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Over 90 executives attended a recent IMD Discovery Event to learn about the leadership knowledge, skills and behaviors required to succeed in a digitally disruptive environment. New research from the Global Center for Digital Business Transformation, an IMD and Cisco Initiative, revealed why leaders need to adapt their approach, and how they can go about it.

Discovery Events are exclusively available to members of IMD's Corporate Learning Network. To find out more, go to www.imd.org/cln

Agile Leadership in an Age of Digital Disruption



The individuals who drive digital transformation

Digital disruption is changing the business landscape as we know it. The rise of new technologies like blockchain, machine learning, analytics, virtual reality, cloud, mobile and connected devices has led to the creation of a new digital ecosystem. In this ecosystem, non-traditional competitors have emerged to create new troves of customer value that threaten to break down traditional industry barriers that once stood tall. Incumbent organizations have found it increasingly difficult to protect market share and sustain a differentiated competitive advantage within the "Digital Vortex."

Up until now, very little research has been done on the individuals who drive these transformations within organizations, and the personal qualities they need to succeed. A new study from the Global Center for Digital Business Transformation, an IMD and Cisco Initiative, identified key competencies and behaviors required to lead organizations in environments characterized by digital disruption.

The research showed that effective leaders in disruptive environments share many of the characteristics of leaders in more stable

environments, but the emphasis has changed. In our study, we focused on the competencies that appeared more pronounced in disrupted environments and labeled leaders successful in such circumstances as agile leaders.

The must-have competencies of agile leaders

According to the results of the research, agile leaders are Humble, Adaptable, Visionary and Engaged. These must-have competencies inform their business-focused actions.



Humble

In an age of rapid change, knowing what you don't know can be as valuable as knowing what you do. Agile leaders must be open, willing to learn, and seek input from both inside and outside their organizations. They also need to trust others who know more than they do.

Being humble in one's approach to leadership may sound inconsistent with the requirement to project an image of confidence and authority. However, we do not regard humility as an abdication of the need to provide a strong vision and positive direction, but as an acknowledgement that the current speed of change outstrips any leader's personal store of knowledge or experience. Accepting that a single person cannot know everything needed to make a decision is a critical component of agile leadership.



Adaptable

We regard being adaptable as an acceptance that change is constant and that changing one's mind based on new information is a strength rather than a weakness. Focused adaptability based on new information is a distinct competency, unlike random vacillation. Agile leaders adapt their behavior

“In our industry, we are at the epicenter of a change. We are being dragged from analogue to digital as we speak. It’s happening now, and it’s fascinating.”
Russell Quirk, CEO eMoov

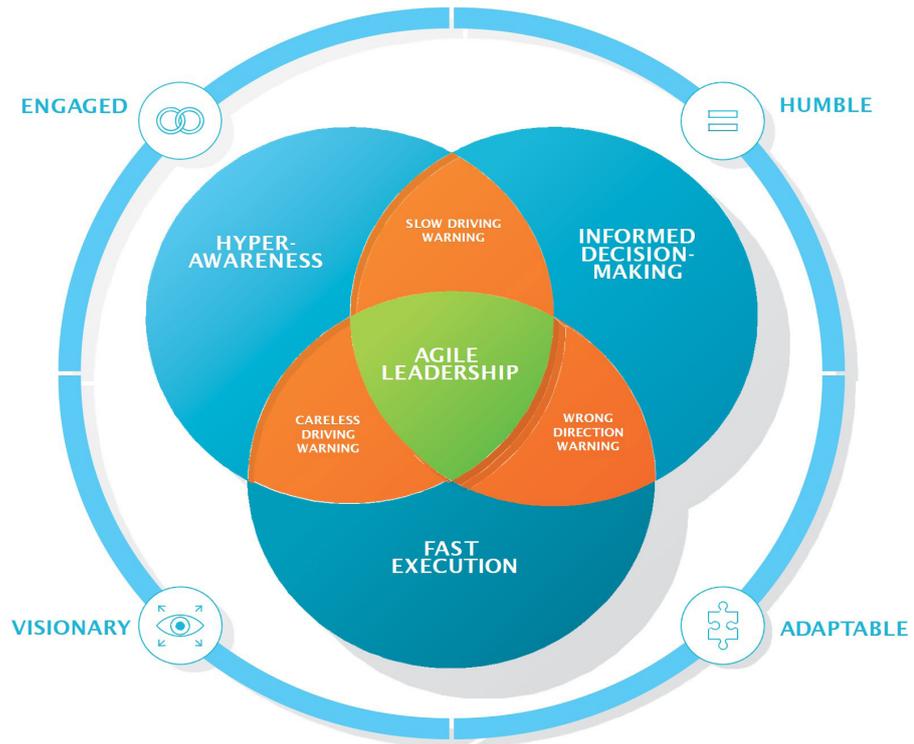


Figure 1: Actions of Agile Leaders

“Adaptable leaders are not afraid to change their mind in front of their teams.”
Discovery Event Participant

in the short term based on their ability to make evidence-based decisions.

Being adaptable is the key to success for both the organization and the agile leader. Rapid technology changes and the appearance of new digital competitors drive adaptability in leaders. We found that agile leaders are adept at dealing with complexity and less reluctant to change their minds in the face of new information. They are not afraid to commit to a new course of action when the situation warrants it.



Visionary

Visionary in the context of agile leadership means having a clear sense of the long-term direction, even in the face of short-term uncertainty. In times of rapid technology and business model disruption, with opportunities opening up everywhere, a clear vision is even more critical. Agile leaders have a well-defined idea of where their organizations need to go, even if they do not know exactly how to get there.

Being visionary is not restricted to digital disruptors; it is equally important for legacy organizations, where leaders need to define and clearly articulate

long-term aims and objectives. For example, General Electric’s vision is to become the dominant player within the “Industrial Internet,” a term it coined, which is a major departure from the company’s traditional manufacturing roots.



Engaged

Agile leaders display a willingness to listen, interact and communicate with internal and external stakeholders and a strong interest and curiosity in emerging trends. In other words they are engaged.

Whatever their hierarchical position, agile leaders are always engaged, be it with customers, partners, suppliers, team members, staff or the broader societal and industrial ecosystems. This desire to explore, discover, learn and discuss is as much a mindset as a definable set of business-focused activities.

Essential behaviors for agile leadership

Combining the must-have competencies with agile behaviors provides a powerful amplifying effect for agile leaders, making

them significantly better equipped to deal with today's disruptive business environments. The research identified three key behaviors that differentiated agile from non-agile leaders: hyperawareness, informed decision making and fast execution.

Hyperawareness

Hyperaware agile leaders are focused on spotting emerging digital opportunities or competitive threats. They are engaged, seek new insights and adapt in response, but they are also aware of the need to provide guidance through a strong vision, as the potential for change threatens to overwhelm a linear strategy. Good leaders are constantly scanning their environments, both inside and outside their organizational boundaries. With technology-driven change accelerating across industries, the need for leaders to look outward, and not just at their competitors, is evident.

Informed decision making

For agile leaders, informed decision making fundamentally entails using available data to make evidence-based decisions. To do this, leaders need to engage; they must recognize and utilize the best data sources, apply appropriate analytics, and then make a decision. Faced with insufficient or even contradictory data, leaders must draw on their experience and intuition to move forward.

Informed decision making underpins a leader's ability to adapt and support their long-term vision. Agile leaders who understand the value of using digital technologies to gather and analyze data are always on the lookout for new data sources to support informed decision making. A number of survey respondents noted the growing availability of public data along with social, mobile and other sources.

Fast execution

Fast execution entails willingness on the part of a leader to move quickly, often valuing speed over perfection. In an environment characterized by significant disruption, the effectiveness of hyperawareness and informed decision making is significantly reduced if the

organization is not able to act with speed. Ultimately, agile leaders will only be effective if they are able to quickly execute an informed decision. There are many barriers, be they organizational, fiscal, structural or cultural. One executive from a large incumbent told us, "You need to kill and hide bureaucracy ... fast decision making means fewer signatures." That's adaptability in action. Size matters in execution terms, but agile leaders at every level in large incumbents identified fast execution as critical.

Agile leadership in Saas-Fee

Agile leadership, with its must-have competencies and behaviors, is not restricted to large incumbents or disruptive technology players. The small Swiss alpine ski resort of Saas-Fee, famed for the James Bond ski chases, is an interesting example.

In 2009 a local private investor and a group of residents took back ownership of Saas-Fee's cableway company from a large foreign corporation in an attempt to strengthen the local economy. The company operates the ski lifts, manages ticketing, maintains the slopes, takes care of skier safety, and leases restaurants on the slopes to various restaurateurs.

As the new owners, the local community became fully accountable for the resort's success or failure. Local stakeholders felt a fresh start was needed to steer the newly acquired operations to success and in 2010 appointed Rainer Flaig as CEO based on his extensive industry experience. However, the early 2010s were difficult for the resort. A combination of aging equipment, high fixed costs and stiff competition led to a significant revenue decline. By 2015 Saas-Fee counted 35% fewer skier days than in 2007, and overnight stays were down by one-third. Competing Swiss ski resorts also suffered, but less acutely, with an average 26% decline in skier days. The strong Swiss franc coupled with the emergence of trendier and less-expensive resorts in Austria and France made it difficult for Saas-Fee to compete. European tourists, who accounted for 70% of Saas-Fee's visitors, began to take

"Humble was the key insight."

*Discovery Event
Participant*

"You have to be sure that you are able to correct wrong decisions or weak decisions. You have to be able to say, okay, yesterday I said left and today, based on this, we are going right. It has to not be a weakness for you. It is a necessity of the environment of today."

*Lothar Raif, Head
of Banking Support,
Credit Suisse*

"I think you have to be bolder as a leader because by definition disruption is bolder, you have to have the courage of your convictions... You have to wear your vision on your sleeve."

Russell Quirk, CEO eMoov

“Listen and trust. This can’t be a half-hearted effort.”

*Terry Bennett,
Fortium Partners*

“There needs to be an everlasting radar, a high speed radar, where you constantly track the situation.”

*Alexander Dahm,
VP Head of Space
Equipment Ops, Airbus*

“What do you define as fast? For me, fast execution means, as soon as I come to a conclusion, then I execute.”

*Emrah Göztürk, SVP,
GEA Farm Technologies*

“I would say no data, no decisions. Informed decision making is becoming critical.”

*Isabelle Perreault,
Stratford Managers*

their ski holidays elsewhere. Indeed, the European ski industry as a whole did not see a decline during this period.

Flaig was forced to take drastic measures. He initiated a major cost-cutting program, reduced the workforce by more than 20% and blew up mountains to widen the ski slopes. He also invested heavily in job enrichment, basic IT education and other training in an attempt to broaden the staff’s skillset. Still the downward trend continued and local hotels began shutting down or going up for sale. With no hope of support from the bank, Flaig realized that radical change was required to avoid bankruptcy at the end of the 2016/2017 skiing season.

The cultural resistance to innovation of local stakeholders was a major barrier to change. The local community had already struggled with the cost-cutting initiatives, such as partial closure of the slopes and lift installations, which they feared would deter even more skiers. A new business model would be a difficult sell.

Flaig knew he could not save Saas-Fee alone. In early 2016 he mandated Swiss ski-marketing consultancy Alturos to revitalize the resort’s appeal. In October 2016 the resort announced its “Hammerdeal” initiative, an online campaign to sell ski season passes for CHF 222 instead of the usual CHF 1,050. Inspired by crowdfunding models, the deal was initially contingent upon reaching 99,999 signups by November 27, 2016. A week before the deadline, 75,000 people had signed up and the company decided to go ahead with the deal. By the time the deal closed, they had over 100,000 clients, and in one night approximately CHF 16 million was charged to the subscribers’ credit cards. This represented almost a year’s worth of revenue. The village immediately reaped the economic rewards as hotel bookings increased 45% for that winter. The cable car company’s mountain restaurants, the local shops and ski rental services also benefited.

At CHF 222, the season ski pass was incredibly cheap by any standard, but Saas-Fee figured that the long-term value of this initiative was in the customer data it acquired, such as name, e-mail address, age and credit card information. With a digital footprint of 100,000 visitors, Saas-Fee created a new channel to reach its

customers, promote new products and services, and gather intelligence about consumer behavior and spending patterns at the resort. Skiers became users who could be communicated with before, during and after their ski vacations.

Although Saas-Fee had struggled for years to stay afloat and came close to declaring bankruptcy under his leadership, Flaig finally managed to successfully transform the business by applying agile leadership principles.

He exhibited humility by engaging and listening to advice from digital marketing experts who knew more than he did and who proposed radical solutions. His hyperawareness led him to appoint a cutting-edge digital marketing consultant because when the traditional routes to attract new customers and cut costs failed, he knew sweeping changes would be needed.

Throughout the entire process, Flaig remained true to his vision of returning the resort to financial viability, and once he was convinced what action was needed, he exhibited fast execution by introducing a business model that had never before been applied to a Swiss ski resort. Through his powers of engagement, he brought on board the culturally conservative local stakeholders and convinced them to also become more adaptable.

Flaig channeled his passion to develop his vision. His willingness to seek help and engage with Alturos and his belief in the new initiative were critical to the success of the crowdfunding campaign.

Digital disruption demands agile leaders

Today’s volatile and unpredictable business landscape, shaped by digital disruption, requires managers to adopt an agile leadership approach. Agile leaders exhibit high levels of humility, adaptability, vision and engagement. They also practice digital business agility through hyperawareness, informed decision making and fast execution. Combining must-have competencies with these agile behaviors ensures that agile leaders are significantly well equipped to deal with today’s disruptive business environment.