

Surviving in an Environment of

Today's organizations need strategic agility and resilience to survive. Organizations need to be flexible and adaptable to achieve competitive advantage.

Recently, four top consultants from Booz Allen Hamilton visited American Management Association and joined in a panel discussion about resilience and strategic agility and the sustainability that they provide organizations.



Andrew Tipping



Tanya Hilton



Decio Mendes



Dr. Patrick McLaurin

At AMA were:

Andrew Tipping, a vice president in the Booz Allen Hamilton Organization and Change Team. His expertise is in designing and implementing changes that increase customer service, provide customer solutions and increase internal efficiency.

Tanya Hilton, a principal in the Booz Allen Hamilton Organization and Change Team. She focuses on transforming client's organizations with an emphasis on change management and its bridge to information technology updates.

Dr. Patrick McLaurin, Booz Allen Hamilton's Director of Diversity, a position he accepted in May 1998. From 2002 until April 2004, he also served as Director of Executive Development and led the design and implementation of a new leadership development model for all partners and principals in the firm.

Decio Mendes, a principal with Booz Allen Hamilton in New York, where he is a member of the firm's Organization and Change Team. His primary focus is helping clients improve organization execution effectiveness and operational efficiency.

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AMA hopes you find this information exchange insightful.

AMA: What do we mean by corporate resilience?

Patrick: Resilience is a quality that organizations possess. It enables them to adjust to and survive a misfortune and/or dramatic change. Organizations that have it can maximize performance over the long run because they don't take a short-term view of performance.

We all know that organizations today need to deal with constant change—it seems everything is always undergoing change. Moreover, a lot of the change being experienced is what could be called “discontinuous change”—that is, change that is occurring in such a dramatic way that the organization might look or feel very differently after it's undergone the change.

So, resilient organizations are characterized usually by flexibility, a willingness to accept diversity and open communications. Leaders share information well within the organization, and usually they're very forward thinking.

AMA: Patrick, what is the goal of a company in building resilience?

Patrick: Sustainability. Resilience and sustainability usually go together. Companies that are focusing on being resilient also have an understanding of and a capacity for sustainability.

Decio: Related to what Patrick said, I think that you often see organizations that have pretty good strategy but they don't really stick to it. There are a lot of pressures from shareholders, from board members, from investment analysts and the like, and so it is very easy to get off track. The companies that are most resilient are able to be flexible yet still stay the course as long as the market information is saying that their strategies are good.

AMA: Decio, you've done research on companies that are not resilient. What has your research discovered?

Decio: We've found that somewhere between 15 to 20% of companies are resilient.

AMA: Why is that number so low?

Decio: The simple answer is that it is difficult to be resilient. But the next question is naturally, “Why is it so difficult?” It's difficult because resilience demands that a company be very comfortable in an



Andrew Tipping a vice president in the Booz Allen Hamilton Organization and Change Team,

observed that both adaptability and alignment were found in successful companies in a BAH study.

environment of constant change, and both organizations and the individuals within organizations are just not comfortable with change.

Also, resilience requires organizations and their managements to be very critical of themselves; that is, to constantly look into the mirror and understand what they're doing well and what they're not doing well. It requires open and honest dialogue around the areas where they can improve and then it demands the fortitude to make those changes identified.

AMA: Can you be more specific about those elements critical to being agile within an organization?

Andrew: Some aspects of Booz Allen's current thinking on agility emerged from a study undertaken in the late 1990s with the World Economic Forum. The question that was being asked was whether adaptability or an alignment was the more important characteristic to be successful. It was black or white, one or the other. Of course, companies that were successful had mastered both. Therefore, our view on agility (adaptability) is that you also have to develop it in a holistic context that also includes alignment (stability). Recently we have talked about this holistic view of agility as "Smart Customization." What this term means is that operations need to be run as multiple different suboperations. For example, one that handles the basic/stable part of the business (and focuses on cost), one that is handling the forecastable part of the business (and focuses on world-class planning) and one that's handling the truly unpredictable (custom) part of the business (that focuses on customer needs). It doesn't matter whether you're a support or the line part of the organization; you must always think of your business as made up of as many of these different buckets as needed for all your work.

The criticality of thinking this way and operating as three separate entities that work together is the custom end of the business entailing a lot of complexity, a lot of cost. The forecastable end is where planning can help you a lot, and the basic or stable part is where economics is the number one driver, that is, where the goal is to stay at low cost and focused.

Whatever organization you're in, whatever part you're in, you must always think that way. For instance, if you are in human relations, you will need to do appraisals every year. You know that will be the case. It's basically stable. If the economy picks up, you can expect a need for recruiting to grow. And then there's a whole variety of custom actions—for instance, actions against individuals for poor performance and so forth—that you can't predict or can't forecast in any way. You can go through any part of the business and think in those three buckets, and I think that's the way you can generate agility but still maintain the optimal degrees of stability.



Tanya Hilton, a principal in the BAH Organization and Change Team, noted that middle managers, although the most difficult to convince, play a key role in building an agile culture.

Tanya: The constant demonstration of ingenuity is also important to maintaining agility. Ingenuity supports stability, can provide a sound basis for custom actions and carries organizations through the complex forecastable parts of the business decisions during the difficult times as well as those times of surging growth.

AMA: Where does responsibility for resilience and agility reside within an organization?

Decio: I don't think that there's one place. So far, we've mentioned several different functions and operating areas. But, no question, responsibility starts with senior management. That's a role that the CEO and senior officers must take ownership of.

AMA: What would be the role of middle managers in achieving resilience or agility?

Andrew: The role of middle management is a complex issue.

Often, senior leadership is setting an environment for change, determining the direction for change. To varying degrees, the front line is comfortable with following the direction set for it. But middle management often is resistant to the change demanded because it is used to the past. Alternatively, it isn't given the direction it needs. It is allowed a certain degree of flexibility and scope but it must follow the agenda set by those above it. So it often feels caught between two extremes—make happen the change set by others.

Patrick: In most of the change efforts in which I have been involved, middle management is the most resistant. It could be called the “permafrost layer” of an organization because you often have to get down to them and thaw them out to actually get them to move. And it's unfortunate because, as Andrew said, you're talking about resilience. They probably have the least motivation to be agile, the least motivation to be resilient.

Middle managers are very much involved with the day-to-day operations of an organization and often they don't see the big picture that senior management sees. So, getting that middle management layer to actually be involved with change efforts and to understand resilience and agility is really key, and it's very often the hardest thing to do.

Tanya: Middle managers, although the most difficult to convince, do play a key role in building a resilient culture. They have to be brought into any change efforts early and with the organization's leadership working to convince them of the need for change. An organization that builds a resilient culture develops agile middle managers that embody the key elements of resilience as part of their core values.

Decio: I'd just like to underscore what has been said. I think Patrick has been a little generous in calling middle management the “permafrost layer.” In my experience, it is often more like a “cement layer” that you have to break through.

AMA: How do you deal with the human resources—the people—side of this?

Patrick: That's something that organizations very often forget—the people side. Any time a person joins an organization, a mutual relationship develops in which the employee gives something and the organization gives something back, usually more than simply a paycheck.

One of the things sometimes lost as organizations adapt to change, like new business

environments, is the value proposition it had with its employees. Often people join an organization because they see a value in it beyond just a paycheck; there is an identity tied to it, a matter of development opportunities, career growth and even self-esteem.

But as an organization shifts its focus and sometimes moves in a different direction, the reason that employees join shifts, too. And sometimes the organization loses sight of the value

relationship between it and its employees and simply thinks of it as a transactional relationship; that is, it's giving a salary to employees to come in and do the work. This is a problem because in today's world we're seeing more and more opportunity for people to change allegiances. This is becoming more and more of a relevant issue for organizations. Unfortunately, many companies don't recognize how the impact that shifts they make in response to change influence their ties with their employees.

Tanya: As you consider the people within the organization, many times we think giving them tools is the right way to help them along the process of change. The tools in and of themselves, be they technological enablers or programs that are educationally based, aren't sufficient. We need to consider the culture of the organization and how to truly incorporate people into the overall change process or transformation of the organization in an effective way.

The culture of an organization is comprised of the people, and that's what drives that whole change process and maintains resilience over time.

Andrew: I believe that leaders need to make sure that they set realistic expectations and timing for the people change. I was working with an engineering company a few years ago. It was a

global company that was actually going from providing products and systems to providing solutions. That impacted every aspect of its business, but one aspect was the sales force, which was expected to go from essentially catalog selling—knowing the products very well and understanding the pricing—to consultative selling in which they would need to understand customers' needs and then determine if their products would solve them. The organization truly believed that only a short amount of training was all that was essential to take that original sales force to a new space, which was very, very unrealistic and very demotivating for the people.

So, first, leadership needs to have realistic expectations of its people in a change process.

Second, leadership needs to be sending consistent messages by word and actions. During change, people want their leaders to provide some sort of direction, some sort of lighthouse. For instance, if there is evidence that the business will require the upscaling of its workforce, then there had better be a message that the organization will include money in the budget for training and other activities to prepare people for the new work required. If such messages aren't forthcoming, people will spot it right away and go with the actions, not the messages.



Dr. Patrick McLaurin, BAH's Director of Diversity, said,

"Resilient organizations are characterized usually by flexibility, a willingness to accept diversity and open communications. Leaders share information well within the organization and usually they're very forward thinking."

AMA: What do you see as the skills that today's senior leaders need in this environment of change?

Patrick: First, senior leaders need to be aware of their role as change agents. At the very least, this means that they have to be more sensitive to their own environment. Often, leaders who grew up in the same environment they now lead in lose the ability to hold a mirror up to themselves and their organization. When you can do that and are self-critical in examining what's going on, that's the first step in developing the skills of a change agent. After that, you need to have the ability and the desire to actually effect change.

Those aren't difficult skills for senior leaders to develop, but they are critical skills in an environment under constant change. If you don't develop those basic skills, then I don't think you're going to survive.

Andrew: During a period of change, the role of senior leadership is to set the agenda and allow the environment to be in place for the rest of the people to operate. It's very, very easy for someone to ignore the need for change, staying where he or she is just because it feels comfortable. It's a mistake to avoid. Basically, the senior leadership you need at all times is one that recognizes the need to reflect what is happening in the environment and to make changes based on what is seen.

In addition, tied a little bit to the discussion earlier about the cement or the permafrost layer within organizations, it's important that senior leaders, while they are busy setting a new direction in response to needed changes, verify what is happening in the frontline since they aren't always in direct contact with those who are out there, and they get most of their information through the middle management layer. So, senior leaders need to have a sort of trust-and-verify mentality.

Decio: Let me send a kind of warning to some senior executives.

Some of the research Booz Allen has done had to do with what we call organizational DNA. Of about 40 companies queried, there were only executives from three or four organizations who were critical about the resilience of their organizations. And those were actually the most resilient ones we saw. Most of the respondents were very, very optimistic about their companies' resilience. They all seemed to be wearing rose-colored glasses. And that's not a good thing in the context of a change program. [MW](#)



Decio Mendes, a principal with BAH where he is a member of the Organization and Change Team, warned that a study of organizational DNA found that only a few executives surveyed were concerned about the resilience of their organizations. Most of the respondents were very optimistic. "They all seemed to be wearing rose-colored glasses."

Check AMA's new seminar Strategic Agility and Resilience at www.amanet.org