

Discussions for strategic agility
By Donald Sull and Ben Bryant
The Financial Times, April 6 2006

Co-ordinating activity in an uncertain market poses a paradox. Executives must constantly update their understanding of a fluid situation, evaluate alternatives and periodically revisit their assumptions. And, to make things happen, they must sell projects upwards and downwards, energise subordinates, monitor performance and make mid-course corrections.

All these activities require ongoing discussions. In uncertain markets, conversations serve as the central mechanism to co-ordinate action. Yet all too often, these conversations become bogged down in an endless series of unproductive meetings where the usual suspects cover the same ground without making progress.

Over the past few years, we have researched effective and ineffective conversations in unpredictable sectors such as emerging markets, pharmaceuticals and ICT. Many of the managers we interviewed expressed frustration with interminable meetings where participants “spin their wheels”, “cover the same ground” or “talk in circles”. Not only are these meetings frustrating, they can distract the organisation from execution.

This leads to the paradox of co-ordination. The need for ongoing co-ordination increases as markets grow more complex and volatile. After a point, however, the frequency of discussions impedes rather than helps a company to get things done. What can managers do? The answer, however tempting it may be, is not to eliminate meetings. Rather, executives must increase the return on their investment in conversation. In other words, they need to understand what is required to increase the organisation’s strategic agility, and what types of conversations allow them to achieve this.

The strategic agility cycle

Uncertain markets throw out a steady stream of opportunities and threats. In these environments, companies succeed to the extent that executives and the organisation are able to respond to shifting circumstances. Companies such as Google, Dell, Mittal Steel, Cisco, Cemex and InBev did not achieve industry leadership through superior market position or resources, but through strategic agility – the ability consistently to seize opportunities that rivals were too slow to capture, and survive crises that undid lesser companies.

How can entrepreneurs and managers emulate these companies? The key lies in how a company moves through an iterative cycle of translating understanding into action. In this cycle, managers sense the overall situation, anticipate emerging threats and opportunities, prioritise actions, execute on these priorities in a timely and effective manner, and close the loop by revisiting their original assumptions.

None of this is rocket science, but companies that can consistently move through the strategic agility cycle a bit faster and a bit more effectively than rivals can, over time, stockpile small advantages that cumulate into a decisive lead. Strategically agile businesses can seize myriad small opportunities that others miss, skirt crises that

distract competitors and position themselves to seize the rare golden opportunity – such as a transformational acquisition or a major new product like the iPod – that take the company to a new level.

Conversations are the central activity that managers use to guide their organisations through this cycle. There are four distinct types of conversations:

- Conversations to make sense should identify patterns in complex, incomplete, conflicting or ambiguous data
- Conversations to make choices among competing opportunities and threats should result in a small set of clear priorities to focus resources and attention
- Conversations to make it happen should solicit personal commitments to actions aligned with agreed priorities
- Conversations to make revisions treat market moves as experiments, analyse the findings and use these lessons to revise assumptions, priorities and commitments.

These conversations have a bearing on each other but each is characterised by separate objectives, pitfalls and the steps required to make them work. The results of past actions, for example, should inform current priorities. But giving free rein to multiple discussions results in people simply talking past one another. To avoid this pitfall, managers should frequently ask themselves a simple question: are we trying to make sense, prioritise, make it happen or revise assumptions? It is surprising how often the answer is confusion.

Conversations to make sense

Anticipating threats and opportunities early is no simple task. Uncertain markets inundate companies with information from multiple sources. These data are typically incomplete, inconclusive, conflicting, ambiguous and of questionable reliability.

How can managers make sense of this deluge of information? The task is primarily one of pattern recognition. Teams gather real-time, granular data from multiple sources and look for patterns or trends. These patterns can take many forms: similar cases from the past; generic business models; reference companies, such as Starbucks or Southwest Airlines; reference industries; conceptual frameworks such as the tipping point; or broader metaphors, for example, that the SME market will turn into our Vietnam.

Such patterns bring order to messy situations. They help managers decide which variables are critical, which are less important and how they might interact. This mental calculation provides the tools to anticipate how events will unfold.

Conversations to make sense can, of course, derail in many ways. For example, the group may cower before a powerful leader, lapse into groupthink, fail to create data-driven discussions or anchor the discussion prematurely.

One of the most dangerous pitfalls, however, occurs when a team follows the conventional wisdom and exhibits a “bias for action”. These teams shortchange the sense-making discussion and instead jump right into a debate about what to do. But if the conversation moves too quickly to decision-making, managers risk diving into the

details of implementation before they have explored alternatives or fully discussed whether the chosen pattern fairly represents the situation.

To avoid this trap, leaders must periodically reorient the discussion. The tenor of conversations should be open inquiry. So, when proposals for action arise, the leader should dig backward to explore the assumptions that underlie the plan of action rather than push forward into details of implementation. They can ask: “Why do you say that?” or “What problem does that recommendation solve?” to uncover such assumptions. They should also ensure that multiple possible patterns are explored rather than allowing the discussion to anchor on a single interpretation. Leaders must encourage and sustain the curiosity required to explore alternative patterns, and resist the pressure to close conversations prematurely.

Conversations to make choices

Determining the right priorities is a critical function of management under any circumstances, but uncertain markets make it more difficult to do this effectively. Conversations conclude when a group agrees on a small number – typically, no more than five – of clearly articulated priorities consistent with the agreed pattern. These choices should be concrete enough so that they can be understood throughout the organisation.

The choice of priorities should also provide guidance on resource allocation. Every organisation faces issues of not having enough money, people or attention to address all potential opportunities or threats. Unsurprisingly, conversations on priorities frequently derail when managers simply add more work without increasing resources. Too often, managers launch new initiatives to hedge their bets which simply create more priorities. At the same time, faced with a long menu of priorities, team members then tend to select their pet projects.

Many off-site strategy retreats fall into this trap. People make valid requests for resources based on their perspective, and everyone agrees these are important to avoid conflict or to protect their own projects. The resulting proliferation of objectives are frequently collapsed into omnibus priorities. This sleight of hand tricks the gullible into believing choices have been made, but seasoned executives see through this illusion. In the absence of clear guidance from above, choices will be made lower down in the organisation where the constrained resources pinch most sharply. Thus, local needs, rather than the collective requirements of the organisation, can pull the organisation in different directions.

Conversations to make choices require team members to argue openly about valid disagreements that often simmer below the surface. Left to their own devices, these conversations tend to drift towards comfortable agreement. So, leaders must create and maintain a tone of constructive conflict without letting the discussion degenerate into mean-spirited exchanges or personal insults. At the same time, they need to encourage debate that draws out the advantages and disadvantages of each alternative, while never losing sight of the team’s agreement on the overall strategic assessment. Finally, they must deprioritise activities that would dissipate scarce resources, often by cutting an existing objective for every new one added.

Conversations to make it happen

Conversations to make it happen translate priorities into action throughout the organisation. These conversations revolve around commitments – the promises that employees and managers make to each other to get things done. To manage these conversations, it should be understood that effective commitments share five characteristics: they are public; actively negotiated; uncoerced; explicit; and linked to priorities.

Managers must solicit promises from subordinates and colleagues, monitor performance against commitments, renegotiate them in the light of unexpected contingencies and acknowledge when an agreement has been fulfilled. These discussions communicate priorities, reinforce their importance and clarify what they mean in practice. Public discussions of commitments broadcast the intended action to others who can flag hidden problems or overlooked opportunities. Moreover, when people are held publicly accountable for their promises, they are more likely to deliver.

These conversations derail, however, when leaders make and tolerate ineffective commitments. Bad promises take many forms. For instance, private-side deals, as opposed to public commitments, leave room for people to wriggle out of what they said they would do. Passive promises occur when people agree to do something without bothering to understand what they are really signing up to. Coerced commitments arise when people feel compelled to say yes to every request – no matter how unrealistic or random – that comes from on high. Vague commitments offer too much scope for interpretation of what constituted execution. Ad hoc commitments emerge when people make promises that are locally optimal, but poorly aligned with corporate priorities.

Underlying the iron-clad discipline of eliciting effective promises and holding people accountable, managers should provide enough support to help colleagues deliver. When discussions for action decouple support from discipline, they typically lead to overly conservative promises and elaborate spin to avoid blame when these are not achieved.

Conversations to make revisions

Leaders should initiate a conversation to make revisions after achieving a significant milestone in execution. These conversations add the most value after a prolonged period of heads-down delivery, when team members have not yet paused to reflect on whether results have confirmed the original assessment. Shifts in contextual factors, such as regulatory changes or unexpected moves by competitors, almost always create a gap between initial assumptions and how things actually turn out. No plan, to paraphrase Helmuth von Moltke, chief of staff of the German army in World War I, survives contact with reality.

Many managers avoid these discussions. When things are working, teams tend to stick to the principle that if it ain't broke, don't fix it. Moreover, many leaders believe that a bias for action requires them to focus constantly on what to do next, rather than reflect on what they have learned. Instead, they permit ad hoc discussions where team members selectively cite data that support their pet theory without digging into alternative interpretations.

Even failure, which should be a catalyst to revisit assumptions, often does not have this effect. People fear that such a conversation would focus on allocating blame

rather than distilling lessons. On the rare occasions when these conversations do take place, they often derail when the team jumps ahead to making choices for the future before they have fully understood the past.

In principle, discussions to make revisions are simple: the team should discuss what they expected to happen and why; what actually happened; and what accounted for any gaps. Leaders can facilitate these discussions by explicitly framing assumptions as hypotheses and actions as experiments.

Even if they are clearly framed as retrospective opportunities to learn, these conversations are delicate. People feel threatened by the prospect of having their actions scrutinised and criticised, and often personalise feedback as a negative reflection on their competence, judgment or motivation. To avoid this, such conversations should maintain a tone of dispassionate analysis – think of the scientist in a lab coat evaluating results from an experiment. Leaders should take pains to avoid a judgmental tone or personal recriminations.

Conclusions

Conversations – formal and informal, short and long, one-on-one and in groups – are the key way managers get things done. Uncertain markets make these discussions more necessary and, at the same time, more difficult. But the managers who understand the distinct types of conversations required for strategic agility are more likely to master uncertainty.

Box: Fitting the conversation to the situation

It is not enough to understand the four types of discussions required for strategic agility. Leaders must also exercise judgment in deciding which discussion to have when and how to lead it most effectively. The following questions help them along the way:

- What are we talking about? This simple question often surfaces a disturbing lack of focus in discussions.

- Are the right people in the room? Discussions to make sense work best when different points of view are brought to bear, while making things happen requires that the people who will ultimately do the work – rather than their boss or colleague – are involved in the discussion.

- Are we talking about the right thing right now? Managers must make a call on what conversation is appropriate for the current situation. Are we jumping to choices before we have made sense of what is going on, for example, or are we revisiting assumptions when we should be getting things done?

- Does the conversation have the right tone? Leaders must understand what an effective discussion looks like for each purpose. They should establish and maintain a spirit of open inquiry during discussions to make sense, for example, and promote respectful arguments during discussions to make choices.

- Are we skipping key conversations? Managers must ensure that they are having all the conversations they need. Execution-focused teams are particularly prone to ignore discussions to make sense and make revisions, while more strategic groups may omit critical discussions to make things happen.

© 2006 Donald Sull and Ben Bryant