

Leadership imperatives for an agile business

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High performance. Delivered.

Building the right leadership team is essential to fostering agility

Adaptability and agility have emerged in recent years as distinguishing characteristics of high-performance businesses. But how can organizations become more agile? How can they respond faster than others in their industry? Even better, how can they see what's coming far enough in advance to take proactive steps to position their company more effectively?

New research from Accenture into business agility. New research from Accenture paints a compelling picture of the traits of truly agile businesses—companies that can anticipate change, react faster than competitors and adapt their strategies and processes in light of disruptive events. (See sidebar on page 4, "About the Accenture Research on Business Agility.") A dominant theme across the research findings is the importance of *effective leadership* in creating and enabling an agile business. Fully 52 percent of those surveyed in the research agree that building the right leadership team is essential to fostering agility.

Excelling across three dimensions. In this report, the business agility research is supplemented by another Accenture study, "Demystifying Leadership: What Can We Learn from High-Performing Leaders?"¹ According to that study, effective leaders excel across three dimensions—what Accenture calls the "three pillars of leadership":

- **Vision and strategy:** The idea-generating, direction-setting function that defines the organization and its long-range goals.
- **The relationship between leaders and followers:** How leaders leverage the energy and talents of others by finding the right people, enlisting their support, building and motivating teams, and resolving conflicts.
- **Driving results:** Creating systems and structures by which the strategies can be implemented and goals achieved.

Let's look at the Accenture research on business agility through the lens of these three essential leadership capabilities. The data shows the power of effective leadership. Those who possess certain leadership characteristics can drive better financial results and steer their companies nimbly through uncertain times.

At a glance: Leadership imperatives for a more agile business

Vision and strategy

Develop a long-term strategy built for change

Leaders of top-performing companies are more likely to see uncertainty as an opportunity, not only a threat. They are able to balance short-term needs with long-term perspectives.

Relationship between leaders and followers

Use an ensemble approach to building management teams

Leaders build effective teams by deploying executives and managers in a network that can flexibly shift and re-form to address challenges and opportunities as they arise.

Driving results

Speed up decision making and the execution of those decisions

Leaders establish a culture of making critical decisions at speed and then implement decisions with the scale, buy-in and accountability needed to make it all stick.

Involve unconventional thinkers

Leaders regularly bring thinkers from outside the mainstream into management meetings as a way to encourage new ideas.

Develop leadership skills at all levels of the organization

Companies that are most adept at managing through uncertainty and volatility are those that are developing leaders at every level.

Establish accountability

Leaders clarify expectations, roles and responsibilities. They take action immediately when issues arise. They reward results, not just activity.

Creating a vision and strategy built for adaptability

Effective leaders develop a vision of the future, create and sell the strategy, and persuade others in the organization to work to achieve it.

Top performers in our study (see sidebar on the research methodology) excel in several ways when it comes to dealing with an uncertain future and developing a long-term strategy that is built for change.

Seeing uncertainty as both threat and opportunity. By an extremely wide margin, 58 percent to 19 percent, top performers are more likely than low performers to feel very well prepared to deal with uncertainty. Also by a wide margin, 43 percent to 29 percent, top performers are apt to see uncertainty both as a potential threat and a potential opportunity. (See Figure 1.)

Figure 1.
Top-performing companies are better prepared to deal with uncertainty



Dealing with the short term and the long term. One finding that stands out from our agility research is that short-term needs and urgencies are preventing many companies from effectively thinking about the future. Asked to name the principal causes of feeling unprepared to deal with uncertainty, the top reason noted was "too much focus on immediate business requirements and cost efficiencies."

This is part of the collateral damage to a company experiencing market volatility and industry uncertainty: being too reactive to immediate events and feeling forced to put out fires rather than thinking in the long term. Leaders of top-performing companies are able to take both views—steering effectively now while also keeping an eye on the road ahead. Half of top performers, compared with only one-fourth (24 percent) of low performers, say that their leadership is prepared for change because they regularly review trends and emerging possibilities.

Taking a structured approach. Successful companies take a structured approach to considering an uncertain future. One such approach is to regularly bring unconventional thinkers of all sorts into top management meetings as a way to shake participants loose from present assumptions and inspire them to consider alternative futures for the company. As Stanford University Graduate School of Business professor Jeffrey Pfeffer has written, "Where does change in organizations come from? Not from the insiders, with their intellectual blinders and their vested interests. Rather, innovation, adaptation and change almost always come from someone at least partly outside the mainstream."²

About the Accenture Research on Business Agility

Accenture surveyed 1,300 C-suite and senior-level executives in 13 industries and 16 countries in mature and emerging markets in the second half of 2013. This substantive quantitative online survey, administered in the respondents' native languages, probed issues of business agility along the dimensions of strategy, organization, marketing, operations and finance. Characteristics of the research sample:

- Nearly one-fourth of respondents were CEOs and one-third were business unit heads.
- Approximately one-fourth of respondents reported prior fiscal-year revenues of greater than US\$20 billion, and more than half reported prior fiscal-year revenues of greater than US\$5 billion.
- Close to 40 percent of respondents' organizations operate in 11 or more countries and nearly 80 percent operate in four or more countries.

In this analysis, top performers are defined as those companies that self-reported an increase in sales of greater than 10 percent in the past fiscal year; low performers are those that self-reported a decrease in sales in the same period. Accenture compares and contrasts the responses of the two groups of respondents.

Developing effective relationships among leaders and followers

Effective leaders of agile businesses are also relationship builders. They encourage teamwork, build loyalty and are open to others' ideas. They know how to leverage the talents of a broader range of people around their organizations, building relationships with them and among them. Part of this quality of relationship building involves creating the right leadership team to improve the organization's agility, a factor noted by 62 percent of top performers but only 44 percent of low performers.

Creating leadership ensembles.

What kind of team, exactly, is important to becoming more agile? Accenture refers to the distinctive management team composition of the agile business as "leadership ensembles."³ Unlike the rigid and inflexible approaches represented by organizational charts, an ensemble approach deploys executives and managers in a network that can flexibly shift and re-form to address challenges and opportunities as they arise.

Companies can no longer rely on lone individuals at the top to handle the complexity and uncertainty of the global environment. With an ensemble approach, executives, each with distinctive experiences and perspectives, can be brought together in combinations suited to specific decision situations or business contingencies. The team composition reflects and capitalizes on diversity in business, culture, geography and thought style. At the same time, because these executives share common understandings and a common discipline, teams can be reconfigured without significant loss in effectiveness.

Top performers in Accenture's agility research study convincingly confirmed this more flexible approach to team building as a key to success. Forty-four percent of top-performing companies, but only 20

percent of their low-performing peers, use temporary teams and task forces to tackle problems. And 45 percent of top performers say they can deploy these teams very quickly, something only 21 percent of low performers can do.

"Fresh air" is also important to the make-up of leadership teams to prevent their perspectives and decision making capabilities from becoming stale. Here the gap between top performers and low performers in the agility study is similarly wide. Forty-eight percent of top performers, but only 25 percent of low performers, say their leadership team has changed over time to incorporate a broader range of perspectives and skills. And 41 percent of the top-performing companies (just 20 percent of low performers) have introduced executives from other industries into their leadership team, something that can broaden perspectives and help identify opportunities presented by industry convergence. (See Figure 2.)

Figure 2.
More flexible and diverse leadership teams are a key to becoming an agile business



Empowering decision making.

The Accenture "Demystifying Leadership" study found that strong leaders trust others and are willing to empower them to make decisions, thus avoiding bottlenecks. Empowerment requires knowing their teams, trusting their values and expertise, and then being willing to take the risk of unintended consequences, remembering that even negative consequences can be opportunities to learn and adapt.

Also important is preparing the ground not only for a decision, but for support of that decision. This is a point stressed by GE's former HR chief Bill Conaty. For GE, having in place the right social processes—regular leadership discussions, metrics, talent processes and face-to-face meetings—means that when the time comes for tough decisions, the responsible leaders have already built a shared context to drive toward an outcome.⁴

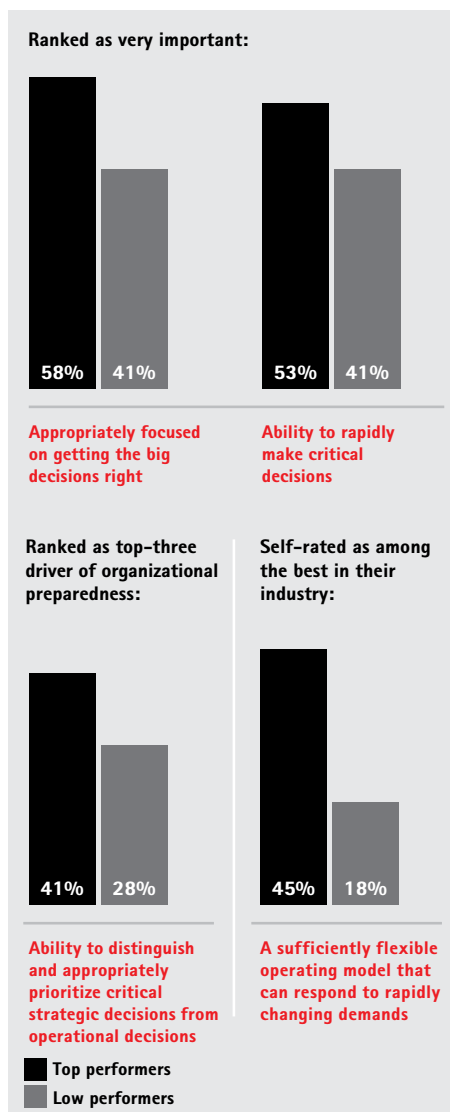
Leading at all levels. Agile companies are characterized by effective leadership in the executive suite, but it doesn't stop there. Accenture believes that companies most adept at managing through uncertainty and volatility are those that are developing leaders at every level. Succession planning is part of the mix here, but so is real involvement of more junior staff in big decisions made by a company.

For example, meetings of top leaders could include potential successors. The senior leaders benefit from hearing different perspectives and the younger leaders have a stake in decisions that will affect the company's future. With leadership, as with all areas of learning, experience is the best teacher.

Executing on decisions at scale

The top performers in our business agility study stand out in their ability to make effective decisions and drive results in the face of uncertainty. Fifty-three percent of top performers note that the ability to rapidly make critical decisions is a key to managing in an agile manner, compared with only 41 percent of their lower-performing peers. Being focused on getting the big decisions right, in particular, is important to 58 percent of top performers but only 41 percent of low performers. (See Figure 3.)

Figure 3.
Top-performing companies excel at decision making and execution



Yet a large performance gap exists among all companies between their aspirations about decision making and the reality of the situation. Almost half of all respondents (48 percent) cited making rapid decisions and getting the big ones right as keys to organizational performance. Yet only a third of those surveyed ranked their own company as among the best in the industry in this regard.

Beyond decision making, however, lies the dedicated leadership work to deliver: to execute decisions, in light of strategy, with the scale, buy-in and accountability needed to make it all stick. The top performers in our business agility research understand this at a deeper level than their lower-performing peers. Almost half of the top-performing companies (45 percent) rate themselves among the best in their industry when it comes to having a sufficiently flexible operating model that can respond to rapidly changing demands. Only 18 percent of low performers made that claim.

Developing effective resource management.

In part, a flexible operating model depends on being able to move resources efficiently from one focus or set of initiatives to another. Thirty-nine percent of top-performing companies report that they are able to shift resources to address emerging or critical needs, compared to just 17 percent of low performers.

Top performers also claim higher proficiency at the performance management capabilities needed to marshal the energies and resources of a far-flung organization and keep them in sync to execute on strategy and on specific decisions. Among top-performing companies, 45 percent rank themselves at the top of their industry when it comes to robust enterprise performance management capabilities that can support agile decision making, compared with 20 percent of low performers.

Establishing accountability.

Accountability for execution is one of the essential components of effective enterprise performance management that drives toward organizational agility. Such insights stand out from the "Demystifying Leadership" report. Our study points to unique leadership behaviors related to accountability, including clarifying expectations; rewarding results rather than just activity; and taking action immediately when issues arise.

Identifying and nurturing talent.

If there is cause for concern based on the research findings, it is in the area of talent investments. Asked to name long-term changes their organization is making to improve its response to uncertainty, "Identifying and investing in new sources of talent" and "Investing in senior leadership capabilities, development and succession planning" came in last on the list. Forty-three percent of respondents said it was important to transform enterprise operating models but only 30 percent favored investments in talent development.

Accenture believes that effective leaders source and develop talent aggressively in times of uncertainty. And they use a hands-on approach—they use their understanding of the core systems, processes and organization structures to coach people and help them understand how the organization works. This can help employees and the organization as a whole adapt to dynamic challenges so the company can continuously improve its productivity and effectiveness. The lesson here: beware of under-investing in your people during times of change and uncertainty.

Leading through continuous and ongoing change. We also believe that effective execution during times of uncertainty and volatility depends on developing an internal capability to manage change. Rather than just delivering programs and then asking people to adapt to them, companies instead put in place the competencies, structures and metrics that enable companies to create a strong, internal and ongoing capability to manage change. This capability is embedded in all aspects of how the organization functions, such that managing change effectively becomes part of the DNA of the organization.

Improving the capabilities of current and future leaders

- Identify and invest in new sources of talent
- Invest in senior leadership capabilities, development and succession planning
- Take a hands-on approach to development, including individualized coaching

Becoming truly agile

Leading during times of change, volatility and industry disruption may be the most challenging endeavor that executives deal with in their entire careers. To become truly agile, organizations should focus on developing leaders adept at all three dimensions of leadership discussed here: strategic planning and visioning, relationship building, and execution.

The Accenture research on business agility offers insights to all companies. Low performers have an opportunity to improve their performance by developing the essential characteristics of leaders adept at navigating times of uncertainty. Top performers can assess where their strengths and weaknesses are to improve their performance.

Effective leaders of agile businesses are working to understand the future and look further down the road. They are making decisions that include a broad spectrum of stakeholders while not using that input as an excuse for delay. And they are managing resources flexibly, establishing accountability and investing in talent so that people understand the company's strategic intent and are engaged in delivering on it. Effective leaders adapt and help the entire organization be agile; but ultimately, they know how to get things done.

Checklist: How effective leaders drive business agility

LEADERSHIP ASPECT	KEY QUESTIONS	KEY ACTIONS
Develop a long-term strategy built for change	How can you learn to see opportunity in uncertainty?	Ensure there are ongoing opportunities—workshops, conferences, group discussions—to consider trends and emerging possibilities.
Build effective leadership at all levels	How can you cascade effective leadership traits throughout the organization?	Involve potential successors in some key executive meetings and workshops.
Create leadership ensembles	How do you make leadership more flexible and adaptable?	Deploy executives and managers in a network that can shift and re-form to address new challenges. Leverage temporary teams and task forces to tackle particular issues and opportunities.
Encourage diversity of thought	How can you think not only for today but also for tomorrow?	Introduce executives from other industries into the leadership team to broaden its perspective. Bring in outside thinkers—academics, researchers, authors, etc.—as a means of shaking up conventional thinking.
Make rapid decisions and execute	What structures do you need to have in place to speed up decision making and then the implementation of decisions?	Reinforce senior leadership alignment around critical topics so that, when you need to make rapid decisions, you are already aligned. Create a more flexible operating model that enables you to move resources efficiently from one set of initiatives to another.
Establish accountability	How can you reward results, not just activity?	Clarify expectations, roles and responsibilities. Take action immediately when issues arise.

Sources

¹ "Demystifying Leadership: What Can We Learn from High-Performing Leaders?" (Accenture, 2013). Accenture has an ongoing program to understand the behaviors of high-performing leaders. Our data set of more than 10,000 senior leaders spans industries and geographies to offer clear insights into what successful leadership behaviors look like.

² Jeffrey Pfeffer, "Managing with Power: Politics and Influence in Organizations" (Boston, Massachusetts: Harvard Business School Press, 1992), p. 319.

³ "Leadership Ensembles: Orchestrating the Global Company," by Robert J. Thomas, Joshua Bellin, Claudy Jules and Nandani Lynton (Accenture, October 2012); and "Leadership Ensembles: Keys to Developing the Next Generation," by Robert J. Thomas, Joshua Bellin, Claudy Jules and Nandani Lynton (Accenture, April 2013).

⁴ "The Talent Masters: Why Smart Leaders Put People Before Numbers", by Bill Conaty and Ram Charan, Crown Business, 2010.

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