Leadership Agility: A Business Imperative for a VUCA World

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Agility Consulting and Training
In Volatile Times – Agility Rules

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

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

• **Volatility** – The nature, speed, volume, magnitude and dynamics of change;

• **Uncertainty** – The lack of predictability of issues and events;

• **Complexity** – The confounding of issues and the chaos that surround any organization; and

• **Ambiguity** – The haziness of reality and the mixed meanings of conditions.

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

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

**What Does Leadership Agility Look Like?**

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

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

<table>
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<tr>
<th>LEADERSHIP AND ORGANIZATIONAL AGILITY: A COMPARISON OF HIGH-PERFORMING AND LOW-PERFORMING FIRMS.</th>
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<tr>
<td><strong>Organizational Performance – measured by profitability, market share, revenue growth and customer satisfaction</strong></td>
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<td><img src="image" alt="Percentage of Responses from HIGH-PERFORMING ORGANIZATIONS" /></td>
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<td><strong>i4cp Agility Research Items</strong></td>
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The above chart shows highlights from a recent study of leadership and organizational agility by i4cp. (i4cp, PR.Com press release, March 11, 2010). The research involved 454 global leaders and illustrates higher performance from organizations embracing agility.

Provide guidance and direction to teams working across time zones, cultures and organizational barriers.

Leaders rarely work with team members on a face-to-face basis, forcing them to rely on a range of virtual communication channels. And team members come from a variety of disciplines, cultures and experience levels, making clarity of communication and mutual understanding an even greater challenge. Effective leaders will learn to balance the requirements of task completion and relationship development with equal finesse.

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

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

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

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

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

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

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

Maintain a laser-like focus on employee commitment and engagement across generational, global, cultural and demographic boundaries.

We have witnessed just how easy it is to lose the commitment of employees whose talent is most needed in times of uncertainty. The Center for Work-Life Policy research indicates that employee loyalty plunged from 95 to 39 percent from June 2007 to December 2008 (Hewlett, 2009). With employees residing in a sea of project and matrix relationships, a major challenge lies in assigning accountability and focusing attention on strategic priorities. Agile leaders learn to keep the balance between the right amount of delegation and the right amount of strategic direction, so teams of people can sense and respond to changing needs in their customer worlds. This means creating the environment for employees to develop improved work solutions and new products/processes, allowing needed decisions to happen on more of a just-in-time basis, closer to the customer.

Make collaboration among suppliers, partners, customers, part-time employees and consultants a signature part of organizational culture.

Functional silos have no place in an agile organization, and agile leaders regularly need to model collaborative behavior. Furthermore, agile leaders are learning how to infuse collaboration into work processes, job roles, and measures, rewards and development systems, thus generating changes in mindsets and behavior. They need to identify the key customer/supplier relationships in which both sides benefit from collaborative innovation. It also can mean creating collaborative physical and virtual spaces that allow relevant stakeholders to have access to, post and comment on relevant ideas and materials.

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

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

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

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

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

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

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### Land O’Frost Key Agility Indicators (KAI’s)

<table>
<thead>
<tr>
<th>Functional Process Area</th>
<th>Focused</th>
<th>Fast</th>
<th>Flexible</th>
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<tbody>
<tr>
<td>Sales &amp; Customer Development</td>
<td>At least 90% of sales team meet 90% of objectives</td>
<td>Time to introduce new products across the existing customer base</td>
<td>% of brokers completing the LOP Academy &amp; Agility Training</td>
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<td></td>
<td>% of customers responding to customer satisfaction surveys</td>
<td>Time to acquire new sales, accounts or promotions</td>
<td>% of growth plans that have contingency plans for growth</td>
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<tr>
<td></td>
<td>Overall Customer Satisfaction Survey Results exceed 90%</td>
<td>Time to respond to or resolve customer inquiries or complaints</td>
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<tr>
<td>Finance</td>
<td>Annual internal customer satisfaction study that provides roadmap for service improvement</td>
<td>Reduce # days outstanding on receivables (DSO)</td>
<td>Maintain credit worthiness in terms and scope to enable access to capital to support growth</td>
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<tr>
<td></td>
<td></td>
<td>Reduce cycle time for financial analysis turnaround time</td>
<td>Key financial ratios</td>
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<tr>
<td>Human Resources</td>
<td>% performance reviews complete &amp; on-time</td>
<td>Days to fill jobs with quality</td>
<td>% employees completing training</td>
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<td></td>
<td>Certification of rewards system linkage to business focus</td>
<td>Reduced days of work absences</td>
<td># of employees cross trained</td>
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<td></td>
<td></td>
<td>Days to resolve grievances</td>
<td>% of succession plans validated</td>
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<tr>
<td></td>
<td></td>
<td># days to resolve claims</td>
<td>% turnover &amp; absenteeism reduced</td>
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<tr>
<td>Operations</td>
<td>At least 90% of operations team meet at least 90% of objectives</td>
<td>Reduced days to produce new market samples</td>
<td>Reduce changeover time 25%</td>
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<tr>
<td></td>
<td>100% achievement of KPI/KRA’s</td>
<td>Changeover time reduced</td>
<td>Increase # of lines that can produce 80% of volume items</td>
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The Agile Model® was developed in 2002 from multidisciplinary (e.g., psychology, leadership/management, operations, manufacturing, DOD, etc.) survey and applied research on leadership requirements in our increasingly turbulent and uncertain world. The Agile Model® is focused on the alignment between people, process and technology, operationalized through the five critical drivers or factors of leadership agility — the ability to anticipate change, generate confidence, initiate action, liberate thinking and evaluate results. The Agile Model® has been reviewed by an independent third party Industrial/Organizational psychologist as demonstrating strong reliability for each of the constructs in the model (each of the drivers has a Coefficient Alpha above .90 where .75 is the minimum required to demonstrate reliability). These key drivers represent important behavioral processes for selecting and developing agile leaders.
Evaluating Results — Maybe the most important aspect of our leadership agility-focused growth strategy has been transitioning from an internally to an externally focused company. One example is shifting our measurement of customer satisfaction, both externally and internally, from strictly measuring “on-time” delivery to basing our performance on customer surveys and the customers’ scorecard of us.

### Talent Management Tools and Methods for Identifying and Developing Leadership Agility

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

### Selection — Assess Leadership Agility Using Structured Interviews.

Some sample questions might include:

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

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**THE AGILE MODEL® LEADERSHIP AGILITY SKILLS**

| Anticipate Change | VISIONEERING — creating clarity on the core value proposition of the enterprise engineered into what the workforce does every day to produce desired outcomes for all stakeholders |
| Generate Confidence | SENSING — understanding forces of change that influence stakeholder success and creation of early warming systems of impending change that can impact success |
| Initiate Action | MONITORING — having effective processes for tracking performance and trends to identify patterns that impact the organization |
| Liberate Thinking | CONNECTING — establishing clear line of sight for all stakeholders with how each can contribute to the enterprise and person success |
| Evaluate Results | ALIGNING — establishing and living the congruence of vision, value, priorities and actions |
| FAST | ENGAGING — operating with high levels of inclusion and a climate that delivers the discretionary level of effort from all stakeholders |
| FLEXIBLE | BIAS FOR ACTION — establishing an execution culture where a sense of urgency around improvement and all stakeholder satisfaction is a basic shared expectation |
| | BIAS FOR INNOVATION — establishing permission and expectations that innovation is a universal requirement for all stakeholders’ participation |
| | CUSTOMER FOCUS — establishing on-going alignment and understanding of customers to be able to offer business solutions that meet their needs and often identify unrecognized needs |
| | IDEA DIVERSITY — establishing processes to encourage and secure innovation inputs from all levels and stakeholders in the enterprise |
| | CREATING EXPECTATIONS — providing clear and measurable priorities and resources that are aligned for all stakeholders and desired outcomes |
| | REAL-TIME FEEDBACK — providing timely and accurate feedback on key success measures for all stakeholders |
| | FACT-BASED MEASUREMENT — using performance metrics grounded in solid information measurement to allow reliable insights and conclusions |

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**High Performance**

- **High Professional/Master Contributor**
  - Consistently produces exceptional results and high performance ratings. Knows current job extremely well. May not effectively adapt to new situations.

- **Agile High Performer/High Professional**
  - Consistently produces exceptional results and high performance ratings. Demonstrates ability to adapt to new situations as necessary.

- **Strategic Agility Asset**
  - Outstanding, clearest example of superior performance and agility. Has the ability to take on major stretch assignments in new areas. Anticipates and preemptively acts on changing trends that impact the organization.

**Low Performance**

- **Low Performer/Low Agility**
  - Not delivering on results as expected. Does not adapt to change well.

- **Inconsistent Performer**
  - Delivers results inconsistently. Knows the job and may be a passive learner. May adapt to new situations if necessary.

- **Diamond in the Rough**
  - Delivers results erratically. Has demonstrated agility potential but is not living up to it.

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**High Agility**

- **Rising Star**
  - Consistently meets expectations. Knows the job well. Demonstrates ability to anticipate change and initiate action.

- **Adaptable Key Performer**
  - Consistently meets expectations. Knows current job well and enhances skills as appropriate. Can adapt to new situations as necessary.

- **Key Performer/Solid Professional**
  - Consistently meets expectations. Knows current job well. Has not demonstrated ability to adapt to new situations.

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**Low Agility**

- **Inconsistent Performer**
  - Delivers results inconsistently. Knows the job and may be a passive learner. May adapt to new situations if necessary.
Development – Using Scenario Planning for Talent Management Discussions

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

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

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

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

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

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

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

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

**Conclusion**

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

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

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

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Nadler, D.A and Tushman, M.L. (1997). “Growing and changing successful organizations as well as the Organizational Development Forum and authored a series of articles on leadership agility for Biz Life Magazine. In 2009 Forrester Research acknowledged Agility Consulting as a “pioneer” in the field of leadership agility. O’Shea received his master’s degree in Organizational Psychology from East Carolina University.