will kill innovation," Goldberger explains. "But if you tell people to innovate and not worry about mistakes that are quickly reversible, you free them to test and learn in more-agile ways."

Unfortunately, not many companies are run this way. Far too many investment proposals plan for premature and irreversible scaling. They call for large up-front investments and predict delayed hockey-stick-shaped revenues and profits. When revenue and profit fail to materialize, it seems too late to stop. The payoff must be just around the corner. "Why, we would be crazy to stop now," executives tell themselves. And so, throwing good money after bad drags on.

One way to break this habit is to run the business the way a savvy venture capitalist invests. Recognize business plans for what they really are: business experiments. Break large, risky gambles into a series of smaller, smarter tests. Clarify the hypotheses, the best ways to test them, and the metrics that will signal whether to persist, pivot, or pause. Avoid premature scaling—hiring too many people, building too much capacity, doing too much marketing—before key assumptions have been validated. Match costs to revenues. Start by confining experiments to affordable, adaptable, and reversible microcosms of the ultimate solution by limiting geographies, customer segments, or product lines. (You can read more on how to experiment effectively in "A New Crisis Playbook for an Uncertain World," by Stefan Thomke and Jim Manzi, on HBR.org.)

Look at DoorDash, the door-to-door delivery company. Recently DoorDash has ridden a Covid-19 surge in demand, but back in 2013, when it began raising what would eventually become a total of $2.5 billion, venture capitalists didn't just back up a Brink's truck of money to the start-up. The risks were too high, and such a move would have limited investors' ability to spur strategic change when necessary. Instead, venture capitalists phased in their investment over 11 rounds of funding.

In the 2016 round, when questions about the viability of its strategy reportedly led to its shares selling at a lower price than earlier rounds, the company made important changes. DoorDash added new services for restaurants and adjusted pay for drivers. Market share increased, as have subsequent valuations.

DoorDash is still not profitable, and its ultimate success is far from guaranteed. But its venture backers have clear and frequent opportunities to change how they invest and influence company direction. Investors can decelerate, pivot, and stop.

Some corporations are already applying this model. Executives review new projects and existing business lines quarterly, use fast feedback loops, create rough prototypes, and rely on objective metrics to test key hypotheses. All this makes it

Leaders can reward people who learn valuable lessons by taking prudent risks, even if the immediate outcome was disappointing.

possible to more dynamically adjust plans and allocate resources.

2. Make work more visible. It's hard to improve or stop unproductive work if you can't see what work is being done and how well it's going. Too many companies are flying blind.

Executives can inspect physical facilities and assess whether to refurbish or bulldoze them. They can see inventories piling up and decide whether to finish them or write them off. The intangible work of most technology, marketing, and other departments, however, is often invisible to leadership teams.

Increasing visibility is good for everyone. It helps senior executives uncover valuable initiatives, recognize the people pushing them, and accelerate their progress. It allows employees to see projects related to their own jobs, learn from them, and identify where their expertise could solve perplexing problems or save time and money. It makes it easier for everyone to identify duplicate work and triggers discussions about whether overlapping teams should collaborate or compete. It helps teams working on interdependent steps coordinate and minimize delays.

Imagine a system that enables authorized employees to see all work streams, who is on each team, what else they are working on, and how the work is progressing. Imagine tagging the work of each team with descriptors such as strategic priority, targeted customers, expected economic value, and progress against plans. Perhaps employees could even express how confident they are in each team's success. These systems actually exist—project and portfolio management software, objectives and key results trackers, talent management systems, and workforce analytics—and they are getting better.

3. Overpower fear. They say the first rule of daredevil airplane-wing walking is: "Don't let go of what you've got until you get hold of something better." Astute leaders realize that fearful workers will cling to the current work no matter how unproductive. They do several things to overcome that fear. One we've already discussed: They reduce the cost of stopping projects (for example, by conducting experiments).

Another way is to reward people who learn valuable lessons by taking prudent risks, even if the immediate outcome was disappointing. In some cases, this may mean keeping the bold objective but adapting the approach as conditions or capabilities change. When Bezos wanted to enable third-party sellers to sell new or used products on Amazon, the company initially failed: The 1999 launches of Amazon Auctions and zShops both fizzled. But Amazon Marketplace, launched soon after, was a success. It now accounts for more than half of all units sold by the company.

Finally, giving people more opportunities if their current project fails reduces the likelihood that they'll stick with a bad idea longer than they should. Successful companies build a strong and visible backlog of compelling opportunities. They make it clear that until existing projects that aren't panning out have stopped, new initiatives can't be launched. And they redeploy people from the former to the latter as a matter of policy and offer training to ease the transition. In time, the fear of missing out on something better starts to overpower the fear of loss.

In an environment of increasingly unpredictable change—where opportunities are constantly zigging and zagging like spry gazelles—running at higher speeds is not enough. Businesses must evolve to match their acceleration muscle with faster stopping and turning skills. As they do, their hunt for growth will grow more fruitful, their competitive capabilities will strengthen, and their position in the food chain will climb.

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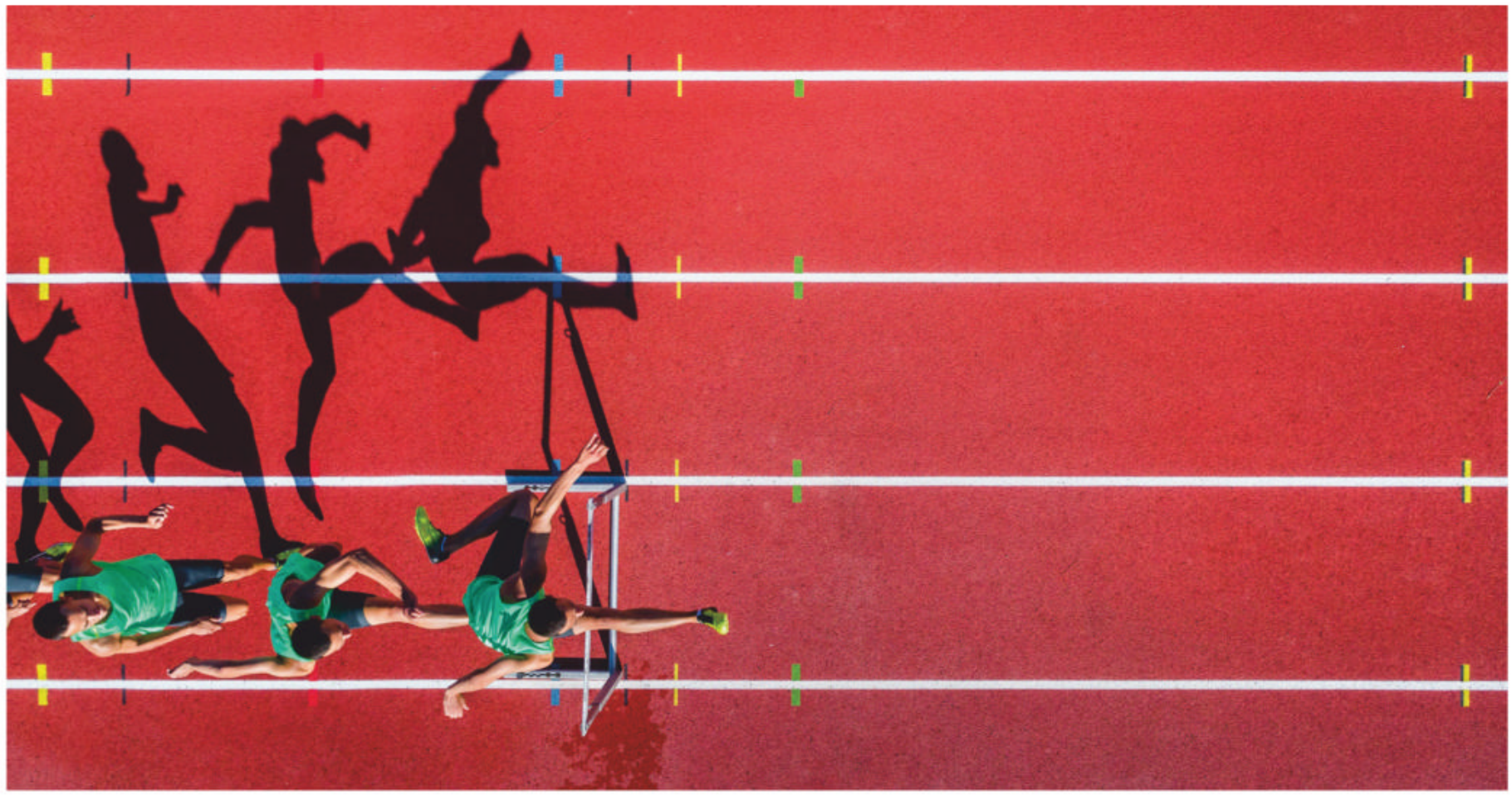

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2. Develop Agility That Outlasts the Pandemic

→ by DARRELL RIGBY, SARAH ELK, and STEVE BEREZ

THERE'S NOTHING LIKE a crisis to ignite innovation. American soldiers in World War II created homemade patches for planes and Jeeps when standard replacement parts couldn't be found. Following the explosion on *Apollo 13,* NASA engineers devised ingenious solutions to bring the astronauts safely back to Earth. The current pandemic has already led to countless innovations. Dyson designed a new ventilator in 10 days. Alibaba and retailer Zhongbai teamed up to build an unmanned store for essential items and disinfectant supplies. Chick-fil-A developed more than a dozen changes to its drive-through process to maximize both safety and efficiency in the face of skyrocketing demand for take-out food.

Frankly, these examples don't surprise us. We have studied and consulted with many companies on the principles and practices of agile management, and we have repeatedly seen how quickly a company can innovate when it sheds the constraints of bureaucracy and adopts agile methods.

Today, many companies seem to be discovering agile on the fly. Executives tell us that the innovations their companies are creating weren't part of a strategic plan. They weren't built into anybody's compensation system. They weren't led by senior leaders or by a program office, and they didn't go through the usual stage-gate process. Typically, a small group of people spotted an urgent need, dropped lower-priority activities, broke typical bureaucratic procedures, and transformed from everyday

Agile enterprises focus on speed during normal times, as well as during crises.

workers to real-life corporate MacGyvers, surprising themselves and their bosses in the process. Sounds a lot like agile to us.

Another sign of today's agility: a rapid increase in many companies' metabolic rate. One senior executive with a major retailer told us that he now holds daily 30-minute meetings with cross-functional stakeholders to attack the day's challenges. His team sets key principles, such as safety, while delegating operating decisions to line managers. "We've gone from making five big decisions a month to sometimes making five a day now," he says. "And I'm not sure we've lost a lot in the quality of those decisions."

Take note, though: This spur-of-the-moment agility is fragile. Innovations happen sporadically rather than systematically. And when the emergency fades, people typically return to traditional command-and-control innovation until the next crisis arises, when they must reinvent agile approaches all over again. So how can companies maintain their agility once the crisis is over? Here are the keys:

Build an agile system in agile ways. Business systems have a greater impact on long-term performance than individuals do. That's one reason that athletes and business executives perform so differently in different organizations. So why not capitalize on times when agile innovations are highly successful to make the business system itself more agile? Create more agile teams charged with generating innovations. Begin spreading the principles of agile throughout the organization, even to the parts of it that must remain bureaucratic.

The key here is to build an agile system using agile methods. Engage people in changing the system through testing, learning, and adaptation. Don't copy some other company; it rarely works, and it keeps people from developing the skills they need for adapting, customizing, and harmonizing all the elements of agility. People need time to create—and then to get accustomed to—a new operating model.

Increase the speed of innovations. During crises, executives often marvel at how the speed of innovation in their organizations accelerates. Agile enterprises focus on speed during normal times as well. One common measure is how much time elapses between the identification of a problem or opportunity and the delivery of an innovative solution.

Tracking response times can lead to surprising insights. The time it takes an agile team to release an innovation is determined by two factors: the time required to work on the innovation and the time spent waiting on others. Waiting times include delays caused by operating processes, such as strategic planning calendars, approval processes, budgeting and funding cycles, and dozens of other factors. Most teams spend only 15% to 20% of their time working and the rest waiting. So reducing wait times has five times the impact of making teams work faster.

One way to reduce wait times is to break big, lengthy programs into smaller batches with rapid feedback loops. Smaller batches allow people working in complex systems to start, stop, or pivot their activities quickly in response to changes or new demands. Breakthrough innovations don't have to be big five-year gambles that terrify bureaucrats; they can be a series of short bursts that are regularly reviewed and adapted. Similarly, cumbersome planning and funding activities don't have to happen in annual cycles, which force innovation teams to delay their starts or postpone the death of floundering initiatives. Breaking a long, monolithic planning and budgeting process into quarterly sprints minimizes wait times and increases flow efficiency.

Reset the balance between standard operations and innovation. To sustain success in dynamic environments, companies must balance two vital activities. They must run the business reliably and efficiently, and they must change the business rapidly and effectively. Too little focus on innovation leads to a static enterprise that will fail to adapt. Too little emphasis on operations leads to poor quality, high costs, and dangerous risks to customers and to the business. Most large companies today have tilted too far toward bureaucracy, starving innovation. Crises make this deficiency painfully obvious but only for a while. The trick is to maintain the urgency, anticipate the next crisis, and create a system that emphasizes innovation as much as operations.

The current pandemic is surely the worst calamity most business leaders have seen, but it is hardly unique. The past two decades have witnessed a startling series of

crises and black-swan events, including terrorist attacks, murderous local conflicts, fatal-disease outbreaks, and unprecedented weather events, such as hurricanes and wildfires. And all that is on top of "ordinary" business disasters: data breaches, trade wars, digital disruptions, and so on. The future, in our view, won't be all that different: It will most likely present companies with a series of unexpected challenges and opportunities, and business as usual will no longer be sufficient. An agile business system can help companies create the innovations they will need to survive in these uncertain times.

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3. Six Principles to Build Your Company's Strategic Agility

→ by MICHAEL WADE, AMIT JOSHI, and ELIZABETH A. TERACINO

IN EARLY 2020, Airbnb was headed for a banner year—bookings were up, expansion plans were in place, and an IPO was set for the spring. Then Covid-19 hit, and more than $1 billion of bookings disappeared, expansion plans were postponed, and one-quarter of the workforce was cut. However, by the end of the year, revenues had recovered, and the company completed one of the most successful tech IPOs in history.

California Pizza Kitchen (CPK) is well known for its innovative offerings. It was one of the first pizza chains to offer gluten-free crusts, "take and bake" home pizzas, and *Iron Chef*–style innovation competitions for its cooks. During the Covid-19 crisis, it moved quickly to offer curbside delivery and upped its online capabilities. Yet, despite its reputation for innovation and forward thinking, the company filed for bankruptcy protection in July 2020.

Why was one able to thrive while the other floundered?

Ultimately Airbnb and other companies that successfully navigated the crisis identified were able to deviate

from their strategic plan and adapt to the changing environment. Our research identified three distinct ways they did this: First, they were nimble enough to avoid the worst impacts. Second, when they were hit, they were robust enough to absorb a lot of the damage. And third, they were resilient enough to accelerate forward faster and more effectively than their peers. We call this combination of capabilities the Triple A's of strategic agility.

As soon as it became clear that Covid-19 travel restrictions would be inevitable, Airbnb took steps to avoid impact to its business. It implemented strict disinfectant protocols for its properties and added a mandatory free night between stays to allow additional time for cleaning. It also relaxed guest cancellation policies and put measures in place to compensate hosts for lost revenue. Of course, the company couldn't entirely avoid the effects of the pandemic, so it raised capital to bolster its ability to absorb the impact of reduced bookings and cancellations. Even before the business was stabilized, the company began to accelerate into areas that were less affected, such as in-country travel and stays at rural locations. It also started to promote longer "quarantine" stays and added details such as internet speed to its listings.

CPK, by contrast, was unable to shift its core dine-in business to delivery fast enough after stay-at-home orders were issued and thus was unable to avoid a direct revenue hit. Furthermore, years of mismanagement had left the company with a high debt load, inhibiting its ability to raise additional capital to cover its costs. With its locations either closed or operating at limited capacity, cash started to dwindle. The company entered bankruptcy protection in June 2020. After a few months of restructuring, it emerged in November 2020 owned mostly by its debt holders, who had swapped their loans for equity. The company is now trying to make up for lost time by focusing on "Cali-health" menu items like nonmeat proteins (BBQ Don't Call Me Chicken Pizza), expanding its global franchise footprint, and investing in marketing and digital channels.

The Six Principles Behind a Triple A Rating

Strategic agility is the ability to improve performance—not just survive but thrive—amid disruption. Our multiyear research project, based on studying qualitative and quantitative data from hundreds of organizations, suggests that strategic agility can be further broken down into six principles. These principles are not definitions, rules, laws, tools, or frameworks, but guidelines to help organizations leverage disruption proactively to their advantage.

AVOIDING SHOCKS

Speed and Flexibility

Sidestepping shocks is linked to sensing risks in the environment, being able to position yourself to avoid dangers, and moving quickly to dodge impacts.

PRINCIPLE 1

Prioritize speed over perfection.

Opportunities come and go quickly during a crisis, so organizations need to be ready and willing to act quickly, even if they sacrifice quality and predictability in the process.

During the multiday celebration of Chinese New Year, movie theaters are typically full of families. However, in January 2020, due to the spread of Covid-19, most theaters were empty, and many had closed their doors. The Huanxi Media Group (Huanxi) stood to lose millions on its New Year–themed movie *Lost in Russia*. While most of its peers decided to postpone their releases, Huanxi approached ByteDance, the Chinese company behind the blockbuster app TikTok. ByteDance was not an obvious distribution partner, as its properties mostly stream short-form, user-generated content. TikTok, for instance, caps videos at 15 seconds—and *Lost in Russia* clocked in at over two hours.

In just two days, *Lost in Russia* racked up 600 million views on ByteDance platforms. Not only did the movie gain a huge following, it also led to a flood of goodwill from Chinese citizens who were frustrated about not being able to leave their homes during the outbreak. By waiting, other studios missed out on a major opportunity to build market share and capitalize on a limited-term opportunity.

PRINCIPLE 2

Prioritize flexibility over planning.

Strategy is often taught in business schools as a cascade of choices around where to play and how to win. These choices are typically built into strategic plans that are devised and approved over a period of several months and then executed over three to five years, before the cycle repeats. However, in a crisis, a strategic plan can easily become an anchor that locks an organization onto a path that is no longer relevant.

Faced with a massive drop in revenue during the pan-

Diversification and slack are both powerful hedges against the impact of shocks.

demic, Qantas abandoned its five-year strategic plan and dusted off an old idea from the 1980s to offer "flights to nowhere." These excursions included flybys of some of Australia's main tourist destinations, such as the Great Barrier Reef and Uluru. The entire stock of seats sold out in 10 minutes, making it the fastest-selling promotion in Qantas's history.

Qantas was not only quick off the mark, it was flexible in how it operated. The airline recognized the public's latent desire to travel, even if they couldn't leave the country, and it quickly adapted its services to meet this need. It then built upon its initial success, next offering viewing flights to Antarctica.

ABSORBING SHOCKS

Empowerment and Diversification

When it's impossible to avoid a shock, like the Covid-19 pandemic, the next best thing is to minimize the damage. This step is often misunderstood by managers. Some of the hallmarks of strong shock absorption—scale, inefficiency, or centralization—are seen as impediments to effective competition in volatile environments. Yet, when set up in the right way, these elements can enhance the ability of organizations to withstand shocks without inhibiting performance.

PRINCIPLE 3

Prioritize diversification and "efficient slack" over optimization.

Many organizations struggled—and some failed—during the pandemic not because they weren't nimble or innovative but because they were felled by a single devastating blow. The root of this problem, in many cases, was either a lack of diversification or an overemphasis on efficiency and optimization.

The principles of diversification and slack have fallen out of favor recently. The share price of diversified organizations is often hit with a "conglomerate discount," and markets and activist investors are quick to penalize any sign of slack. Yet, these are both powerful hedges against the impact of shocks. Pain in one area can be compensated by gain elsewhere. During the pandemic, when sales in P&G's personal care brands dropped, the company was able to make up the difference in increased revenue of its cleaning and disinfectant brands. By contrast, Gold's Gym, Avianca Airlines, and Brooks Brothers suffered from a lack of diversification and ultimately went bankrupt.

Swiggy, one of India's largest food-delivery start-ups, built a platform that included more than 160,000 restaurants in 500 cities. During the Covid-19 lockdown, restaurant activity, including deliveries, fell by more than 50%. Swiggy realized that its overdependence on fixed-location, traditional sit-down restaurants as delivery partners was a severe vulnerability. In response, it started a program to add street food vendors to its platform, ultimately adding more than 36,000 of these vendors. Although servicing these vendors was less profitable, they provided valuable "slack" during the crisis while also delivering a societal benefit. As a consequence, the company rebounded to about 90% of its pre-Covid-19 food-delivery volumes.

PRINCIPLE 4

Prioritize empowerment over hierarchy.

Systems are most vulnerable at their weakest points. A hierarchy, for example, is most vulnerable at the top.

Empowered teams, by contrast, are inherently robust. Since they're decentralized, no single strike or crisis can take them all out. The key is to maintain open and regular information flows so that they are working from the same page.

Zoetis, a leading global-health company for animals, adopted this approach during the pandemic, which arrived just as they were about to launch their largest-ever new product, a medication for dogs. A number of challenges, including supply-chain disruptions, marketing delays, and reduced opening hours at testing centers and laboratories, threatened to scupper the launch. In response, Zoetis's CEO decided to allow local leaders across 45 global markets the autonomy to conduct the launch in the most appropriate way. For example, social-distancing regulations varied massively by location, as did requirements to wear protective clothing. The empowerment extended to field-based employees, managers, and teams who were encouraged to "run it like you own it." To further enable these employees, a priority was placed on data-driven decision-making, and dashboards containing up-to-the-minute information on the pandemic were made available to everyone in the organization.

It is important to build resources that are modular and/or mobile so that they can be reconfigured or moved as needed.

ACCELERATING AWAY FROM SHOCKS

Learning and Modularity

Bouncing back from shocks is partially operational (being able to redeploy and reconfigure resources) and partially cultural (fostering a tolerance for failure and implementing an environment that encourages risk taking and rewards learning). The application of the acceleration principles has a major impact on performance in highly uncertain environments.

PRINCIPLE 5

Prioritize learning over blaming.

It has been well established that organizational cultures that reward risk taking and tolerate failure move more quickly that those that don't. If people are criticized for failing, they are less likely to take risks; in a crisis, this can be fatal.

Evalueserve is a midsize global IT services firm with offices in India. When the country declared a strict lockdown with six hours' notice, it had no choice but to shift almost all of its 3,000 employees to work from home. This move created an increased risk to employee well-being and morale, as home environments were often stressful and not conducive for working. In response, the company instituted several changes to promote a "no blame" culture. It added mental health and well-being initiatives such as "no agenda check-in calls" to maintain motivation, as Chairperson Timo Vättö and cofounder Marc Vollenweider explained to us in an interview. The company also adjusted its incentives to reward employees for learning and adaptability. As a result, Evalueserve faced negligible attrition of both employees and clients during the lockdown period.

PRINCIPLE 6

Prioritize resource modularity and mobility over resource lock-in.

Because it is difficult to predict how the future will unfold in a crisis, it is hard to effectively plan the allocation of resources. Thus, it is important to build resources that are modular and/or mobile so that they can be reconfigured or moved as needed.

An example of resource modularity comes from the Paranoid Fan app, which allowed NFL fans to order food to be delivered to their seats in sports stadiums. But with live events curtailed by the pandemic, the app lost its users. Seeing long queues outside food banks in New York City, founder Agustin Gonzalez recognized an opportunity to reconfigure the app's mapping and delivery technology. The company launched a new app, named Nepjun, that allowed food banks to set menus and create delivery protocols while also allowing users to find operational food banks in their neighborhood.

Putting Strategic Agility into Action

The year 2020 was an extremely disruptive year for the media and entertainment sector. Streaming companies like Netflix and Amazon Prime Video experienced strong growth, whereas organizations involved in live events and cinematic releases suffered massive drops in revenue. The Walt Disney Company was caught in the middle. In early 2020, media and broadcasting operations accounted for about 33% of its revenue, 17% was earned from direct-to-consumer brands, and the remaining 50% came from movie studios, theme parks, and product sales.

Gains in broadcasting revenues failed to offset heavy losses from the closure of movie theaters, theme parks, and retail stores. Disney's share price began 2020 at $146, but by March 20, 2020, it had dropped to $86 a share as the global scale of the pandemic became apparent. The company managed to avoid the worst impacts of the pandemic for as long as it could by keeping its theme parks open in a limited capacity and adding strong safety protocols for all facilities, staff, and guests. It saved money by laying off employees across its portfolio of stores, parks, and cruise ships and worked with local governments where possible to supplement its income. A strong balance sheet allowed it to absorb the drop in revenue.

Meanwhile, the company reallocated resources and people to its Disney+ streaming service, which had been launched in November 2019. The company worked hard to accelerate enhancements to the offering, adding new content throughout the year. For example, the live-action cinematic release *Mulan* was offered through the service as a special paid feature. By the end of the year, the company had attracted more than 90 million paying subscribers to the Disney+ service, significantly outperforming competitors such as HBO Max and Peacock, and far exceeding a goal it had hoped to meet by 2024.

When conditions improved, Disney was quick to take advantage. It reopened its theme parks in Shanghai

in May and Tokyo in July. Most important, it continued to heavily invest in Disney+, building it into one of the world's largest video subscription services just a year after launch. It empowered local managers to make decisions as situations shifted across the world, and it moved people and resources around to focus on growing areas. Its story shows that even large companies that are in the firing line of shocks like Covid-19 can respond effectively as long as they leverage the Triple A's of strategic agility.

While we will eventually see the end of the Covid-19 crisis, there is no doubt that organizations will continue to face other challenging situations in the future. Under these circumstances, incorporating avoidance, absorption, and acceleration can be the difference between survival and collapse.

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KLAUS VEDFELT/GETTY IMAGES

4. The Secret of Adaptable Organizations Is Trust

→ by JOERG ESSER

IN THE LAST year, many companies have been pushed to the limits of their capabilities and in many cases, to the edge of insolvency. With severe pressure on operations, supply chains, and demand, their processes have collapsed, and any idea of teamwork within their ranks has been thrown to the wind.

Or have they? My conversations with business leaders suggest that, in fact, the opposite is true. Contrary to all expectations, many CEOs say that their organizations actually appear to work best in crisis mode. With the company in a sink-or-swim situation, the employees pull together and develop the ability to surf.

Management should stick to defining what they want to achieve and let the organization focus on *how* to achieve it.

Of course, working in crisis mode is neither sustainable nor desirable. Many business leaders are now asking themselves how they can keep up the momentum post-crisis and ensure that their organizations are adaptable in the future. How can they move from crisis mode toward forward thinking?

The key lies in achieving a permanent state of adaptability. Every business leader knows that their company needs to adapt in order to survive long term. However, the real issue is not successfully transforming your organization on a onetime basis—it's writing the ability to adapt and transform into the company's DNA. It's developing a mechanism or reflex for dealing with whatever crisis comes along, be it financial, technological, environmental, or health related.

The pandemic has shone a sharp spotlight on the need for companies to be adaptable, but business leaders have long been aware of this necessity. Even before the mayhem of 2020, they had to deal with multiple crises. Indeed, most business leaders feel like they've been in a state of constant "transformation" for the past two decades, and many are heartily sick of the word.

The problem is, despite the energy that business leaders put into their work, most attempts to make companies adaptable come to nothing. This is borne out by my own experience working both in management and as a strategy consultant. Ask top managers what went wrong, and you'll hear the same litany of complaints over and over again: Some individuals within the organization failed to take ownership of the change process. People started blaming one another. Things went wrong, and nobody did anything about it. Gradually, the transformation lost momentum.

What was wrong with the old approach? Business leaders were trying to do too much. They were expending a lot of energy but channeling it in the wrong direction. Time and again, after working with organizations, I've found that complex problems do not require complex solutions. When it comes to being adaptable, the answers are actually surprisingly simple.

Less Is Actually More

Over the past few years, I've been encouraging business leaders to take a "less is more" approach. This technique differs radically from the old way of doing things. Traditional organizations were designed for stable market environments and often come with a heavy legacy of complex administrative processes. That makes them notoriously inflexible and difficult to transform. In such companies, when the going gets tough, the management gets tougher. The default approach is to impose more rules and tighter controls from above as a way of keeping disruption in check.

The problem is, tightening controls often stifles the organization. In fact, what management should do is loosen their hold and give the organization the freedom it needs to work effectively. The idea is that management should stick to defining what they want to achieve and let the organization focus on *how* to achieve it. This process of loosening your grip—while not letting the company descend into chaos—can be tricky. It needs to be based on a clear set of principles, backed up by science.

My approach is inspired by complexity theory, which builds on the work of U.S. theoretical physicist and Nobel laureate Philip Warren Anderson. One of the key concepts in complexity theory is "emergence": the idea that complexity arises from simplicity and that small things form big things with properties different from the sum of their parts when interacting as part of a greater whole. Just a few simple principles allow you to build systems where macrointelligence and adaptability derive from local interactions and knowledge. In other words, the challenges may be great, but the solutions are often small.

Many examples of this occur in nature. For instance, ants build living bridges when searching for food, construct megacity-like colonies, and protect themselves against threats collectively. If the colony is flooded, for example, some of the ants use their heads to plug holes, while others absorb water with their bodies to drain the floodwater.

Adaptability Design Principles

I like to summarize this less-is-more approach in the following concise set of design principles, which effectively translate the concept of emergence into the language of business. Leaders can draw inspiration from these design principles to write

the ability to adapt into their company's DNA.

Address purpose. Define the purpose of the transformation right at the outset. Specify goals, priorities, rules, and boundaries. Steer changes in advance as much as possible. Back this up by providing continuous feedback on whether individual actions are contributing to the common goal.

Nominate owners. Choose "pilots" and "copilots" (more on that later) who take end-to-end ownership of their topics. Employees must be able to group and regroup seamlessly in response to new tasks. Make teams flexible, diverse, and cross-functional to avoid organizational silos.

Test, don't guess. Run real experiments rather than relying on so-called expert opinions. Use the results of these experiments as the basis for designing measurable solutions.

Spark collisions. Enable direct interactions, both planned and random, between individuals within the organization. Encourage people to exchange ideas and experiences. Dynamic networking is a great basis for decision-making and achieving a common purpose.

Following these principles can help business leaders build an organization that is able to learn from the bottom up, using local knowledge and expertise. Like a colony of ants, the organization derives its strength and adaptability from the power of emergence.

The Principles in Practice

How does this apply to organizational science? I recently worked side by side with a European airport that chose to take a less-is-more approach to transforming their organization. Here's how they did it.

Specify the goal of the transformation. The board defined their goal as improving the top and bottom lines. Then they broke that down into specific topics, such as increasing spend per passenger and decreasing administrative costs. No guessing was allowed about how this was to be achieved—that was left to the teams on the ground at a later stage. They also held meetings with representatives of each business unit and department to find out what success would look like from their perspective.

The advantage of this strategy was that the board didn't start out with a mix of half-questions and half-baked solutions, as is often the case. All too frequently, the initial discussion shifts from asking questions to guessing the answers before the problem has been specified properly. As a result, the true nature of the problem becomes apparent only toward the end of the initiative. As Einstein famously put it: "If I had an hour to solve a problem, I'd spend 55 minutes thinking about the problem and five minutes thinking about solutions."

Choose owners for the different topics. The board set up "topic teams" led by pairs made up of a pilot, who was ultimately responsible for decisions, and a copilot, who assisted the pilot and acted as a sparring partner. Pilots and copilots were matched on the basis of having differing characters, approaches to problem-solving, and experience. Their task was to find the best possible solution to the challenge, considering end-to-end feasibility and impact, and then recruit a team of cross-functional experts from within the organization to help them in their work.

Test each solution. Importantly, topic teams had to back up each solution they devised with a way of measuring whether or not it was successful. The airport could then test out each solution to see whether it actually worked, the idea being that you only do what you can measure. In organizations more familiar with experimentation, it's possible to use key performance indicators (KPIs), such as a minimum and maximum number of tests and minimum and maximum failure rates.

Ensure exchange between the individuals involved. This enables the process of emergence to take place. The board did this partly by having diverse teams (where lively interactions were both inevitable and encouraged) and partly by introducing regular "pit stops" every two weeks, during which the board and the various topic teams discussed status, ideas, best practices, and questions. They also designated a specific room at the airport that everyone involved in the program could access, which had whiteboards for team progress updates, questions, and comments. It also served as the venue for the pit stops

and as a place where members of the program could exchange ideas informally. During stay-at-home orders, this was replaced with a virtual room.

Make the process part of operational routine, not a special onetime event. Crucially, the initiative was later transferred to the line organization. The airport effectively established a new way of working, with transformation taking place on the job rather than in the boardroom. In terms of the overall goal of the project, the undertaking was wildly successful: The airport's earnings increased by more than twice the original target. But, more important, the airport managed to embed a permanent state of adaptability within the organization.

The Role of Business Leaders in an Adaptable Organization

In traditional organizations, the person at the top focuses on making operational decisions, especially the big ones. In adaptable organizations, the leader focuses on facilitating the right environment. In the case of the airport, it was truly remarkable how the board was able to focus on finding the right pilots and copilots and resist the temptation to codesign solutions. They trusted their teams, gradually loosened their grip on the reins in a controlled fashion, and were rewarded with powerful, innovative solutions that emerged from the organization itself.

How can you know if you're currently doing too much, getting overly involved in the nitty-gritty of operations? Here's a quick exercise I often use with clients that will show you whether you're holding the reins too tight and failing to allow emergence to work its magic. Count the number of decisions you make in the course of a day. If you're constantly making decisions, chances are you're not giving your company the freedom it needs to self-organize. If this is you, the single most effective task you can perform is to reduce the number of decisions you need to make every day.

The results of doing less, not more, might just take you by surprise.

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SENSORSPOT/GETTY IMAGES

5. Five Principles to Guide Adaptive Leadership

→ by BEN RAMALINGAM, DAVID NABARRO, ARKEBE OQUBAY, DAME RUTH CARNALL, and LENI WILD

THE COVID-19 PANDEMIC is constantly evolving, with leaders facing unpredictability, imperfect information, multiple unknowns, and the need to identify responses quickly—all while recognizing the multidimensional (health-related, economic, social, political, cultural) nature of the crisis.

Responding to the crisis requires adaptive leadership, which involves what we call the Four A's:

- **Anticipation** of likely future needs, trends, and options
- **Articulation** of these needs to build collective understanding and support for action
- **Adaptation** so that there is continuous learning and the adjustment of responses as necessary
- **Accountability**, including maximum transparency in decision-making processes and openness to challenges and feedback

All of the Four A's are plain to see in the most successful responses to the pandemic. Take the pharmaceutical firm AstraZeneca. Thanks to their large Chinese operations, they learned about the virus early and started working to anticipate future needs and issues, while also navigating the considerable uncertainties and unknowns. They articulated these needs to a wide range of internal and external stakeholders to garner commitment and support, and adapted a range of new business models and partnerships to effectively meet the most urgent Covid-19 needs—most notably vaccine development but also testing and screening methods, health facility development, and the use of AI to support diagnostics and case management. Perhaps most notably, the firm has established an inclusive approach to accountability, with a commitment to support the global Covid-19 response "as economically and as equitably" as possible—including numerous agreements for the

large-scale production and distribution of any successful vaccine at zero profit during the period of pandemic.

From our collective experience at the heart of the WHO's Covid-19 response (David), advising those at the top of national governments (Arkebe), leading and advising on large complex health care systems (Ruth), and supporting crisis responses in developed and developing countries as well as humanitarian settings (Ben and Leni), we have identified five common principles to guide this kind of adaptive leadership across the Covid-19 response.

1. Ensure evidence-based learning and adaptation. Adaptive leadership means teams and organizations need to constantly assess their actions, recognizing that they will have to continuously iterate and adapt their interventions as they learn more about the outcomes of decisions. This requires clear processes for determining the best options for action; collecting, interpreting and acting on evidence, including defining a set of key measures for determining success or failure; ensuring ongoing collection of operationally relevant data; and setting out a clear process for how changes in data and trends will trigger changes in action.

Putting social learning and adaptation at the center of the response in this way has been found to be a crucial element in recent disease outbreak management, most notably in dealing with Ebola in West Africa. An analysis of the successful eradication of smallpox has shown that the success was attributable to processes of strategic adaptation and learning—more than any other single factor.

This learning process must be open and diverse to be effective. For example, the German government enlisted the advice of not just epidemiologists and medical specialists but also social scientists, philosophers, historians of science, theologians, and jurists as it navigated the delicate ethical balancing act of reopening society while safeguarding the health of the public.

2. Stress-test underlying theories, assumptions, and beliefs. Just as institutions such as banks regularly undergo stress testing to ensure they can deal with future crises, the assumptions and hypotheses guiding an adaptive response need to be subjected to robust and rigorous reflection and examination, including through the simulation of different possible future scenarios.

One of the most systematic and rigorous approaches to Covid-19 scenario planning has been developed by Boston Consulting Group. Drawing on military approaches to strategic learning, they advocate that firms establish an integrated model of "anticipation, intelligence, and response" that can underpin business decision-making. Using such an approach, different scenarios have been developed for use by the automotive, fashion, and luxury goods sectors. These scenarios account for critical uncertainties in the public health situation, the impact of government measures, the wider economic environment, and business-specific demand forecasts, and make use of real-time monitoring as the basis for decision-making.

3. Streamline deliberative decision-making. A major challenge faced by leaders is that the data on Covid-19 is changing all the time and is often contradictory. When decision makers feel threatened, they are much more likely to revert to risk-averse and siloed responses to ensure a degree of safety that results from narrowly defined targets.

Decision makers at different levels therefore need to be clear about what they are basing their assumptions and hypotheses on. They need to explain what is being done and why, and how a decision was made, so that if errors are identified, trust can still be maintained in the process.

The most successful national responses—in South Korea, Taiwan, and Germany; in less well-publicized initiatives, such as in Vietnam and Ethiopia; and in subnational efforts, such as Kerala, India—have used the pandemic as a catalyst for transforming the policy process, making it more open, dynamic, and nimble. These responses have also improved integration across different systems—from health care to transportation to energy—which has resulted in unprecedented levels of planning, information sharing, and coordination.

4. Strengthen transparency, inclusion, and accountability. People around the world have been asked to make major behavior changes, and these bring significant costs for society, businesses, and governments. Because the stakes are so high, there is a need to examine how earlier decisions were made, bearing in mind the information available at the time. Ongoing real-time assessment of the response is needed to maximize learning. Such assessments should include all

Effective responses to the Covid-19 crisis need to build on collaboration across different sectors, industries, and professionals.

relevant stakeholders—from professionals to affected populations.

The best adaptive leaders—from business leaders to policy makers to community organizers—have recognized mistakes are quite likely to be made and actively used them to identify shared learning opportunities. For example, the UK's National Health Service has held an open, honest, and challenging dialogue about how institutionalized biases in dealing with Covid-19 have led to greater levels of pain and suffering among Black and ethnic minority patients and staff alike. And there has been acknowledgment at the highest levels that however difficult this process might be, this had to be seen as a "fundamental inflection point" for one of the world's largest health care providers.

The European Centre for Disease Prevention and Control has advocated the use of after-action reviews and similar processes to assess how public health decisions were taken at different points and on what basis. Given the fact that the pandemic response is increasingly being viewed as a marathon and not a sprint, it is vital to assess what has happened so far, to identify strategic priorities, and to exchange lessons learned. This means leaders need to commit to sharing their thinking at every stage and, by acting in such an open and transparent way, set a benchmark for how to engage with constituencies and stakeholders as the pandemic progresses. More than that, by acknowledging their fallibility, leaders create an environment of candor, psychological safety, and mutual trust that is vital for effective crisis response.

5. Mobilize collective action. The Covid-19 crisis is not just a public health crisis; it's also an economic, social, and political crisis. It is a "complex systems" problem that requires changes in behaviors and incentives and in the relationships between different groups and organizations. Effective responses therefore need to build on collaboration across different sectors, industries, and professionals and between international, national, and local levels—an ambition that has often proved difficult to put into practice.

Collective action in this regard might be in the form of coordination (for example, among businesses), partnerships among different interest groups (for example, businesses and communities), or dialogue across a range of stakeholders. Adaptive leadership has a crucial role to play in helping to identify shared alignment of objectives and scope for collective action across different silos and levels of the response. Such interactions enrich debate, are inclusive, and improve ownership of decisions.

There have been some remarkable multisectoral interventions that span public, private, and not-for-profit capabilities in exactly this way. In the UK, for example, shared awareness of the existing health care capacity underpinned a landmark deal to rapidly commission all private-sector hospitals for use by the National Health Service, at cost, leading to an accelerated scaling up of available beds and equipment. Civil society and citizen groups have also played a central role in mobilizing inclusive approaches to the pandemic, especially in resource-constrained settings. Local responses have emerged in the form of community-led support for the most vulnerable in Bhopal, India; the repurposing manufacturing capability to enable locally produced PPE across the U.S.; and the strengthening of "social economy" approaches to rebuilding disrupted economies from the grassroots up in Canada and numerous European countries.

What we do in this crisis response will have repercussions for years and decades to come. These five principles of adaptive leadership are not just vital to guide our immediate responses; they will also be vital for shaping longer-term recovery and resilience plans. Our collective future may be uncertain, but this uncertainty is at the very heart of human creativity.

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Executive Summaries

"More than ever before, companies need to measure, understand, and boost their capacity for change."

HOW GOOD IS YOUR COMPANY AT CHANGE?
PAGE 70

Become a Nimble Leader

Stop Sabotaging Your Ability to Innovate

Cyril Bouquet, Jean-Louis Barsoux, and Michael Wade | page 10

Innovators can be their own worst enemies, derailed by personal traits, such as confidence and optimism, that are essential to creativity but can be toxic when taken to an extreme, and by emotions such as fear, doubt, regret, and frustration, which are typical when trying something new but can too easily stall or destroy entrepreneurial efforts. And although practical advice abounds on how to innovate, in-depth guidance on conquering these mental challenges is harder to find. The authors draw on published interviews, videos, and speeches to describe the obstacles encountered by some high-profile entrepreneurs and illuminate the paths by which they moved forward. They explore practical tactics for overcoming the fear of getting started, the frustration of setbacks, an excess of creativity, and a tendency to go into hyperdrive. Innovators must become mindful of their habitual ways of thinking and behaving, the authors argue. Thus armed, they can reach out for feedback or mentoring—for help in becoming a more skillful version of themselves.

HBR Reprint R2106L

How to Embrace Complex Change

Linda Brimm | page 16

For ambitious executives working in dynamic global businesses, big career transitions—to new roles, organizations, industries, or geographic locations—are a fact of life. So is the need to constantly adapt to new technologies, work groups, strategies, and ways of thinking and behaving. And yet even seasoned professionals find this sort of change difficult. Management researchers have a lot to say about the best way to approach organizational change, but when it comes to personal transitions, there is no blueprint for success. Over years working with MBA students and executives, the author has developed a framework to help in thinking about change. It involves navigating the Seven C's: *complexity* (considering all the issues in a particular change effort); *clarity* (understanding and prioritizing those issues); *confidence* (believing that one can be successful in making the change); *creativity* (brainstorming innovative solutions to problems that arise); *commitment* (beginning to implement the change); *consolidation* (leaving behind the previous identity to adopt the new one); and *change* (living into the change and its consequences).

HBR Reprint R1509J

Emotional Agility

Susan David and Christina Congleton
page 22

The prevailing wisdom says that negative thoughts and feelings have no place at the office. But that goes against basic biology. All healthy human beings have an inner stream of thoughts and feelings that include criticism, doubt, and fear. David and Congleton have worked with leaders in various industries to build a critical skill they call emotional agility, which enables people to approach their inner experiences in a mindful, values-driven, and productive way rather than buying into or trying to suppress them. The authors offer four practices (adapted from Acceptance and Commitment Therapy, or ACT) designed to help readers do the same:

Recognize your patterns. You have to realize that you're stuck before you can initiate change.

Label your thoughts and emotions. Labeling allows you to see them as transient sources of data that may or may not prove helpful.

Accept them. Respond to your ideas and emotions with an open attitude, paying attention and letting yourself experience them. They may be signaling that something important is at stake.

Act on your values. Is your response going to serve your organization in the long term and take you toward being the leader you most want to be?

HBR Reprint R1311L

Build Your Team's Adaptability

Agility Hacks

Amy C. Edmondson and Ranjay Gulati
page 48

In the past 20 years, the agile approach to improving products, services, and processes has swept the business world. Rooted in software development, agile has spread to many other functions, and some companies have turned much of their organization, including the C-suite, into agile teams.

But agile is not suitable for all circumstances, particularly in carrying out the many key operations and functions of an organization that require consistency and efficiency.

This article describes how large established companies can use *agility hacks* to temporarily bypass their standard processes to act quickly and effectively while leaving the overall system alone.

HBR Reprint S21062

Drive a More Responsive Organization

How Good Is Your Company at Change?

David Michels and Kevin Murphy
page 70

As they deal with a business landscape that is evolving constantly, rapidly, and unpredictably, executives all over the world are full of questions about change: *How much? How fast? How sustainable?* And sometimes just *How?*

They can't hope to answer those questions unless they understand their companies' capacity for change—but they've lacked good tools for measuring that. To address this problem, Michels and Murphy, partners at Bain, devised a way of systematically measuring what they call *change power.* In this article they explain how they devised their system, describe the nine main factors that they believe determine a company's change power, and present data suggesting that companies that rank high on their change power index tend to perform remarkably well financially and have more-satisfied employees.

Most organizations have a change power profile that corresponds to one of four archetypes. Using company examples, the authors suggest a specific approach to improvement for each one.

HBR Reprint R2104C

Executive Summaries

Drive a More Responsive Organization

Building a Culture of Experimentation

Stefan Thomke | page 78

Online experiments can be a game changer when it comes to marketing and innovation. By running some 25,000 tests a year, for instance, Booking.com has transformed itself from a small start-up to the world's largest accommodation platform. Today scaling up an organization's experimentation capabilities is critical, but many firms struggle to do it—not because of technology but because of culture.

To break down cultural barriers, companies need to create an environment where curiosity is nurtured, data trumps opinions, any employee can launch tests, all experiments are ethical, and a new more-democratic model of leadership prevails. Ultimately, executives have to be able to confront the possibility that they are wrong daily and willing to give their people greater autonomy.

HBR Reprint S20021

Spotlight Package Reprint R2002B

Drive Innovation with Better Decision-Making

Linda A. Hill, Emily Tedards, and Taran Swan | page 86

Despite their embrace of agile methods, many firms striving to innovate are struggling to produce breakthrough ideas. A key culprit, according to the authors, is an outdated, inefficient approach to decision-making. Today's discovery-driven innovation processes involve an unprecedented number of choices, from which ideas to pursue to countless decisions about how to conduct experiments, what data to collect, and so on. But these choices are often made too slowly and informed by obsolete information and narrow perspectives.

To align their decision-making processes with agile approaches, businesses need to include diverse (customer, local, data-informed, and outside) points of view; clarify decision rights; match the cadence of decisions to the pace of learning; and encourage candid conflict in service of a better experience for the end customer. Only then will all that rapid experimentation pay off.

The article suggests best practices for these interventions, drawing on the story of the transformation at Pfizer's Global Clinical Supply, which would go on to play a critical role supporting the rapid development of the pharma giant's Covid vaccine.

HBR Reprint R2106D

A New Crisis Playbook for an Uncertain World

John E. Katsos and Jason Miklian page 94

Climate change. Globalization. Inequality. Over the next 20 years this trifecta will produce a period of uncertainty that will make the previous two decades look positively stable. How can business leaders ensure that their companies are confident, nimble, and successful instead of timid and unprofitable? The answer lies in three strategies that have been proven to work around the world: elevating community relationships to true partnerships, looking beyond government authorities for guidance, and making principled, consistent political choices. For smart firms, preparing for crisis will mean not only calculating strategic risks and being more efficient but also developing stronger social licenses to operate.

HBR Reprint H06OSG

Big Idea Package Reprint BG2104

CSC:Miami

Content Supply Chains must be forensic in their detail.

Television broadcasters have long relied on instinct, market knowledge and spreadsheets to forecast TV viewership - but instinct needs to partner with information; market knowledge is never enough; and spreadsheets are no way to excel.

As witness to these challenges, Fractal undertook its own detective work.

By combining AI, data engineering and user-centric design, Fractal created an industry-first TV forecasting system for Europe's leading media and entertainment company. The result? Up to 30% improvement in forecast accuracy.

Fractal: perfectly targeted and timed TV, no drama.

fractal

Publicis EtNous
HERMÈS
PARIS
lighthearted