

**FOCUSED,
FAST &
FLEXIBLE**

**CREATING
Agility Advantage
in a VUCA World**

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THE JOURNEY BEGINS:

The Quest to be Focused, Fast and Flexible

While the pure essence of agility is found in three simple words (focused, fast, flexible), the path to a true agility advantage is a complex journey filled with opportunity and challenge. It starts with you as a leader and strategist whose job it is to make sense of a complicated and turbulent world and to respond to it better and faster than ever using new tools and constructs that create higher value , more engagement, and greater longevity for your enterprise.

We are living through the frenzy of innovation that is the hallmark of the twenty-first century, a century driven by the continuing digital revolution and rapidly expanding interconnectivity and intensifying global competition with radically evolving consumer expectations and dynamics. This environment of accelerated turbulence is

not going to settle down—ever. Yale Professor Richard Foster has contended that we have entered the age where organizations and some leaders are becoming increasingly antiquated and even dysfunctional at record-setting speed. He projected that by the year 2020, more than three-quarters of the S&P 500 will be companies that we have not yet heard of in 2013. Of course, that means that an era of turbo turbulence is upon us, with increasingly vexing turmoil coming at us at increasing speed. Some have called this “accelerated obsolescence.” We see this trend taking even more speed and casualties during the next decade.

There are several fundamental questions that leave survival hanging in the balance: How will organizations deal with such an environment? What will be the impact on your enterprise and how will you respond as a leader?

The clear answer is that you and your organization must become agile—focused, fast, and flexible—where the alignment of people, processes, and technology continuously adapt to changing conditions. This capability will enable you to continually anticipate, monitor, and adjust to trends and the new dynamics, so you and your enterprise not only survive but thrive.

There is a rapidly growing understanding by CEOs and senior leaders around the globe regarding the need for organizational agility, and many leaders have already attempted to promote it in their organizations in some form or fashion. All too often these attempts have fallen short

because they only take aim at parts of the challenge, such as increasing speed to market with new products or enhancing employee engagement. But with a challenge this broad and complex, a systematic and holistic approach is necessary.

One of the axioms for understanding agility is that we must operate with an *AND paradigm*, and we must recognize that we cannot excel if we continue to think in terms of the trade-off propositions inherent in the *OR paradigm*. Understanding the difference between connection (and) versus alternatives (or) is critical in achieving organizational agility. We must be *fast* and *flexible*; we must have *flexibility* and *reliability*; we must have *quality* and *speed*. The list goes on in this uncompromising new age of agility. Our view of agility definitely fits this orientation and the understanding that one cannot create a la carte agility—just focusing on one aspect, driver, or domain—and meet today's demands. The lack of agility is an organizational illness whether leadership recognizes it or not. It cannot be isolated to just one area, function, or department. Agile organizations are healthy and vibrant throughout.

Organizations, like any natural organism, have always had to be sufficiently agile to adjust to changing environments or they risk their very existence. Agility is being increasingly discussed because today's environment is changing much faster than it used to, and faster than many organizations are capable of reacting. It is quite clear that the future will be defined by more of that same mind-numbing, often-conflicted organizational churn, with

greater speed and more uncertainty. There is truth in the old observation that the only certainty is uncertainty—only more so today because there’s more uncertainty than ever. The solution to the problem of making sure an organization can keep up is building the creative adaptability of the company. Organizations are faced with executing current strategies to survive today’s challenges while remaining fluid enough to adapt to tomorrow’s turbulence. Since executing and adapting requires many of the same resources, organizational leaders also face the dilemma of allocating people, processes, and technology to deliver goods and services, along with the equally vital need to invest for the long term to build a creatively adaptable, agile company. Most enterprises cannot find an elegant or even practical solution for this paradox. Those that do will be building potential for advantage.

In what follows, we will offer you an approach developed in the course of more than fifteen years of study working with dozens of organizations and thousands of leaders. We will describe a research-based, “next practice” model that frames the essential drivers of organizational agility, identifies the processes that enable each driver, and clarifies the domains and potential outcomes of a serious effort to become agile. We see The Agile Model as a next practice because we realize the model itself will continue to evolve; it has its own inborn agility. The framework of the model continues to stand the test of time for shaping what drives organizational agility while the how gets continuously replenished as we and

others envision and create new tools and approaches for application.

We will also present a series of steps that you can follow—an essential roadmap—to begin to transform your organization into a more agile enterprise. The Agile Model and roadmap constitute a valuable resource for leaders at all levels—people like you who are seeking to pilot their organizations through daunting turbulence that only promises to increase. Companies around the globe are embracing agility and The Agile Model with accelerating pace. We are passionate about bringing its value, insights, and corresponding operating principles to you along with more than a decade's worth of practical experiences to help you build your own agility advantage.

SECTION ONE

The Agile Imperative

In October 2008, Donna and David Van Eekeren looked at the widespread economic uncertainty around them and recognized that success and survival in the highly competitive packaged lunchmeat category with major mass retailers like Kroger and Walmart looked much the same—better, faster, and of course, more for less. Donna had already survived one major transition back in 2001 when she took over as CEO of Land O’Frost after the sudden passing of her husband, Paul. Now it was time for son David Van Eekeren to take the helm of this south-of-Chicago based, mid-size company and guide it to new heights. It was clear to both Donna and David that the company’s long-standing commitment to quality and continuous improvement needed a new orientation—

agility. The competitive context and intensity had radically changed over the past decade making it clear that total company focus, nimbleness, and adaptability was an absolute for Land O’Frost’s survival competing against the likes of Oscar Mayer and Sara Lee. This is the kind of clarity that led to the realization of the agile imperative and The Agile Model. Over the next three years, the Land O’Frost leadership team rallied to embrace agility and proceeded to apply the insights and learnings across the enterprise. They have continued to be the fastest growing lunchmeat brand in America.

CHAPTER 1

Navigating VUCA Turbulence

Since that fateful day of September 11, 2001, made its indelible mark on history, the world has been experiencing a veritable roller coaster of extreme turbulence from a wide variety of forces of change: Mother Nature, sectarian blood conflicts, and sudden economic chaos, to name just a few. These are just a sampling of the negative forces of change percolating in the background.

Add the exponential explosion of possibilities from massive technological capabilities with their game-changing, disruptive implications, and include the innovation that's flooding the markets in industries like biotech, telecommunications, nanotechnology, pharma, agribusiness, and petrochemicals, and one might wonder if there's any hope for making sense of the discontinuity and disorder in the world.

Before getting to The Agile Model, it is useful to take a closer look at the turbulence it addresses. Dissecting the turmoil will help you better understand some of the dynamics in play—the operating context as well as the value proposition that emerges from exercising The Agile Model.

In the 1990s, social scientists working with the U.S. Army War College recognized the ongoing chaos happening around the world and the implications for their mission of preparing our military leaders to understand and lead in this context. They coined the acronym VUCA as a shorthand way of referring to this environment: **V**olatile, **U**ncertain, **C**omplex, and **A**mbiguous. After the tragedy of 9/11, many began to informally refer to the War College as VUCA University, signaling its realization that these were going to be long-term descriptors for the future realities that military leaders would face for some time to come. Since that time, VUCA has become increasingly well-known and adopted as the descriptor for the challenging internal and external environments that all organizations face today. Thus, VUCA is the context for the agility imperative and The Agile Model.

Today's daunting, ever-increasing speed of change is rapidly altering the relatively simple environment of the late twentieth century into a world of exponentially increasing turbulence. Being successful in this environment requires a transformation in how an organization operates, in how it thinks about itself, and in how it is led. Each of the VUCA factors contributes significantly to

the turbo turbulence in the operating context for leaders. Corporate leaders face the VUCA world every day. Today's leaders are now strapped into a world in which the need for comparable transformation in the leadership of organizations is an absolute necessity to match the level of change happening in competitive, consumer, customer, and workforce environments. Confident, agile organizations and leaders will be skillful guides able to convert the external negative energy into positive internal energy coursing down through the organization creating confidence and success by becoming more focused, fast and flexible. Let's take a closer look at the four key factors of VUCA.

► VOLATILITY

Volatility is experienced when an established order is changed or upset. Unexpected events occur. Expected events don't happen. New concepts surface that people aren't sure are true or don't know how to apply. Old ideas don't seem to work. The world has always experienced volatility to a certain extent, but the distance between today's realities and previous experience is widening at blinding speed. Until recently, society faced truly volatile times only periodically, based on significant social dislocations like major wars, serious epidemics, natural disasters, or broad economic crises. Today, widespread volatility is present on an almost constant basis, fueled by the growth of global connectivity, social media,

interdependency, and often divisive parochial or ethnic agendas. The accelerating shift towards technology-driven globalization, hyper-communication, social networking, and intricate financial interdependencies sets up a future that is ripe for disruptive volatility and ongoing turbulence. What is the true capacity to predict the volatility ahead? Unfortunately, the tools to predict future volatility are not well developed in many organizations. Indeed, predicting instability has not been very good this past decade. The question is can it become better in the decades ahead?

Socio-political and economic volatility ripples through organizations in multitudes of ways, both directly and indirectly. The impact shows up in the form of potentially wild swings in availability of capital, markets, raw materials, and even travel and personal security. These dynamics influence the organization's risk profile and complexity of decision-making, as well as the implications for contingency planning as organizational leaders strive to anticipate potential scenarios. At a practical level, the volatility in the economy over the past decade has certainly resulted in a much more cautious business environment for large and small enterprise alike. Volatility naturally leads to uncertainty, which can impede confidence and speed for the average organization. But, volatility can also lead to opportunity for those who are focused, fast, and flexible competitors poised and positioned to seize resulting opportunities.

► UNCERTAINTY

Uncertainty is a state in which one isn't sure what is happening or will happen, and is unclear what if anything can be done. Uncertainty erodes one's sense of confidence and control. This feeling is particularly difficult for control-oriented managers. Uncertainty makes things much harder to predict and thus control. Where in the world (literally) will the next geopolitical, physical, or financial tsunami occur? And could the organization now get better prepared than it has been for some of the economic earthquakes of the past ten years? Contributing to the dynamic of uncertainty is the speed at which change can and is happening. The lead time of rampant change has been dramatically reduced, broadening the spectrum of possibilities that can come into play in an organization at any point in time. One of our clients likes to describe his solution for this uncertainty challenge as building skill throughout his organization for what he calls "the capability for looking around the corner."

Uncertainty can be paralyzing to organizations, contributing to the frozen-in-the-headlights syndrome that undermines some leaders and teams who sputter and stall into a malaise of inaction or delay that ultimately deteriorates competitive readiness. This uncertainty also takes a heavy toll on organizational confidence in the absence of active leadership communication and composure. We have seen many examples of waves of uncertainty crash across large organizations when

new leaders take the helm or when some mergers or acquisitions suddenly obscure or change the previous ethos. There is a palpable lethargy that builds in organizations clouded by uncertainty. Lethargy and uncertainty are the anathema of agility.

➤ **COMPLEXITY**

Complexity occurs when there are many possible causes for any event and where cause and effect are unclear because challenges may seem too difficult to even define. Disorder plays out as an ever-growing intricacy of key interdependent decision factors, driven by the expanded number and interaction of component parts of critical processes. This complexity is fostered by growing specialization, larger institutions, hyper-technology, cultural nuances, and five hundred channels of digital and video content, along with multiple languages and generations. The list of possible causes is almost infinite and growing these days—some following linear thinking but many definitely not.

Complexity is a tsunami crashing against organizations creating corporate and individual casualties by drowning those who get overwhelmed or are incapable of finding ways to get on top of the wave. This factor of growing complexity may be the most perplexing dynamic hindering corporate speed and fluidity in the current era and beyond. Since 2012 IBM Global Services has regularly

interviewed over 1,500 global CEOs to better understand the issues they faced and expected to face in the future. This notion of complexity is often raised as one of the most significant challenge—one they expected to become more and more significant in the future.

Complexity is also a challenge that these CEOs declared required great advances in what they called leadership creativity and organizational dexterity. The fact is that many leadership solutions learned in the past are often not applicable to the challenges faced in the current era—most now require fresh creative thinking and a capacity to mobilize organizations to adapt, change, and accelerate.

The complexity dynamic has clearly become exponential as it multiplies the effects of the other VUCA factors, creating a more chaotic concoction of realities for leaders to navigate. Those organizations and leaders who are able to create high coefficients of clarity around their value propositions, organizational values, and strategic priorities will be better able to make complexity management through organizational dexterity a competitive advantage.

We will spend time later in this book, beginning in chapter 5 with visioning and then in chapter 7 by creating a bias for action and looking at specific and practical ways you and your leaders can develop the fitness of focus, speed, and flexibility that produces the dexterity to survive and prosper in this world of exponential change.

➤ **AMBIGUITY**

Ambiguity occurs when there are multiple possible meanings or alternatives for a given situation or event, so things such as right or wrong, good or bad aren't as self-evident or clear. Organizational life may sometimes be compared to one of those high-speed photos that make everything look like a blur. One can't quite make out the right answer or even get everyone to agree on what they see in the photo. When there is a lack of clarity about what is right or wrong, good or bad, true or false, trustworthy or not, it is then that ambiguity exists and agility sputters.

Ambiguity is especially debilitating when it distorts the clarity of corporate values and priorities. How many corporate debates are centered around what should be done next only to discover the range of possibilities crosses many lines depending upon how badly corporate needs the sales that month.

Organizations often create their own ambiguity through the mixed signals they send that disconnect corporate stated vision, values, and strategies with actual managerial behaviors. They say their people are their most valuable asset, but then implement policies or practices that do not live out those statements. They say customer satisfaction is their highest strategic priority, but then approve shipping orders earlier than customers request or want so they can show sales before year end in order to make max bonus.

All of the aspects of turbo turbulence, from shifting consumer preferences to the seesaw of political party influence and the myriad of other examples, come into play when considering ambiguity. The combined force and impact from continuous volatility, uncertainty, and the growing complexity all around us contribute to this ambiguity. In fact, each of these factors has a part to play in the other three.

Ambiguity can also involve vagueness about your own current situation, in addition to the vagueness or ambiguity about your desired or expected outcomes. Finding ways to eliminate as much ambiguity as possible about your vision for your organization—together with making an objective assessment of your current state—is an important first step for you in coping and building a strategic journey to adapt and thrive against the VUCA impact.

One question to consider is: How do we evaluate the risks and consequences from taking one course of action versus another? Reflect on whether the ground rules and paradigms used in the past to help guide decision-making are giving the right answers in these circumstances.

► **THE AGILITY ADVANTAGE: KEY TO SURVIVING IN A VUCA WORLD?**

Each organization faces its own indigenous VUCA climate and context—we call it your VUCAsphere. We believe VUCA is here for the long term, so the critical response is for

organizations to develop a superior capacity to recognize and evaluate the VUCA factors as the organizations continue to serve their stakeholders.

Building this capacity becomes the operating context for creating agility for your organization, and before we go any further, we should define what we mean by organizational agility. We see organizational agility as a superior capacity to deliver stakeholder success in an increasingly VUCA world by sensing and responding to obstacles and opportunities better and faster than competition at all levels of your organization. Organizations able to deliver on that proposition will have a clear advantage—a truly competitive advantage for however long it takes your competition to catch up. A true agility advantage will be very hard for others to replicate and hence overcome.

These VUCA contextual factors will ultimately set the bar for what being agile actually means. It is not unlike categorizing conditions in whitewater rafting or rating the force of hurricanes. Are you and your team navigating through Class 1 or Class 5 rapids? Are you operating in storm conditions that are Category 1 or Category 5? In addition to understanding the nature of your challenge, you'll want to know about the readiness of your vessel (business model, value proposition, processes, and technology) and your crew (your leadership, culture, and people). How would you rate your agility? Are you Class One—Agility Novice or Class Five—Agility Master? We will discuss this evolution and agility development in greater

detail once we have covered more of the background. The Agile Model, explained in detail in the following chapters, along with the associated lessons and practical tools, are intended as a companion's guide for your journey, a journey that will help make you and your organization more focused, fast, and flexible.