

# Effective Leadership of Agile Organizations: Building a Culture of Servant Leadership

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The articles in this issue of *Perspectives* show that many C-suite leaders say they believe in agile and lean approaches to making their organizations stronger and more responsive to change in the rapidly evolving digital world. However, how they make decisions (often through a classic multi-level hierarchy), delegate the skills they value most in others, and deal with failures from below is antithetical to making their organizations more responsive to change. In other words, many senior leaders have not adopted the right mindsets and behaviors to help their organizations become more agile.

For example, a global manufacturer organized an agile work team to spearhead a \$50 million project to create a single global ordering system. The goal was two-fold. First, to

balance manufacturing loads and output among plants, generating supply chain efficiencies. Second, to reduce redundancies in regional support systems.

The project ran into problems. Making one key decision (how long customers would have to cancel an order) stalled the project for months. The team was afraid to make a wrong and consequential decision across the dozens of countries in which the company operated. So, it kicked the question upstairs to the executive suite. After top management mulled a decision for weeks, it pushed it back down, and told the team to 'figure it out.' But the team was reluctant to do so. Work stopped, and a big and important initiative, presumptively using agile approaches to get its work done, ground to a halt.

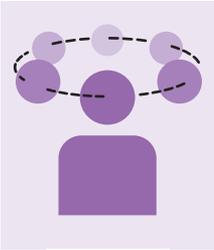
This scenario is not at all unusual among large companies that try to master lean-agile approaches to implementing new, digitally-enabled business processes. The work of the best agile teams can slow to a crawl when senior executives aren't able to change the way they lead.

It's one thing to train employees on agile and lean processes and tools; it's another to change:

- The way leaders make decisions and empower team leaders
- How leaders communicate organizational goals, and how they react to success and failure
- The hierarchy leaders establish to control resources and manage results
- The power leaders invest (*or don't invest*) in agile teams

Unless leaders adopt agile mindsets to manage agile teams, they can create obstacles instead of facilitating the agile approaches to developing new products, services, and processes that all businesses need today.

# What It Takes to Change Leadership Mindsets



Changing leadership mindsets and behaviors requires effort. Leaders in established companies typically have achieved their position based on their experience, expertise, and skills. It's common for them to sit atop a pyramid-style hierarchy. At the top, leaders are accustomed to making decisions to be carried out by those below them. As they manage from above, a 'frozen middle' layer—the people who work

Area	Traditional Leadership Competencies (Change From)	Agile Leadership Competencies (Change To)
<b>Anticipatory Abilities</b>	Predict and control	Sense and respond
<b>Responsibilities</b>	Making great decisions	Helping teams make great decisions
<b>Source of Power and Respect</b>	Authority based on rank, experience, skills, expertise	Skills in empowering others through emotional intelligence, relationship building, treating individuals as equals
<b>Focus of Improvement</b>	Focus on self	Focus on others' improvement
<b>Communications Direction</b>	One-way, top-down communications	Two-way communications and peer relationships
<b>Focus of Decisions</b>	Hierarchy-driven decisions with multiple approval and verification steps	Trust in teams to make team decisions
<b>Mistake Posture</b>	Assign blame to those responsible for failure, creating culture of fear	Learn from inevitable failures, celebrate lessons, adapt, and move forward
<b>Leadership Culture</b>	Focused on 'outer game'. Results oriented meritocracy-based organization. Leaders' reaction to followers: "You are only important to me for what you are doing for me now. Our relationship really isn't important beyond this moment in time."	A leader's 'internal operating system'. Focused on both the 'outer game' (traditional leadership traits) and inner game <sup>15</sup> (building trust with team members, exhibiting emotional intelligence and empathy). This leader says to team members: "You are important to me because of your whole self, what you have done for me in the past, now, and in the future. Our relationship is important." Such leadership empowers teams to focus on results.

52 **Figure 6:** Changing Leadership Styles for Agile Organizations

between the very top executives and the front-line employees—typically play it safe. Fearing failure, these middle managers resist innovative ideas and new perspectives.<sup>16</sup>

Lean-agile approaches call for the opposite decision-making style. In agile, teams organized around a product or issue make the decisions. Organizations made up of multiple agile teams are capable of quick, mid-course adjustments that enable the organization to sense and respond to customers and market stimuli. Teams experiment with solutions, learn from mistakes and improve with all subsequent iterations.

For enterprises moving to lean-agile styles of leadership, individual leaders will have to bridge the gap between old styles and new. This will require training—coaching for the leaders who must empower teams to succeed—and the leaders' personal commitment to make these changes.

## Teaching Successful Leaders How to be Agile



Leaders are central to building and sustaining a lean-agile culture. Because many leaders have risen in a traditional hierarchy, they will exhibit behaviors that have made them successful in the past even as the organization commits to change its way of working. Changing those behaviors is challenging, and the reason why coaching is so important.

Coaching begins by assessing an individual's current leadership style and how that style can work in a lean-agile environment. It then helps a leader adopt new behaviors—new tools for engaging teams, empowering them to make decisions, and do their best work. Coaches help leaders who are accustomed to command-and-control, top-down decision-making, and adopting a lean-agile mindset.

<sup>15</sup> Outer game and inner game part of the "conscious leadership" concept cited in *Mastering Leadership - An Integrated Framework for Breakthrough Performance and Extraordinary Business Results*, Robert J. Anderson and William A. Adam, 2015

<sup>16</sup> The Globe and Mail Inc., *What is the Frozen Middle, and Why Should it Keep Leaders up at Night?*, May 2, 2017, accessed March 13, 2018, <https://www.theglobeandmail.com/report-on-business/careers/leadership-lab/what-is-the-frozen-middle-and-why-should-it-keep-leaders-up-at-night/article34862887/>

Effective coaches tailor their teaching to an individual's leadership style and behaviors, holding a mirror up to a leader so she can see both what she is doing and her impact on others. Does she instill fear or trust in team members? Does she possess the emotional intelligence required to take every team member's personal concerns and points of view into account as she communicates the team's priorities? Surveys show low employee engagement across the board. Gallup's 2017 survey found only a third of U.S. employees engaged at work.<sup>17</sup> This is why so-called soft skills are critical.

Coaching sessions make a leader aware of what he does now that can either enhance or inhibit the adoption of an agile culture. Often, behaviors learned over years working (and flourishing) in traditional cultures don't translate to an agile environment. Agile organizations are flatter, with lower-level people authorized to make decisions. For some leaders, it takes practice (and confidence) to learn how to engage

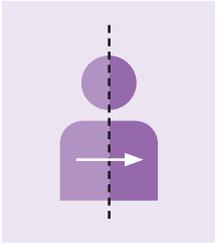
with those employees and cede to them the control they are accustomed to having. Coaching exercises can provide opportunities for these leaders to understand what it takes to invest the time and effort required to develop the personal relationships with team members that allow leaders to engage effectively, and thereby empower team members to succeed in agile ways of working.

The effort to adopt an agile mindset requires building trust throughout the organization, starting with leaders. Examples of trust include:

- Showing confidence in teams to make decisions
- Understanding failure as a learning opportunity rather than a reason to assign blame
- Cultivating individual relationships with colleagues and appreciating their value (instead of fostering a superior-underling dynamic as in traditional work cultures)

<sup>17</sup> Gallup, State of the American Workplace, February 2017, accessed March 13, 2018, <http://news.gallup.com/reports/199961/state-american-workplace-report-2017.aspx>

## The Commitment Required to Change



Adopting an agile leadership style first requires a program that builds awareness among both leaders and

teams that the organization is changing. It's important to seek buy-in, or informed consent from both leaders and teams that they not only agree to adopt an agile approach, but they also will engage in discussions to understand why they are moving to agile and the challenges they will confront.

Next, organizations often bring in experienced teachers to guide the transition. A leader going through this process can benefit from an outside perspective to help her envision what she will need to do. The transition to an agile culture takes time—typically more than a year to complete—and it affects all aspects of the organization.

The third element involves learning about agile methodologies, and a leader's role in supporting the teams implementing them. Again, the differences between traditional and agile ways of working are vivid. In agile approaches, teams typically deliver value in small increments, rather than in big chunks. Governance models allow for visibility into the process as team members communicate continuously about the group's activities, progress, and challenges—and adapt based on needs that change regularly. Agile teams require strong backing from executive sponsors who make it possible to recruit people from across the organization as needed, including a product owner from the business to lead a team, ensuring it has the right number of people as well as the right tools, and a working environment that will allow them to deliver the products the enterprise needs.

## Lessons from Leaders at Amazon and Facebook



Companies like Amazon and Facebook, which began as startups and have profited from an agile culture, provide lessons about empowering teams to do their best work. Leaders at these organizations are doing more than removing obstacles in the way of teams trying to do great work. They are leading by example.

To maintain Amazon's startup culture, Amazon founder and CEO Jeff Bezos promotes 'high quality and high velocity decisions.'<sup>18</sup> This includes recognizing and correcting poor choices quickly, and adopting a strategy he calls 'disagree and commit': supporting a team's decision if the members believe in the choice even if he doesn't. For example, Bezos approved an Amazon Studios production even though he had doubts about it. "Consider how much slower this decision cycle would have been if the team had actually had to convince me rather than simply get my commitment," he writes.

These decisions go in more than one direction. Amazon Studios is not afraid to fail fast by canceling new shows. It canceled 'The Last Tycoon' two weeks after releasing a season's worth of episodes.<sup>19</sup> This approach embodies agile thinking. To avoid complacency, Bezos remains obsessed with keeping his company thinking that it's always 'Day 1' of business.

Facebook's flat organizational structure and acceptance of failure to improve is another example of the lean-agile mindset. "You have to embrace organizational failure," COO Sheryl Sandberg says. This goes hand in hand with making sure top executives are not driving every decision; everyone feels their input is welcomed and encouraged.<sup>20</sup>

<sup>18</sup> Amazon, 2016 Letter to Shareholders, April 12, 2017, accessed March 13, 2018, <https://www.amazon.com/p/feature/z6o9g6sxsur57t>

<sup>19</sup> Variety, The Last Tycoon Canceled at Amazon, September 9, 2017, accessed March 13, 2018, <http://variety.com/2017/tv/news/the-last-tycoon-canceled-amazon-1202552964/>

<sup>20</sup> Entrepreneur, Sheryl Sandberg Shares 7 Ways to Build Resilience into your Company Culture as you Scale, June 1, 2017, accessed March 13, 2018, <https://www.entrepreneur.com/article/294948>

Sandberg also emphasizes the role that empathy plays in leadership at Facebook. She says she believes in team members bringing their ‘whole selves’ to work, acknowledging that employees have personal lives they bring to their jobs. “It means we are there for each other, we are flexible with what people need, and then we can form the relationships that create collective resilience.”<sup>21</sup>

Such examples show that leaders can serve their organizations best by empowering their teams, and, as companies like Amazon and Facebook demonstrate, scale, and growth, are not obstacles to maintaining a lean-agile culture.

## Agility is About People



**Embracing agility is about more than technology. It is about people.**

As companies and leaders embrace agile methods, it’s imperative for them to invest

in their people and organizational cultures, not just in the technology stack, or in agile development and delivery of DevOps to automate technical capabilities. That investment is important because succeeding in creating a lean-agile organization requires changing how decisions are made, the way teams are formed, and the way they work together.

<sup>21</sup> Ibid.

Embracing agility also calls for changing how organizations measure and recognize teams and leaders. That means establishing incentives and rewards for teams, not just individuals. And it means measuring the success of leaders based on how they help others grow.

Indeed, embracing agility is about creating a more equal ecosystem. Rather than an organization built around departments or groups or functions that become silos, agile requires every stakeholder to contribute value to the whole organization. It calls for each individual to see that value and their purpose beyond any one function or department.

When done well, the people in an agile organization see their work in a team as meaningful, and their organization's work as making a positive difference for its customers, and, ideally, the world.