Thriving in change: Courage, Agility and Talent

Barometer on Change 2018-2019
Report prepared by Moorhouse, sister company of Trissential
Introduction

We have been writing the Barometer on Change report every year since 2012 to explore the challenges organizations face as they look to thrive in change.

This year’s report has been informed by our annual survey. The findings draw on the views of over 300+ senior managers and executives including board members. The research provides detailed and candid data from organizations across the private and public sectors.

The 2018 Barometer combines insight from this pan-industry research with our collective expertise as a firm. Set against the backdrop of ever-increasing customer expectations, geopolitical instability and a technologically disrupted marketplace, there is a growing gap between the ambition to respond to change and the ability to do so effectively.

In light of the research we conducted, we believe there are three areas organizations should focus on to ensure they thrive in change: practicing courageous behavior, demonstrating organizational agility, and nurturing talent at all levels.

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Executive summary

The current climate

This year, 90% of respondents to the survey believe both the pace and the pressure of change has increased over the last three years, with an 18% increase relative to last year’s response. Change is becoming hard to predict and even harder to navigate, with organizations having thoroughly mixed opinions on where to invest internally. And while over two thirds of companies have invested more in change initiatives this year than they have previously, those initiatives frequently become redundant before they are completed because of the pace of change.

It is highly likely that this challenge is only going to become more prevalent – 84% of organizations believe that the pace and pressure of change is going to increase significantly over the next few years.

The way forward

These stark statistics are not a surprise in a climate of uncertainty – but how do organizations get on the front foot and become proactive rather than reactive to this challenge?

We believe there are three key characteristics that organizations need:

**COURAGE**
The importance of developing clarity of purpose and standing for something in the face of adversity.

**AGILITY**
The business model to test, listen, learn and adapt, exploring opportunities and executing against them.

**TALENT**
The ability to harness individual potential, building authentic relationships and supporting employees to be their best.
The current climate

The pace of change is increasing. Significant geopolitical uncertainty, innovative technologies and tighter regulations are disrupting markets and making them more unpredictable. Against this backdrop, it is challenging for businesses to stay current and competitive.

90% of respondents believe that both the pace and the pressure of change has increased over the last three years, representing a growth of 18% from last year.

In response, organizations are focusing on internal change more than ever before. Our findings show that companies are increasingly willing to change the way they work, what they offer their customers, and how much they invest in change initiatives. For example, we have seen a 67% spike in the number of organizations that have increased their funding for change initiatives since last year. Similarly, we have seen another 18% uplift in organizations that believe they have a culture that embraces change, as opposed to one that resists it.

These decisions to invest in change and culture also represent a strategic shift from previous years. In FY17/18, the change in economic climate was cited by 40% of companies as the most influential reason for organizational change. This year, the focus has moved: while the economic climate is still the primary driver of change for 24% of companies, proactive investment to get ahead of competition is a close second. This demonstrates how, against a backdrop of uncertainty, organizations are beginning to look inwards and invest in developing the mindset, behaviors and structures required to thrive in change.

The challenge for organizations is not just responding to individual changes as they happen, but building the right characteristics across the organization so they are able to proactively thrive in uncertainty.

The pace of change is at a six-year high, and only appears to be accelerating.
Courage

In order to truly thrive, organizations need to embrace a culture of courage; the courage to respectfully disagree in order to identify and align on the best path forward.

— Trevor Luyt, Trissential

There are three things that courage needs – adversity, sacrifice and clarity of purpose.

If the essence of courage is doing something challenging, then courage cannot exist without the adversity it strives against; there is opportunity in adversity. Similarly, actions only qualify as challenging if there is something to lose, so courage also requires the possibility of sacrifice. And if adversity calls for sacrifice, the only reason to follow through is because organizations genuinely believe it is the right thing to do; in other words, they have clarity of purpose.

It comes as no surprise, then, that a resounding 93% of survey respondents believe this clarity is essential to realize their objectives as organizations.

Courage has three ingredients

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We believe courage is an essential characteristic for organizations to thrive in a changing world, both in a professional and in a personal context. The paradox, however, lies in the fact that courage looks different to different people – there is no ‘one size fits all’ approach. For example, some might see a trailblazing visionary as courageous; others will see it as someone who holds their nerve in the midst of adversity.

A courageous solution is typically high risk and counter-intuitive. PepsiCo is a good example of a pioneering business that diversified its portfolio in response to changing consumer needs. In the context of a declining soft drinks market, it moved away from its core product offerings to concentrate on healthy snacks. PepsiCo invested in companies like Bare, who now sell baked apple, coconut and vegetable crisps; it also set up incubators such as Nutrition Greenhouse to accelerate the growth of early-phase food and

WHAT COURAGE CAN MEAN IN BUSINESS

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Senior operational managers are 20% less likely to agree with their senior leaders on how clear their organizational objectives are.

With leaders under significant pressure, our core recommendation is to start small. Organizations should begin by clarifying their objectives across all levels of the business. Create a cultural tolerance towards experimentation – and even controlled failure – that demonstrates that the organization values being bold. Make more decisions based on available data instead of stagnating in cycles of internal debate. These three activities are the fundamental skills to practice if an organization wants to be truly courageous.

Firstly, develop clarity of purpose. While 93% of organizations believe that having clarity of purpose is important to success, a third of respondents in large organizations (i.e. over 1,000 FTE) felt this purpose was not understood clearly across all grades.

Furthermore, respondents at the operational level were almost 20% less likely to agree with their line managers on how clear those objectives were. But they crave clear leadership: over half of respondents felt that setting clear direction was one of the most important aspects of courageous behavior that a leader could demonstrate.

So even where organizations believe they are clear about their purpose, in reality there is a significant gap between how clear senior leaders think it is, and how clear it actually is. This is particularly telling when we start attempting to translate strategy into meaningful action, like carrying out a strategic change program. Bridging this gap is the first step in developing clarity of purpose as a clear enabler for courage.

The second point is around building an open culture that accepts decisions that require sacrifice. Our survey identified that a fear of failure results in low risk appetites that stunt organizations’ ability to change; 64% of respondents did not know how failure was treated in their organization.

There is a fear of failure in the workplace, so organizations tend to avoid it; 10% of respondents believed that failure would result in them being made redundant. Courage demands sacrifice, though, so in order to act courageously, leaders need to be prepared to put a potential outcome, or ego, on the line in the pursuit of something greater. This may require a cultural shift.

Lastly, organizations should develop the ability to make decisions faster in the face of adversity. We saw that being honest and transparent was the single most important behavior courageous leaders can demonstrate, with 66% of respondents agreeing it was an essential component of courage. This could be as simple as admitting when something is not working and taking steps to change it. But the truly courageous will make the decision to change something when it is working well in the knowledge that in the future it may not, just as PepsiCo did when they anticipated that consumers would not want as many soft drinks in the future.

**Why it’s worth it**

If being courageous is about clearly standing for something in the face of adversity and professional sacrifice, then the impact of courage is threefold.

**Courageous behaviors create clarity in the organization, giving people direction at all grades. This helps attract top talent that buys into the vision and underpins commercial success. These behaviors engender trust from employees and customers alike, helping organizations to build brand loyalty through the clarity and transparency of their actions. So organizations should challenge the status quo, and continually develop courageous behavior at all levels.**
Agility

In our experience, organizations that operate with a business agility mindset have focus and balance in organizational agility, high performing teams and innovation.

– Craig Thielen, Trissential

If being courageous fosters clarity of purpose and brand loyalty, organizations can use this to retain their core values while being increasingly open to flexibility in the business model. This points to our second key characteristic for organizations that thrive in change – agility.

When organizations consider agility, it should go beyond Agile development methodologies and pure speed, which it is often misconstrued as. Instead, we believe agility is composed of two things: exploration and execution. If exploration is the act of searching for new opportunities by restlessly testing and constantly learning, then execution is the ability to operate efficiently at full speed with a clear target in sight. And while speed is a key part of both, being agile is less about creating products or services at a breakneck pace and more about listening to customer feedback in order to continually generate understanding.

The implosion of companies like Toys ‘R’ Us is a reminder of what happens when organizations either fail to adapt to the pace of change, or cannot flex the business model enough to satisfy their customers’ needs.

We found that companies are struggling to match the pace of change. 57% of companies take longer than nine months to respond to change, while only 18% can react within a financial quarter. The speed at which an organization adapts to its environment is critical to success. This is due to the fact that economies of scale are still seen as more important than economies of speed. This attitude needs to change if organizations are to thrive in uncertainty.

Economies of scale typically focus on reducing the cost per unit to achieve massive production volume. Economies of speed, however, focus on small-scale production to get a minimum viable product to a point where it can be tested rapidly by its intended customers. This keeps investment costs low.

A good example of changing at pace is Amazon’s online grocery business, Amazon Fresh, which launched in the UK in 2016. Its purpose was to deliver groceries, and it worked well in what was at the time a growing market. The following year, Amazon acquired Whole Foods for $13.7B. At the time, Amazon had a market-leading delivery infrastructure, due in part to an ongoing partnership with DHL. However, it lacked the brand reputation for good, healthy produce – something which the acquisition of Whole Foods ended.
The answer to becoming more agile, as with becoming a more courageous organization, lies in finding balance in the operating model. An agile operating model begins at the team level, starts small and spans people, culture and ways of working. Culturally, organizations should look to encourage individual entrepreneurship amongst teams. ‘Failing fast’ should be acceptable, so long as employees learn from it. This approach breeds a sense of ownership, and allows talented people to pursue what they are passionate about. The devolution of decision-making that comes with this culture empowers team members to be courageous, by making decisions quickly while taking into account customer feedback.

But even as agile behaviors flourish across teams, persuading investment boards to fund the trial and refinement of new customer value propositions can still be a challenge. This is primarily because business cases are predictive rather than evidence-based. The majority are high-level estimates, predicated on projections rather than on testing and learning. It is therefore far more effective to focus on iterative investment instead.

Our recommendation is to build a metered funding approach into the accepted ways of working at an organizational level, investing in prospective products or services gradually as they demonstrate value.

**Why it’s worth it**

By incorporating more agile behaviors, organizations accomplish three things. Firstly, they typically minimize capital at risk: an initiative will be tested in order to pass the first stage gate, and will continue to be tested periodically. Secondly, organizations keep their teams hungry as they drive valuable insight through customer feedback and refine their product or service quickly. And finally, encouraging experimentation across a broader portfolio of products and services enables leaders to gradually invest more money where there is evidence of an initiative’s success.

If being an agile organization is about adapting the business model, then the speed of experimentation and subsequent execution is where the focus needs to be.
If courage and agility are key characteristics to an organization that thrives in change, its ability to be courageous and agile is dependent on its people. As an integral part of any business, our final characteristic is talent. This includes attracting, recruiting, developing and harnessing the potential of talented people. More importantly, it means providing a stimulating and supportive environment alongside exciting opportunities so that those people remain engaged and motivated.

This is getting more difficult to do effectively as the world of work changes, from falling average tenures through to changing expectations about careers. For example, it was recently estimated that the gig economy and freelance workers will account for over a third of the global workforce in the next two years. With employee expectations changing and organizations waking up to the fact that maintaining the status quo is not a sustainable approach, organizations need to embrace the challenge and change the model.

The gig economy offers a ‘tour of duty’ approach to work. This is characterized by a commitment of between three to five years on the part of the employee, underpinned by a clear understanding of benefit and value for both parties. What it lacks, however, is the cultural bedrock that organizations can offer their people over a longer period of supported growth, developing potential in other areas.

We found that 51% of organizations across all sectors consider attracting and recruiting talent to be their biggest challenge, and believe it will only get harder over the next three years. If an organization is to thrive in uncertainty, we need to turn the way we think about talent on its head.

When discussing ‘talent’, we are really referring to talent as the combination of someone’s capability and their potential – capability being what someone can do, and potential being what they could do in the future.

We found that 62% of organizations believe new skills are the most important factor for their business to develop over the next three years. This is compounded by the fact that the half-life of a skill is currently estimated at five years and is continually falling. This demonstrates that talent is dynamic, and an organization’s perception of talent today could well be obsolete in the future.

Some skills, however, will always be relevant – the importance of work ethic, resilience, creativity, integrity, adaptability and emotional intelligence will never change.

WHY WE NEED TO CHANGE HOW WE THINK ABOUT TALENT

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2 Lynda Gratton and Andrew Scott, ‘The 100-Year Life: Living and Working in an Age of Longevity’ (Bloomsbury, 2016)
BALANCING CAPABILITY AND POTENTIAL

Organizations should therefore shift the focus from capability to potential. To keep pace, they need to be providing employees with the opportunities to develop whilst ensuring they retain a learning mindset. The concept of the ‘perpetual learner’, where every employee is always learning regardless of role or grade, is central to this approach. While capability is still fundamental to do what is needed today, an individual’s ability to build a breadth of skills is what will allow organizations to thrive in change.

Smaller organizations (i.e. 250 – 1,000 FTE) are significantly more confident in their ability to attract and recruit top talent.

To nurture and develop talent requires a change in mindset at the organizational level. Organizations should recognize that people no longer join companies for life, but instead tend to look for experiences that last three to five years3. Leaders need to be able to accommodate and support this. Some candidates will move from one experience to another in the same organization, while others may pursue those experiences elsewhere. Either way, organizations optimize the productivity of their workforce and positively contribute towards talent retention when they embrace this trend.

HOW TO ATTRACT, RECRUIT AND DEVELOP TOP TALENT

Smaller organizations (i.e 250 to 1,000 FTE) believe they are significantly more confident in attracting and recruiting top talent than their larger corporate counterparts. This is no surprise given that they tend to place more emphasis on individuals instead of employee groups, drawing a clearer link between the company’s purpose and the individual’s ability to contribute to it.

Organizations should help their staff navigate their own careers, starting with understanding the ‘why’ of work. It is important to connect people with the end result of what they do and what the organization does, harnessing the value of people knowing that they are making a difference.

Alongside employees feeling that their contribution is valuable, organizations need to focus on offering compelling experiences over clearly articulated and structured career paths. If the concept of joining a company and working up the ranks is a thing of the past, then organizations need to make sure they are offering something different that is valuable to their people. Honest career conversations, authentic relationships, a coaching approach to development, a learning mindset, and the professional freedom to explore how personal interests complement work are the way forward.

Why it’s worth it

Investing in how we develop the skills and knowledge of our people so that they are equipped and prepared to adapt to the current climate of change is important.

81% of organizations intend to increase their L&D budgets by over 5% next year but this in itself may not be enough. How we help our people learn and how we make this learning available so that we are satisfying the ‘always on, always learning’ mindset could be the difference that makes the difference. By encouraging a learning mindset, organizations promote constant curiosity and drive internal development.

Perhaps more important, however, is the versatility and organizational resilience that comes with this approach. As employees are encouraged to pursue relevant areas of interest and own their development journey, organizations become more agile, avoiding the siloes that typically stymie speed-to-market whilst fostering a culture that invests in the individual.

Conclusion

Where we go from here

As the pace of change increases, so too does the pressure on organizations to stay relevant. And while they are investing in more change initiatives, there tends to be a lack of clarity on what those initiatives are supposed to achieve. For many, the focus is on staying afloat in turbulent times as opposed to getting ahead of the curve.

In order to navigate change proactively and thrive in uncertainty, organizations must take steps to build these characteristics into the way they think and work:

**COURAGE**
Organizations should develop clarity of purpose and encourage bolder ways of working for employees. Organizations that create a cultural tolerance towards sacrifice and encourage devolved decision-making will set the bar for the rest of the market.

**AGILITY**
Organizations should experiment and execute at speed. The ability to adapt the business model and flex the operating model to accommodate new value propositions is fundamental.

**TALENT**
Organizations should build authentic relationships with their people in order to develop their capabilities and to harness their potential. Learning and development is becoming an increasingly important factor in attracting, recruiting and nurturing talent as we move away from careers and towards experiences.

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Who to talk to

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