Resetting Management

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Thrive with agility in the age of uncertainty

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PREFACE

Management has never rhymed with plain sailing. In every era, it faces a new set of challenges. Although only time will tell regarding the extent to which the 2020 COVID-19 crisis changed the rules of the game, you have probably already drawn two lessons: First, the 2020 crisis crystallized the reality of our complex world. Because the world economies are interdependent, an incident in Wuhan, China escalated into a global pandemic that shut down societies worldwide. It vividly illustrated that complexity breeds uncertainty. Is today's degree of uncertainty higher than in the past? The jury is out on that. What 2020 taught us was that ignoring uncertainty is not an option for businesses that seek to remain relevant and to expand.

Second, two months into the crisis some companies were successfully adapting by innovating and transforming. Others remained dazed and subdued. Why? The answer has to do with their varying degrees of business agility. Faced with acute forms of uncertainty, many firms were seized with paralysis. And yet, some were able to deal with it, embrace it rather than fear it, move ahead and prepare to resume growth.

This book is a journey into the principles and practices of business agility that is broadly defined as adaptability and flexibility. The COVID-19 crisis amplified and accelerated major shifts in the way businesses function. But before the crisis, a profound shift was already underway in management practice, brought on by the realization that uncertainty and complexity required better responses. Since then, developing the capabilities for flexibility and adaptation has become even more important.

From the early 2000s, the limits of the dominant approach to management began to come into full view. Rooted in hierarchy and bureaucracy, the approach had changed very little in the previous hundred years. The post-2000 business world of complexity, disruption and blurring boundaries has little use for it. Contrary to predictions, this doesn't mean that hierarchy and bureaucracy will disappear altogether.

About the Research

We conducted original empirical research using semi-structured interviews with 60 executives at 10 non-digital native incumbents (billion-dollar and multi-billion-dollar companies) in both business-to-business (B2B) and business-to-customer (B2C) industries before and during the crisis. In May 2020, we surveyed 550 executives across industries about their perception of agility. We also engaged in discussions with 200 senior executive participants during agility-focused workshops at the Institute of Management Development (IMD). In addition, we conducted a large review of secondary data and public sources to triangulate our interview data.

Because agility is still an emergent phenomenon, we used an inductive research design based on comparative case studies to build new theories and frameworks that will guide management practice. Our industry and sample selections were intertwined and guided by theoretical considerations.

Through empirical research, a literature review and interactions with executives, we have discovered that, across industry sectors, many businesses are resetting their approach to strategizing, organizing and leading.

It is more likely that as business embraces agility, they will be greatly simplified and reinvented into systems that facilitate, not stifle.
The book leverages both new and existing research (see box above). Across industry sectors, organizations are reorienting their approach to strategizing, organizing and leading. Specifically, they are resetting management towards business agility in three ways:

1 **Embracing the new business context.** They understand that business agility goes far beyond rolling out agile processes like scrum. Whereas agile processes are methodologies, agility is a set of capabilities for releasing a new level of company-wide energy, innovation and entrepreneurship. It is about responding to disruption while still delivering on strategy with rigour and efficiency.
2 **Mastering the principles of business agility at three levels.** In their quest for agility, executives are seeking to develop flexibility at

three levels: In the way they strategize, design their organization, and lead themselves and others. Beyond agile, their focus is on business agility as a more holistic reality. They are redefining hierarchy, mindsets, ego and the meaning of success. This is set to be agility's greatest battleground.

3 **Adapting the way their business transforms.** In the past, companies stuck to strict delineations: 'traditional' precluded 'experimental'. 'In-house expertise' discouraged open innovation. Growing one's business agility means minimizing these trade-offs and managing competing demands much more effectively. At the same time, as they develop agility and explore one or many futures, businesses are bound to encounter new, unexpected trade-offs and challenges. This will require that leaders and indeed the entire workforce test and improvise new solutions.

These are the three ways of resetting management that form the structure of this book. If you master them, your business will not just survive, it will thrive.

Who Should Read This Book

This book should be of interest to you if you are, or are aiming to be, a:

- Senior executive of a large, established company and you wish to work out how you and your teams can adapt and compete in a world of start-ups, ecosystems and tech giants. You are seeking not only to understand but also to thrive in the resulting context of high uncertainty.
- Scholar of strategy, organizational design and leadership. You should be able to make meaningful discoveries in this book as well.

The book aims to combine a highly practical perspective with academic rigour, challenging the clichés and simplifications that continue to surround agility. It acknowledges that some readers are doubtful and sceptical about the concept of agility. It also reflects the reality of 2020s executives who are anxious and hopeful to usher in the next, more flexible and versatile paradigm of management – the one this book terms 'business agility'.

To give this paradigm clearer contours, the book presents you with new tools, frameworks and case studies, sensitively placed in context. It shows you how to distinguish the old from the new in the current interest in agility, thus helping you separate the hype from ongoing deep-seated change.

You may also wonder about the link between agility and digital. The company examples throughout the book will show you that digital is both a driver and a solution, an enabler of agility. In fact, digital and agility transformation can go hand in hand. This is why agility is a natural evolution of concepts that appeared in the last 25 years and which thanks to digital are finding traction in large businesses. This is also what makes agility stand apart from its predecessors such as ambidexterity and even some of the older meanings attached to the category of strategic agility.

How To Use This Book

Many examples that researchers present as 'best practice' today (eg Nokia, Kodak, Intel) become a disappointment tomorrow. Therefore, inventing your new or next practices is more important than following rapidly outmoded best practices. In addition, every company has to find its form and degree of agility by following the principles detailed in this book. How they choose to implement them will depend on their creativity and originality. The examples that are presented here will give you inspiration and perspectives on how companies respond to similar problems through their own emergent practices. The examples are also meant to help you ask the right questions. The COVID-19 crisis revealed how vulnerable many companies were to uncertainty and how rigid their response was. This book is a guide to future-proofing and crisis-proofing your business.

You will find the book's chapters grouped into three sections: Part One (Chapters 1 and 2) is a call for action, setting up the Why of business agility. Part Two (Chapters 3 – 7) will walk you through company stories of building agility and the resulting new landscapes in business strategy, organizing and leadership; in other words, the What. Part Three (Chapters 8 – 10) is the How of agility transformation; it will guide you onto a path of successful transition and help you resolve the challenges you are bound to encounter along the way.

By using the book's diagnosis tools, you may find that what you really need is to improve on one particular dimension of business agility. Perhaps for your business, strategic or organizational agility should be the priority. Feel free to prioritize them in your reading. Also, don't hesitate to use the tools with your teams. Remember that the spirit of agility is to try, test, learn and adapt. Experiments are about starting small and, if successful, growing. Of course, a big part of the success of a business depends on how well it aligns strategy with the environment, and organization with strategy. Thus, you may well discover that working on one level of business agility will inspire you to work on the other two levels as well. The book gives you all the necessary tools to do that.