Leading Through the Fog

in this issue

Cutting Through the Fog

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Today's VUCA (volatile, uncertain, complex, ambiguous) environment is like a fog today's leaders are challenged to navigate. In my view, two deep global trends underlie these VUCA dynamics: accelerating change and mounting interconnectedness. Accelerating change creates volatility and uncertainty, where trying to peer into the future is like looking through a fog. Agility—with its emphasis on rapid iterations and learning as you go—is widely accepted as the remedy.

"Mounting interconnectedness" refers to the fact that internal and external relationships are becoming increasingly essential for business success. Leading amid these trends means dealing with the complexity and ambiguity generated by an array of differing stakeholder relationships. The growing importance of these relationships generates its own kind of fog, especially when stakeholder perspectives and intentions are not fully understood. Agile, with its emphasis on empowerment and collaboration, is as much about navigating this aspect of the fog as it is about working with accelerating change.

In this foggy environment, it's hard to see very far ahead. New strategies and plans can easily founder on unexpected developments and unanticipated stakeholder moves that emerge, seemingly from nowhere. But how, exactly, can agility help leaders navigate the haze of VUCA?

Context-Setting and Stakeholder Agility

This article focuses on "context-setting agility" and "stakeholder agility," two distinct types of agility that emerged from the in-depth research for my book, *Leadership Agility* (2007). This research was conducted independently of the Agile movement and its principles, yet it has proven to be highly relevant for Agilists and Agile Transformations. In fact, some are calling it the "missing ingredient" needed to ensure the development of agile organizations.

Context-setting and stakeholder agility can both be applied in three key "action arenas:" leading organizational change, leading teams, and pivotal conversations. Let's take leading change as the use case for this article. Context-setting agility involves scanning the environment, anticipating important changes, deciding what change initiatives are needed and why, and articulating its desired outcomes. It can be used not only for Agile transformations, but also for any kind of organizational change, regardless of scale.

When leading organizational change, stakeholder agility involves identifying key stakeholders, understanding what kind of support is needed from them, assessing their degree of alignment with the change, and finding ways to increase alignment. Both types of agility are needed to lead change successfully, especially in the fog of our VUCA environment.

To understand the potential of both types of agility, we need to understand another dimension of the Leadership Agility framework: levels of agility. Part of the research used an assessment of stage of personal development, created and tested over many years by psychologist Jane Loevinger (1976), to discern whether leaders lead differently based on their stage. The evidence is overwhelming that they do. At each new stage, a leader develops a whole new ecosystem of cognitive and emotional capacities. When a leader embodies these capacities in their daily behavior (not always the case), their stage is called a "level of leadership agility." Levels form a developmental sequence. Leaders need to grow into the very next level before they can grow into the one beyond that. How, then, does a leader's context-setting and stakeholder agility evolve as they develop through the three agility levels most relevant to today's organizations: Expert, Achiever, and Catalyst (approximately 55%, 35%, and 10% of today's managers respectively)? Here's how context-setting and stakeholder agility evolve in the action arena of leading organizational change:

- **Expert context-setting agility.**
  Expert-level leaders assume leadership is a function of authority and expertise. Their context-setting agility is tactical. They tend to take the larger strategic context of their initiative for granted. The improvement projects they lead usually focus on incremental changes within their span of authority. Without a vividly described set of desired outcomes and a clearly stated need for change, participants in Expert change projects don't have an overarching shared purpose to guide them through the fog of reactive organizational life.

- **Expert stakeholder agility.**
  Expert leaders realize that their change projects have stakeholders. However, they feel compelled to move with speed, quickly solving one problem before moving on to another.

Pausing to get stakeholders on board feels like a luxury they can afford only in very small doses. As a result, what they can expect from their stakeholders remains shrouded in fog. Once a project is underway, resistance often emerges unexpectedly. Trying to control the damage at this point often takes longer than the time saved not engaging with them in the first place.

- **Achiever context-setting.**
  Achiever-level leaders realize that, while authority and expertise are key tools they can use, leadership is fundamentally about motivating others, making it challenging and satisfying for them to contribute to larger objectives. Achievers approach organizational change by scanning their (internal and external) environment for new developments and identifying emerging challenges and opportunities, enabling them to articulate a compelling need for change. Before planning the change, they clarify its desired outcomes and the intended scope of the change. When used to frame change initiatives of relatively brief duration, the Achiever's focus on strategic outcomes gives project participants and stakeholders a clear and powerful beacon that can slice through the fog as they move forward.

- **Achiever stakeholder agility.**
  Consistent with their insight that leadership is about motivating others, Achievers realize that the success of their change projects depends mightily on building stakeholder support. Therefore, they invest time in getting to know how key stakeholders view their project, and they work to gain their buy-in. As a result of this investment, stakeholder reactions become more predictable and more supportive, clearing an important part of the fog within which Expert leaders often operate.

Achiever Context–Setting and Stakeholder Agility

As an applied example of Achiever context-setting and stakeholder agility, consider the merger of two Boston-based HMO's, Harvard Community Health Plan and Pilgrim Health Care.

- **Need for change.**
Now called Harvard-Pilgrim Health Care (HPHC), the newly merged health plan faced intense competition in a rapidly consolidating regional marketplace, where it was no longer possible to compete on the basis of pricing, product uniqueness, or provider network. In response, the company decided it needed to differentiate itself on product customization, along with quality of care and customer service. However, two years into the merger, HPHC had not yet integrated the product development processes of the two companies. One top executive later reflected that they were in a "fog." The company's executives not only faced a rapidly changing environment, they also lacked the stakeholder agility needed to redesign a key business process that crossed six functions.

- **Desired outcomes.**
To guide them through the redesign they needed, HPHC's executives turned to an approach called the Fast-Track Change Process. They decided they wanted to radically reduce new product development time from their average cycle time of 42 weeks to down to just 20 weeks (from concept approval to "go live"). They committed to accomplishing this within five months, without diminishing product quality or the satisfaction of employers, members, staff, or providers.

- **Stakeholder agility** was structured into the design of the change project. A context-setting document for the project was created collaboratively by a facilitated Sponsor Team, consisting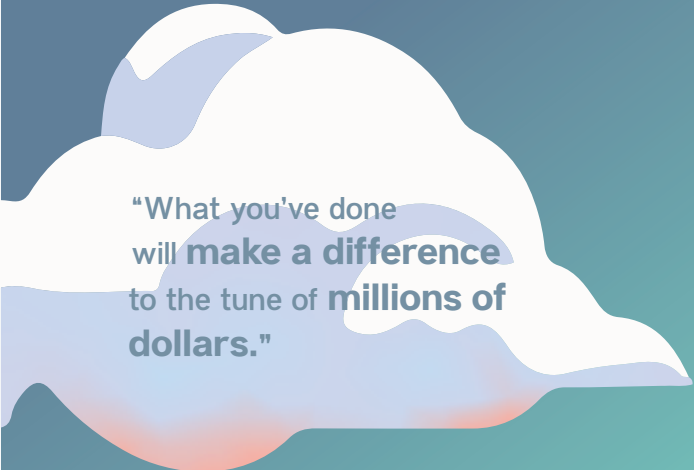 of the VPs who led functions crossed by the new product development process. The Sponsor Team then created and empowered a facilitated Redesign Team (middle managers representing the same functions), who put together a three-and-a-half-day Redesign Meeting. They divided the product development process into five subphases and recruited eight-person teams to redesign each sub-phase. For each of these teams, they crafted a charter that articulated the need for change and desired outcomes for their phase of the process. Each facilitated team worked collaboratively, diagnosing problems with the current process and formulating recommendations for improvement. Each team also did a financial cost-benefit analysis for their proposals with the understanding that benefits must equal or outweigh the costs.

> **"This redesign clarifies most of the confusion and fog the company has been in for over a year."**

On the last half-day, a Decision-Making Meeting was held where the Sponsor Team listened to each team's recommendations. The spokesperson for each team had a special role, ensuring that recommendations across teams fit together well, were cost-effective, and realistically resulted in only 20 weeks of cycle time. Achiever context-setting and stakeholder agility were both emphasized in this meeting. To prevent micro-managing, a key guideline for the Sponsor Team was to approve all proposals consistent with their context-setting document. In fact, all recommendations were approved on the spot. Evaluations of the Redesign Meeting revealed that all teams, including the Sponsor Team, were delighted. One Sponsor said, "This redesign clarifies most of the confusion and fog the company has been in for over a year."

Managers from six different functions and at multiple organizational levels had collaborated in redesigning a vital business process that, largely because of the degree of empowerment and collaboration, was rapidly implemented. Elapsed time from start to full implementation was five months, ending in a Capstone session to harvest learnings and celebrate success. The CFO told the assembled group, "What you've done will make a difference to the tune of millions of dollars."

Catalyst Context–Setting and Stakeholder Agility

Leaders with Catalyst-level context-setting and stakeholder agility make sure that Achiever-level work takes place, but they also go beyond it. What does this look like in action?

- **Catalyst context-setting.** When Catalyst leaders embark on a strategic change, they ensure that the necessary strategic and tactical work gets done, but their overarching vision is one of "strategic capacity building." That is, they want to develop an organization capable of meeting any strategic challenge. This is exactly the kind of vision needed to lead an Agile Transformation. To accomplish this, Catalyst leaders work simultaneously at two levels—doing what is needed to meet current strategic challenges, while also developing the capacities needed for ongoing organizational agility. Catalyst leaders also understand that developing organizational agility requires more than agile structures and methods. It requires agile leaders and an agile leadership culture—that is, a culture of empowerment, participation, collaboration, and constructive straight-talk.

- **Catalyst stakeholder agility.** Whereas Achievers recognize the importance of stakeholder buy-in for the success of discrete change projects, Catalysts seek to cultivate a culture where high levels of stakeholder agility is the norm at all organizational levels. They also realize that the starting point in creating this culture is to proactively seek and utilize feedback on their own leadership. Further, they don't simply delegate the culture change to HR, though they realize that HR has an important role to play. Instead, before "rolling out" a culture change, they develop the new culture within their own team. As a result, their direct reports become a cohesive leadership team that can lead and role-model the transformation together—too often a missing ingredient in attempted Agile Transformations.

As an applied example of Catalyst context-setting and stakeholder agility, consider the situation once faced by Suncor Energy's Refining and Retailing Division. Competitively, Suncor was positioned around the middle of the pack in a mature, margin-sensitive market with little promise in terms of long-range demand. There was little to distinguish it from the other regionals. Investors' response to the company's first offering of public shares had been unenthusiastic. Earnings were declining and analysts considered their stock a "bad bet."

Inside the company, morale was at an all-time low. People were frustrated and unhappy. The President of the division, an Achiever leader, had been trying to make the company more efficient, ultimately resorting to rounds of reactive downsizing without communication or participation.

Even so, he wasn't getting much traction.

At the time, Suncor had to navigate its own version of VUCA. It was now exposed to the stock market, a new source of volatility. Rather than embracing the complexity and potential ambiguity of its stakeholder relationships, it was focused solely on its shareholders. Its employees, one of its most important stakeholder groups, were in a state of fear and ambiguity. At the same time, Suncor faced a rapidly deteriorating financial situation. In a word, the company was losing its way in a deep and pervasive VUCA fog.

At this point, as the President privately considered selling part of the division, he was fired and replaced by someone who happened to be a Catalyst leader. The new President would later call it the greatest challenge of his career. Yet within three years, largely due to changes in the division he now headed, Suncor had accomplished a remarkable turnaround. The company not only survived; it entered a period of aggressive growth and was dubbed by the business press "one of the darlings of the stock market." What made this dramatic change possible?

- **Catalyst context-setting.** The new President's immediate strategic challenge was to get a $5/share increase in the company's stock price. He began by conducting a strategic review with the assistance of a world-class strategy consulting firm. After a month or so, he realized that there would be no silver bullet. Instead, they needed a whole set of new breakout ideas, both strategic and operational. To set the context for the kinds of strategies that were needed, he declared that he wanted to "aim through the target," as taught in karate and archery. Raising the share price was the short-term target. What lay through this target? A vision that, under the circumstances, seemed quite audacious: To develop an organization that could meet any future challenge, that would be a great place to work, and whose business and operational strategies would be benchmarked by companies in all industries. To help bring this about, he wanted to develop a collaborative, participative, empowered, organizational culture.

- **Catalyst stakeholder agility.** The strategy firm contributed some valuable ideas, but the new President realized that this firm and his own senior team were both too wedded to traditional thinking to generate all the breakout ideas required. He decided to supplement the strategy firm's input by setting up a series of twelve facilitated creative strategic-thinking sessions he called Idea Factories. These five-hour sessions, attended by 15-20 people each, were attended by a wide range of employees and by some of the company's most important stakeholders. Hundreds of forward-looking strategic and operational ideas were generated. Participants loved these sessions. The new President had not only succeeded in generating lots of fresh ideas to consider, he was also beginning to create the new culture that was part of his vision.

The top management group was so enthused about the Idea Factories that they continued the process with a two-day meeting, where they synthesized ideas from employees and stakeholders with those from the strategy firm. The real payoff came as they crafted a set of strategic initiatives by finding creative connections between the many generated ideas. This work resulted in a set of true breakout strategies, including a people strategy designed to catapult the company into the ranks of high-performance organizations.

In the months that followed, the President and his team repeatedly communicated the new set of strategies and gave progress updates. Meetings between organizational levels were held regularly to monitor implementation but also to generate upward feedback that helped remove obstacles to change. This not only speeded implementation, it was also another way to begin to create the participative, collaborative culture he envisioned.

As noted earlier, within three years, they had changed the culture and accomplished a huge turnaround. Earnings from the refining and retailing business went from $9 million to $40 million. Over this same period, they reduced cash expenses by $40 million a year. Suncor was now considered one of Canada's leading companies, in terms of environmental leadership and business performance. They had navigated the fog.

Concluding Thoughts

Through the case examples presented above, we see how context-setting and stakeholder agility can both contribute greatly to leaders' ability to navigate the fog of VUCA. Achiever context-setting gives leaders and their organizations a beacon of light that helps them get out of the weeds and work together to achieve the strategic outcomes they seek. Engaging stakeholders clears the fog that can obscure stakeholder priorities and lead to unexpected resistance, while simultaneously building support for needed change.

Catalyst context-setting sets the stage for organizational transformations that not only implement new structures, systems, and methods, but also develop new cultures that emphasize empowerment and collaboration. The deep collaboration that Catalyst stakeholder agility enables not only facilitates the adoption of discrete organizational changes, it also brings about the organizational agility needed to meet any strategic challenge our unpredictable world may present.

Let's pause to reflect, though. The fog of VUCA is very real. At the same time, there is another big contributor to the fog – how leaders understand and process the challenges of the VUCA environment. At each new level of agility, a leader's emotional intelligence and their ability to "zoom out" to address complex issues increases. The Expert's mindset, with its tendency to focus on one problem at a time, to create siloed "teams," and to lead change in a tactical manner, only makes VUCA foggier. The Achiever mindset, which emphasizes strategic thinking, team building, and stakeholder buy-in, became essential for senior leaders during the second half of the last century. It can still do a lot to help navigate today's VUCA, but not as much as the Catalyst mindset, with its intention and ability to create, above all else, an agile organization.

One final note: The term "context-setting" might initially sound anti-agile, in that it could imply something that isn't subject to change. But consider: agility requires a balance of stability and flexibility (Joiner, 2019). Context-setting provides stability by clarifying what is, for now, the ultimate objective. For Achiever leaders, the ultimate objective is the achievement of strategic outcomes. It's these outcomes that an Achiever leader "sets" when they set the context. To draw on an example from Agile methods, when teams plan a sprint, they set the context by clarifying its desired outcomes, just as Achievers do. Harvard Pilgrim set the context for a five-month change project by clarifying the desired outcomes of the new product development process. It's the same principle, applied on a larger scale.

For Catalyst leaders, achieving outcomes remains important, but within a larger context. There's one thing that's non-negotiable for these leaders. They are set on developing an agile organization that can respond to any new development that may come along. What kind of leadership could be more essential for Agile Transformations?

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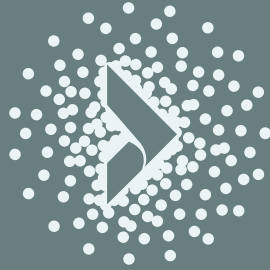
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