

Leadership

Excellence



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Organizational Agility

The new competitive divide in the era of digital transformation

By **Mark Marone**

Decades ago, noted author and lecturer, Dale Carnegie said, “Keep your mind open to change all the time.” That was sound advice then, and it’s still true for business leaders today. In the current environment, there’s immense pressure to gather and act on information quickly to meet the rapidly-evolving requirements of customers and business organizations. Many call this ability “organizational agility.” Agility involves seeking out new information, driving innovation and embracing continuous change in a collaborative way, and it is becoming increasingly important. In fact, a recent study¹ published in Forbes reports that 81% of executives now consider “agility” to be the most important characteristic of successful organizations.

With market disruption becoming more common, the stakes are high. Disruptions of the past demonstrate companies that lack agility risk being left behind. For example, at one time it would have been nearly impossible to imagine bankruptcy for industry leaders such as:

- **Blockbuster**, which in 2004 was the undisputed video-rental market leader with 9,000 stores globally.
- **Sears**, which had the largest revenue of any retailer within the U.S. until 1989.
- **Kodak**, which was once so dominant that it sold more than 85 percent of all film and film cameras in the U.S.

While the market shifts are now different, today’s leaders are feeling the same pressure as the growth of big data, advances in AI, and digital transformation

intensify the pace of change. Companies that aren’t prepared to recognize insights and then act on them quickly to address unmet needs in new ways are at risk of being replaced by others who will.

Yet at the same time these super-successful organizations were faltering, other companies facing the same market disruptions were thriving: Netflix, Walmart, Target, and Fujifilm. Did these others know a secret that Blockbuster, Sears and Kodak didn’t? Maybe, but chances are at least some of the leaders at these failed companies had access to information that suggested their organization should pursue a different path. Why didn’t they? One reason is that successfully navigating changing environments is not just about having access to good information. There are other barriers to agility.

Barriers to Agility

Important insights can get lost when insufficient trust hampers effective communication. Change initiatives can be derailed by bureaucracy that slows down processes and internal politics that prolong decision-making. Silos that make it tough to figure out the root causes of problems and that discourage people from taking ownership of solutions can stifle innovation.

In fact, information alone is fairly useless in many cases, especially if it contradicts what most professionals already believe to be true. It’s human nature to be susceptible to confirmation bias—the inclination people have to accept information that aligns with their beliefs and reject information that doesn’t. That’s not to undervalue the role that reliable



information or data has in supporting agility. The point is that it takes more than smart people and good data to become agile. Agility requires a mindset that embraces new insights, teams that collaborate effectively to innovate, and a willingness to embrace the resulting changes. That's why two of the most important building blocks of organizational agility are resilience and social intelligence.

Resilience and Social Intelligence

Since agile organizations experiment to learn, occasional missteps are inevitable. Empowering employees to act requires accepting a certain level

of risk. But most people hate to fail, and that's where resilience comes in. To bring their best to the learning process, individuals need to be able to "bounce back" from adverse experiences. In other words, they need to be resilient. Some people are naturally more resilient than others, but research has demonstrated that humans can improve their level of resilience by developing their self-confidence and a positive attitude.

Confidence and a positive outlook support a mindset that is open to information, primed to succeed and enable people to listen, learn and achieve. In many

situations, positivity also enhances problem-solving and decision-making and helps people think more flexibly, innovatively and creatively.² Scientists theorize that positivity allows humans a broader range of potential thoughts and behaviors (as opposed to negativity, which limits them), and that, over time, this helps people build their own physical, intellectual, social and psychological resources. In the long run, these resources are what help people “bounce back” from adverse experiences,³ which is crucial for agility.

Agility Requires People to Work Cooperatively to Innovate

In their book “The Knowledge Illusion: Why We Never Think Alone”, Steven Sloman, a professor at Brown, and Philip Fernbach, a professor at the University of Colorado, explain that it’s humans’ ability to use their minds collaboratively that has allowed us to accomplish amazing things over the course of human civilization.

But collaboration requires a special type of environment to thrive, and the key determining factor for whether or not its requirements are met within an organization is whether or not the people who work there are strong in a specific set of soft skills.

These kinds of soft skills are sometimes collectively called “social intelligence,” which refer to the ability to deal with challenging social contexts effectively; understand others’ concerns, feelings and emotional states; and knowing what to say, when to say it, and how to say it in order to build and maintain positive relationships with others.⁴ Why are these particular soft skills so valuable for agility? Because they support trusting relationships, open communication, and the psychological safety that enables the effective teamwork and collaboration that allow humans to innovate together what they could never imagine individually—exactly what Sloman and Fernbach are talking about.

The Role of Psychological Safety

Psychological safety is what individuals feel when they are confident that there won’t be negative consequences for reasonable risk-taking, such

as speaking up, offering a new idea, or asking questions. Google provided data-driven research that demonstrates the importance of psychological safety for effective collaboration in Project Aristotle, which was designed to determine what drives effective teams. They concluded that psychological safety is the number one dynamic for determining whether a team was successful.

Psychological safety can be created at several levels: it can be between two people, within a team, or across an entire organization. It’s not just leaders that can create (or prevent) a psychologically-safe environment. So, although the skills needed to create an environment of psychological safety belong to individuals, to have an agile organization everyone must have them. They need to be a part of the corporate culture to support effective collaboration that makes use of each person’s knowledge and skills and that gets everyone to contribute to the innovation process.

Ways to Support Resilience and Social Intelligence

While they aren’t the only keys to organizational agility, building resilience and social intelligence within an organization can go a long way to enabling it to move more quickly from insights to innovation. For leaders who suspect they need to strengthen resilience and social intelligence in their organizations, there are several actions they can take.

1. Encourage a positive attitude. Having a positive attitude about new information and change means accepting that some areas are out of our control, taking charge of what is in our control, and managing the negative emotions that change and uncertainty often elicit. Along with encouraging an openness to change, Dale Carnegie laid out the fundamental techniques for cultivating a positive outlook that begin with gathering and weighing the relevant facts. By candidly sharing information, an organization’s leaders can build trust and help dispel the myths and rumors that often hinder positive attitudes. Organizations can also support a positive attitude by focusing their training and development programs

on the skills employees will need to remain relevant as their workplace changes. When people have a clear understanding of a planned change and feel confident they will be able to survive the transition successfully, they are better able to put it in perspective, focus on its benefits, and feel positive about its implications.

2. Build employee's self-confidence. Start with sincere praise and appreciation for employees' efforts and achievements. Self-confidence is reinforced when leaders actively recognize those making a valuable contribution to the organization's mission. Doing so makes people feel important and encourages them to reach to even higher levels. Believing in people brings out their best.

3. Create an environment of psychological safety. When it comes to good advice for creating an environment of psychological safety, it's hard to improve on Dale Carnegie's first principle, "Don't criticize, condemn or complain." That's because the quickest way to destroy psychological safety is to criticize or condemn someone for something they said or did. When a mistake is made, call attention to it privately and indirectly. Make it seem easy to correct, and frame it as a part of the learning process. In addition, leaders can help set the right tone by modeling curiosity, asking questions instead of giving direct orders, and admitting their mistakes quickly and emphatically. All of these behaviors help communicate that it's okay not to be perfect and not to have all the answers.

Protecting the Corporate Legacy

As the pace of change accelerates, supporting agility has become a high-profile priority, but in reality these attributes have always enabled the innovation that has helped put people and companies ahead. Organizational agility has become the new competitive advantage—the determining factor in whether a corporate legacy survives. Which of today's market leaders will disappear in the coming years? Who will take their place? No one knows yet what the market disruptions will be, but when they happen, it will be agile organizations that are prepared to take advantage.

Notes

¹ *The Elusive Agile Enterprise.* "Agile Organization Research | Elusive Agile Enterprise Report, Forbes Insights, 2018, www.scrumalliance.org/forbes/the-report.

² Isen, Alice M. "An Influence of Positive Affect on Decision Making in Complex Situations: Theoretical Issues with Practical Implications." *Journal of Consumer Psychology*, vol. 11, no. 2, 2001, pp. 75–85, doi:10.1207/s15327663jcp1102_01.

³ Fredrickson, B L. "The role of positive emotions in positive psychology. The broaden-and-build theory of positive emotions" *American Psychologist* vol. 56,3 (2001): 218-26.

⁴ Rahim, M. Afzalur. "A Structural Equations Model of Leaders Social Intelligence and Creative Performance." *Creativity and Innovation Management*, vol. 23, no. 1, 2013, pp. 44–56., doi:10.1111/caim.12045.

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