

## 1 Leadership Agility for Strategic Agility

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*Bill Joiner*

### **Accelerating Change and Increasing Interdependence**

Already, the context within which companies operate in the early twenty-first century is dramatically different from the environment they faced at the end of the twentieth century. We live in a time of tremendous opportunities and daunting challenges. The economy has globalized. Disruptive technologies and scientific advances abound. Megacities in emerging markets are growing rapidly. Income inequality is fostering political upheaval, and climate change is disrupting the natural world we depend upon.

This new era is characterized by two powerful, underlying global trends: accelerating change and increasing interdependence. We all know we've entered an era of fast-paced change. But the shocking fact is that the pace of change is accelerating. In an increasingly unpredictable world, one thing we can confidently predict is that the pace of change will be faster next year and even faster the next. An equally important deep trend is increasing interdependence. With the advent of new communication technologies and economic globalization, everything is becoming more and more interconnected. Customer and supplier relationships – and business partnerships – are more important than ever before. Internally, companies are struggling to overcome silos and increase effective collaboration.

Through my ongoing research and work with leaders and their organizations, I have concluded that these two deep trends are the underlying cause of what some call today's "VUCA world," an environment of fierce global competition, characterized by volatility, uncertainty, complexity, and ambiguity.<sup>1</sup> Accelerating change creates volatility and uncertainty. Mounting interdependence makes organizational problems and opportunities more and more complex. It also increases ambiguity by making cause and effect harder to determine and increasing the viewpoints from which events are interpreted.

### The Agility Imperative

There is a growing consensus that the organizational capacity needed for sustained success in this increasingly turbulent environment is “agility.” Agility is not simply about speeding up in response to rapid change. Whether applied to organizations, teams, or individual leaders, agility is the ability to take sustained effective action amid conditions of accelerating change *and* increasing interdependence.

To enjoy sustained success in this turbulent environment, organizations in all sectors need to develop a level of agility that matches an unprecedented level of change and complexity. This means learning to navigate *constant* change and to effectively manage increasing interdependencies with customers, strategic allies, and other stakeholders – including the planet itself.

A useful conceptual model for understanding and developing organizational agility divides this capacity into three key components: strategic, operational, and leadership agility. Strategic agility includes but goes beyond the strategic planning process companies used to initiate and manage episodic change, starting in the 1950s and 1960s. Strategic agility as currently understood is, in essence, the ability continually to adapt a company’s strategies to take into account newly emerging aspirations and conditions.<sup>2</sup> Operational agility is the ability to change organizational structures, processes, systems, and culture to align with changing strategic priorities.<sup>3</sup> (Operational agility includes but goes beyond the agile methods used in software development and increasingly applied in other functions.) Leadership agility is the capacity of an organization’s leaders to foster strategic and operational agility, and to adapt personally to changing, interdependent conditions and aspirations on a daily basis.<sup>4</sup>

In today’s world, the return on investment in organizational agility can be very significant. A body of international studies – a combination of survey research, executive interviews, case studies, and financial analyses – shows that, all other factors being equal, companies with greater agility have higher business performance, measured in terms of customer satisfaction, market share revenue growth, and profitability. In fact, given the broad range of factors that can affect business success, it’s striking how strongly agility impacts performance. In addition to larger, well-known companies like Apple,<sup>5,6</sup> Google,<sup>7</sup> and even Microsoft,<sup>8</sup> who are standing out for increased agility, smaller companies like Dyson, Riot Games,<sup>9</sup> Spotify,<sup>10</sup> and Zara,<sup>11</sup> are in the vanguard of today’s agile companies.

According to a global survey conducted by the UK journal, *The Economist*, 9 out of 10 executives believe organizational agility is critical to business

success.<sup>12</sup> This finding echoes that of a previous survey conducted by McKinsey. The McKinsey study also found, more specifically, that executives around the world believe that, in today's turbulent environment, agility results in faster time to market, improved operating efficiency, more satisfied customers and employees, and higher revenues.<sup>13</sup>

These views held by executives have been confirmed by academic research. A detailed international study sponsored by the American Management Association came up with two findings especially worth noting. While environmental turbulence makes it more difficult to compete and grow profits, companies with higher levels of agility have a distinct competitive advantage that leads to higher profitability.<sup>14</sup> These findings were subsequently reinforced by a more systematic academic study that came to the same conclusions.<sup>15</sup> Multiple additional studies, conducted very recently, have confirmed the high correlation between organizational agility and business performance.<sup>16</sup>

Studies of government agencies have reached similar conclusions. Challenging the assumption that "agile government agency" is an oxymoron, a global study conducted by AT Kearny and the London School of Economics discovered that, in the agile agencies they identified, productivity was 53 percent higher, employee satisfaction 38 percent higher, and customer (citizen) satisfaction 31 percent higher than less agile agencies.<sup>17</sup>

### **The Agility Gap and the Role of the Leadership Culture**

With all the potential benefits of increased agility, how far along are today's companies in developing this vital capacity? The aforementioned *Economist* survey found executives less than enthusiastic about the agility levels of their own companies. The pace of change and degree of interdependence in the business environment have jumped to a whole new level; these deep, powerful trends continue to grow, and everyone is scrambling to catch up.

If agility is such a powerful lever for increasing business performance, why are companies not farther along in closing this gap? The *Economist* study asked executives for their views about the key obstacles to developing greater agility. Respondents identified a number of factors having to do with both strategic and operational agility, but the biggest cluster of obstacles they described lay within the culture of their organizations. Also, developing increased strategic and operational agility is the work of a company's leaders, throughout the organization, and ultimately depends on their agility and effectiveness.

These two major factors – organizational culture and leadership – overlap in a construct I call the “leadership culture,” meaning that part of the organizational culture that creates its norms and expectations for effective leadership. To better understand the obstacles to agility that exist in the leadership culture, and learn how the agility of leaders impacts these obstacles, two collaborative studies were conducted to examine the relationship between leadership culture, organizational agility, and business performance. The first study was conducted with the Institute for Corporate Productivity, an American firm that researches practices associated with high performance.<sup>18</sup> The second study was carried out with the Swedish consulting firm, PsyCons.<sup>19</sup> Between the two studies over 1600 managers participated.

A clear set of findings emerged from the first study and were replicated in the second one: Companies whose leaders and leadership cultures exhibited higher levels of agility also had greater (strategic and operational) organizational agility. In a nutshell, companies with a low level of agility had leadership cultures with a low level of agility; companies with a moderate level of agility had leadership cultures with moderate agility; and high-agility companies had leadership cultures with a high level of agility. (The characteristics of each of these leadership agility levels are described later in this chapter.) These studies also replicated the finding that higher levels of organizational agility lead to superior business performance.

#### **Four Interrelated Types of Leadership Agility**

Given these findings, it is not surprising that, in a global survey, senior executives ranked agility at the top of the leadership capacities needed for ongoing business growth and success.<sup>20</sup> But all of this begs the question: What, exactly, is leadership agility, and what difference does it make for today’s organizations?

A five-year, in-depth research project sheds considerable light on this question.<sup>21</sup> To better understand how leadership agility plays out in specific leadership contexts, the study used questionnaires, in-depth interviews, on-site observations, client case studies, and manager journals to examine the thought patterns, behavior, and performance of over 600 managers across a range of industries, functions, and organizational levels.

This study revealed that, at its core, leadership agility is the ability to engage in “reflective action” – to step back from one’s current focus, gain a broader, deeper perspective, then re-focus and take action that is informed by this larger perspective. As leaders become more agile, their capacity for stepping back deepens and broadens, and the frequency with which they move through

cycles of reflection and action increases. Agile leadership, then, is a core capacity, a “meta-competency,” that significantly enhances effectiveness and reduces burnout in complex, rapidly changing environments.

More specifically, this study found that, to be effective in turbulent contexts, leaders need to practice four interrelated types of agility. Each type of leadership agility is enabled by two capacities, one focused on awareness and another focused on intentionality, that together enable a form of reflective action that is focused on a particular domain:

- *Context-setting agility*: The breadth and depth with which a leader is capable of framing their leadership initiatives. (Made possible by capacities called “situational awareness” and “sense of purpose.”)
- *Stakeholder agility*: How effectively a leader understands key stakeholders and creates alignment with those whose views, priorities, and objectives differ from their own. (Made possible by capacities called “stakeholder awareness” and “power style.”)
- *Creative agility*: How insightful and creative a leader is when analyzing and solving the complex, novel problems generated in turbulent business environments. (Made possible by the capacities of “connective awareness” and “reflective judgment.”)
- *Self-leadership agility*: How proactive a leader is in seeking feedback and in experimenting with new and more effective behaviors. (Made possible by the capacities of “self-awareness” and “developmental motivation.”)

Leadership agility goes considerably beyond the now-popular term “learning agility,” a construct based on research originally conducted in the 1990s, looking at managers who adapted well to new assignments. Learning agility is similar self-leadership agility, which also refers to a manager’s ability to learn from experience and apply these learnings, though not only in first-time conditions. The other three types of leadership agility go beyond the ability to learn from experience, focusing on direct applications of agility while framing and carrying out leadership initiatives.

Context-setting agility could also be called strategic agility. As such, context-setting agility is essential for top management teams, given their role as the ultimate stewards of their company’s strategic agility. The same can be said for the management team of any organizational unit. Even though any unit led by a middle management team needs to align itself with larger strategic priorities set by others, that unit can develop its own strategic and operational agility, provided its management team has sufficient leadership agility.

Creative agility is a combination of analytic and creative thinking that frames and addresses (a) the specific strategies an organization chooses to

pursue, and (b) the operational changes needed to implement both existing and emerging strategic priorities. It is therefore needed for both strategic and operational agility. The same is true of stakeholder and self-leadership agility. By studying real-life leaders and leadership teams in action, it became clear that, to enable both strategic and operational organizational agility, all four types of leadership agility are needed.

### Levels of Leadership Agility

It is tempting to wonder if some leaders are simply born more agile than others, or if they have a unique personality type or background that makes them difficult to emulate. But research findings conducted for the book, *Leadership Agility*, lead to a more optimistic conclusion: The distinct cognitive and emotional capacities that enable agile leadership behavior develop in a stage-wise progression that is grounded in well-established stages of personal development.

These findings emerged by looking at leaders through the lens of stage-development psychology (now called by some “vertical development”<sup>22</sup>), a field that began in the 1920s with Jean Piaget’s research on stages of childhood development.<sup>23</sup> During the second half of the last century, it expanded to include multiple stages of adult development.<sup>24</sup>

Developmental stages should not be confused with thinking styles, learning styles, or personality types, like those assessed by the Myers Briggs Type Inventory or the DISC behaviour assessment tool (stands for Dominant, Influential, Steady, Conscientious). People of all styles and types can be found at every stage.<sup>25</sup> Nor are these stages the same as the life eras described in Gail Sheehy’s once popular book, *Passages*.<sup>26</sup> Rather, they represent progressive levels of cognitive and emotional growth. For example, as adults evolve through developmental stages, they gain the capacity for more complex thought and find it easier to understand and empathize with people who hold differing viewpoints. Adults do not *automatically* progress through these stages as they grow older.<sup>27</sup> However, people who have plateaued in their development can re-ignite this growth process when the right conditions and inner motivations exist.<sup>28</sup>

During the 1980s and 1990s, William R. Torbert and his associates conducted research which found that leaders at later stages were more effective on a variety of leadership tasks.<sup>29</sup> They found that managers at different stages clearly exhibit qualitatively different leadership behaviors. Inspired by these studies, the research for the *Leadership Agility* book began with a conceptual synthesis of leading stage frameworks, taking care not to force anything that did not truly synthesize. Simultaneous with

this conceptual work, extensive quantitative and qualitative data were examined to discover relationships between stages and leadership behavior in three distinct arenas: leading organizational change, leading teams, and engaging in pivotal conversations.

The *Leadership Agility* research incorporated many insights from research conducted on this topic by William Torbert and Robert Kegan.<sup>30</sup> Relative to that research, which was all conducted prior to the year 2000, the result of this new research was a more systematic, practical, and context-specific understanding of the relationship between developmental stages and leadership effectiveness that also corrected previous misconceptions about a few of the stages and their behavioral correlates.<sup>31</sup>

In the model that emerged from this study, an “agility level” includes both the cognitive and emotional capacities that emerge at a particular stage *and* the repertoire of leadership behaviors that these capacities enable. Using this construct, we found that development into a new stage is a necessary but not always sufficient condition for growing into the corresponding agility level. In some cases, managers have developed the capacities that make up a particular stage, but have not yet developed the full repertoire of leadership behaviors that these capacities support.

The table below provides a summary of the three leadership agility levels that are most relevant in today’s organizations. It captures the assumptions about leadership held at each level, as well as characteristic leadership behavior in three leadership contexts: pivotal conversations, leading teams, and leading organizational change.

These agility levels can be assessed, and – when the right kind of training, coaching, and facilitation are provided – leaders, teams, and leadership cultures can develop new levels of agility. Think of these levels as being like nested Russian dolls: Each level of leadership agility *includes and goes beyond* the skills and capacities developed at previous levels. Managers who’ve fully developed a Catalyst “body” of practice still have their “inner Achiever” and “inner Expert,” allowing them to take action at any of these three levels, depending on what the situation requires. Unlike personality types, the ideal leadership team is not composed of some Experts, some Achievers, and some Catalysts. Instead, an ideal set-up would be to have a team of leaders, each of whom can operate, as needed, at the Expert, Achiever, or Catalyst level. For this to be possible, each team member would need to have developed Catalyst leadership capabilities.

This conclusion dovetails with the research finding that managers who’ve developed Catalyst leadership capacities are much more effective in today’s business environment than those whose repertoires are limited to the Expert

Table 1.1 *Summary of three leadership agility levels*

Level of Agility	View of Leadership	Agility in Pivotal Conversations	Agility in Leading
<b>Pre-Expert</b> (~10%)	<i>Tactical, problem-solving orientation.</i> Believes that leaders are respected and followed by others because of their authority and expertise	Style is either to strongly assert opinions or hold back to accommodate others. May swing from one style to the other, particularly for different relationships. Tends to avoid giving or requesting feedback	More of a supervisory manager. Creates individuals rather than teams. Work with direct reports primarily one-on-one. Caught up in the details of work to lead in a hands-on manner
<b>Achiever</b> (~35%)	<i>Strategic, outcome orientation.</i> Believes that leaders motivate others by making it challenging and satisfying to contribute to larger objectives	Primarily assertive or accommodative with some ability to compensate with the less preferred style. Will accept or even initiate feedback, if helpful in achieving desired outcomes	Operates like a functional manager. Meeting with individuals on important strategic organizational issues. Often orchestrated. Gain buy-in to own initiatives
<b>Catalyst</b> (~10%)	<i>Visionary, facilitative orientation.</i> Believes that leaders articulate an innovative, inspiring vision and bring together the right people to transform the vision into reality. Leaders empower others and actively facilitate their development	Adept at balancing assertive and accommodative styles as needed in particular situations. Likely to articulate and question underlying assumptions. Genuinely interested in learning from diverse viewpoints. Proactive in seeking and utilizing feedback	Intent upon creating a participative team. Team leader and facilitator. Models and seeks to share. Exchange of views on issues. Empowers others. Uses team development as a vehicle for leadership development



or Achiever levels. Especially in developed economies, where Expert-Achiever leadership has been the norm for many decades, companies face the historic challenge of developing their managers' leadership agility to the Catalyst level. The model that emerged from this research provides a "road map" that helps clarify what this new level of leadership looks like in practice.

### Levels of Agility in the Leadership Culture

To envision the development of leadership agility on an organizational scale, it's useful to describe how agility levels collectively set the tone in a company's leadership culture. Below are the leadership culture definitions used in the aforementioned research on the relationship between leadership agility, organizational agility, and business performance:

- In an *Expert leadership culture* organizational improvements are mainly tactical and incremental. Managers tend to operate within silos with little emphasis on cross-functional teamwork. Managers tend to be quite involved in their subordinates' work, often in "firefighting" mode. They emphasize one-on-one interaction with direct reports and little attention is given to building and orchestrating teams. As a result, managers have little time or inclination to approach their own roles strategically.
- In an *Achiever leadership culture* managers articulate strategic objectives and strive to put the right people and processes in place to achieve them. Strategic change initiatives reflect an analysis of the larger environment, and building the support of key stakeholders is a cultural norm. Customer-focused, cross-functional teamwork is encouraged and rewarded. Managers try to minimize micro-managing their direct reports. Instead, they work to develop effective teams and hold people accountable for achieving outcomes.
- A *Catalyst leadership culture* (which is empirically rare) also focuses on achieving strategic outcomes. But it is animated by a broader, deeper vision that emphasizes both the immediate and long-term value of developing a culture that encourages high participation, mutual trust, collaboration, creativity, and open communication. Senior teams become living laboratories that create this kind of culture within the team and work together to promote and support it in the organization they lead. Leaders not only coach their people, they also actively solicit and utilize informal feedback about their own effectiveness as leaders.

Achiever leadership cultures attend to tactical matters, but within the context of a strategic approach to setting and achieving organizational objectives. Catalyst leadership cultures attend to tactical and strategic matters, but are also animated by a deeper and more visionary intent: To develop the organizational capacities

(particularly within its “human systems” – organizational culture, and working relationships within and among teams and various organizational units) needed to establish and sustain true strategic and operational agility.

Quite frequently, especially in the developed world, the executive tiers of management embody an Achiever leadership culture, while an Expert leadership culture predominates in the middle management ranks. A sprinkling of individual Catalyst leaders may be found here and there in the organization. These leaders can have a powerful impact on organizational agility and business performance. But the development of a true Catalyst *leadership culture* in the executive ranks – and a true Achiever culture in the middle ranks – is a transformational journey of historical proportions.

### **The Catalyst Leader’s Approach to Strategic and Operational Agility**

When leaders fully develop from the Achiever to the Catalyst level, the four types of agility they embody evolve to a new level. For example, the context-setting agility of a manager who operates primarily at the Expert level has a tactical focus. Fully developed Achiever leaders have a robust capacity for strategic thinking that involves the ability to see their organization in its larger context and a focus on strategic outcomes. At the Catalyst level, context-setting agility grows into a strong commitment to developing the organization’s “human system” (culture, inter- and intra-group relationships, and the inner side of leadership) as a central condition for activating organizational agility.

Catalyst leaders’ strategic agility includes but goes beyond the Achievers’. Achiever leaders have a way of thinking that is a natural fit for the kind of strategic planning that dominated the last half of the last century. But this kind of strategic thinking, when not complemented by a Catalyst approach, is not as effective in today’s environment as it was in that past era.

In other words, whether thinking about individual leaders or about entire organizations, there are levels of strategic (and operational) agility that parallel the levels of leadership agility outlined above. Achiever leaders develop teams, leadership cultures, and companies that can function at the Expert and Achiever levels of operational and strategic agility. The teams, leadership cultures, and companies developed by Catalyst leaders can function at any of the three levels of strategic and operational agility. The key difference is that Catalyst leaders see the development of the kind of leadership culture that above was called “Catalyst” as being central to the kind of strategic and operational agility they want their company to embody.

The Catalyst leader’s approach to strategic agility begins with a particular kind of vision for the organization that includes and goes beyond the Achiever’s focus on strategic business outcomes. Like Achievers, Catalyst