

chapter ONE

Turbulence Crossing the Channel

Rapid change has been a feature of our world for decades, driven by technological innovation across nearly every culture and feature of a globalizing economy. If we revisit the landmark books written over thirty and forty years ago by Alvin and Heidi Toffler, *Future Shock* in 1970 and *The Third Wave* in 1980, we see just how insightful they were as turbulence began cranking up during the transformation from an industrial to information technology age. Early signs were already heralded in the 1960s with the term “turbulent environment” launched by Fred Emery and Eric Trist in 1965 (see Exhibit 1.1). However, it was not just the pace of change that they saw early on, but the disruptiveness of the current change we are experiencing. Rapid, disruptive change is now creating a level of unprecedented turbulence that is challenging organizations more than ever before.

As Chapter Two explains, we used to view a period of more rapid or extensive change simply as a deviation from normal

Exhibit 1.1. Turbulence over the Channel

The word “turbulence” has become one of the most common words used to describe rapid and disruptive change, but do you ever wonder how it came to this use? One of the earliest and most heavily cited sources was in Fred Emery and Eric Trist’s article in *Human Relations*, “The Causal Texture of Organizational Environments” (1965), which described how four different types of environments evolved. They rarely told the story to their students or visitors, but it seems that Eric and Fred were flying from Europe to London on a particularly rough flight. On Eric’s tabletop was a newspaper dealing with all the tragedies of those mid-sixties days. A cup of tea was set on the paper and promptly spilled as the plane bounced about. Now whether the cup had tea in it or something more typical for that duo is subject to debate among those who knew them. Nonetheless, they had been looking for a word to describe the fourth and most troubling type of environmental condition they had theorized when it became obvious that they had just experienced it. The concept of environmental turbulence to describe a human-experienced condition was introduced into the management literature on a bumpy flight across the English Channel.

operating conditions, predictable as a choreographed annual new car rollout from Detroit or a plant retooling. Internal operations were also nicely buffered by inventories and slack resources such as extra staff or money tucked away in a business unit’s operating budget. Once the change ripple passed, the organization

could return to normal operations. True, there were competitive countermoves and business cycles, but these were normal noise and readily managed.

This type of predict-and-prepare change management unfortunately could not last. The exponential pace of technological change in nearly every field, particularly information and communications technologies, occurred just as new competitors, new industries, even entire new trading blocs of nations with different cultural world views and expectations, formed a global economy.

The rest, as the saying goes, is history, and we are all now faced not only by fast change, but change in the form of severe shocks and surprises—events that arrive with unanticipated frequency and from entirely unexpected sources—that not only disrupt plans and strategies but threaten the very viability of organizations and institutions. If there is a return to “normal,” it is hopefully not what PIMCO’s Bill Gross in the summer of 2009 termed the “New Normal”—a period of prolonged high unemployment, blocked credit, and lower asset returns and expectations where the economic shocks of the Great Recession are felt for a generation (R. Cohen, 2010). Such a prospect is unsettling because it means having to face other potential new shocks from an already weakened position. There is the prospect of a long-term debilitating cycle that is missing the normal slower paced, less disruptive time periods needed for recovery. Turbulence has become our new normal.

Why is disruptive change becoming a growing part of our experience? It seems to be very much like the shifting tectonic plate conditions that generate earthquakes. Disruptiveness is caused by uneven rates of change among the interdependent elements and relationships at play in a situation. Such interdependencies and relationships pose contingencies, rich with risks and advantages that have to be recognized and actively managed. Left unrecognized and undermanaged, these interdependencies create frictions and tensions that are periodically unleashed in

the form of surprises and shocks, just like earthquakes. However, earthquakes for people and organizations show up as collapsing twin towers, a financial system near collapse and lingering Great Recession, or successive ecological disasters, whether a BP Gulf of Mexico oil rig or leaking Fukushima nuclear reactors.

Events like these now feel like they are coming more closely packed than ever before. The abrasion of technology-based Western democratic cultures against traditional cultures is intense and recognized as a source of militant Islamic resentment toward the West. Any jet-lagged Western soul sitting in a hotel room in Dubai watching late-night television is dismayed by the portrayal of Western society. Or consider the tensions being built and yet to be released when there are no toilets but thousands of cell phones in some of India's worst slums. And who could have anticipated Facebook- and Twitter-facilitated government upheavals in Egypt and elsewhere in the Middle East? The Tofflers and any number of other futurists could forecast that new fault lines would be created and tensions built in such situations. How those tensions would be released was impossible to say.

Our concern is that the change management challenge for leaders has fundamentally transformed to the point that we are trying to manage new conditions and situations with outmoded institutional practices and structures designed for a much less complex and dynamic time. A dangerously flawed lapse in institutional leadership is manifest in the inability or unwillingness to proactively and creatively manage situations where tensions are clearly building; such tensions are only released in sudden and unpredictable ways. In his book *Beyond the Crash: Overcoming the First Crisis of Globalization* (2010), former British prime minister Sir Gordon Brown calls this mismatch of conditions and adaptive capacity "a failure of collective action," that is, the failure of institutional structures to keep pace with turbulence. We are simply not adapting as quickly, proactively, or effectively as the times demand.

Indeed, even the word *adaptation* is now undergoing an interesting shift in meaning. There is a growing sense, for example, that the world's political institutions cannot create the working consensus necessary to prevent or mitigate global climate change. This is reflected in IPCC reports since the late 1990s. Instead, more and more companies believe that they must learn to adapt to the unavoidable *consequences* of climate change, rather than prevent it. Starbucks, for example, is creating incentives for its coffee growers to halt soil erosion and to minimize total water use throughout its supply chain. As Jim Hanna, Starbucks's director of environmental impact, notes, "Adaptation is becoming part of our strategy" (Efstathiou & Chipman, 2010, p. 25). In this context, such strategy is reactive, not proactive, in that it is attempting to manage the *consequences*, not *causes*, of global climate change. Using our vocabulary, Starbucks has clearly increased its attention to the resiliency of its supply chain.

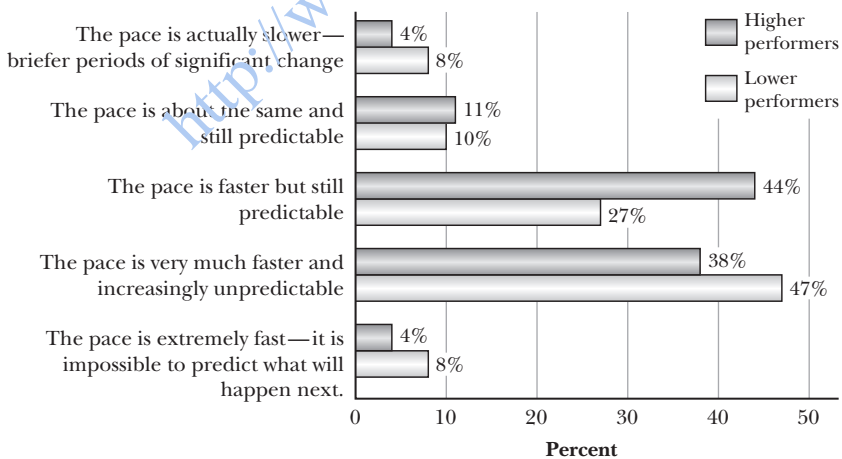
The litany of events brought about by disruptive change is growing and has several sources. They include man-made events such as 9/11; the BP oil spill in the Gulf of Mexico in 2010; drawn-out, resource-bleeding wars in Iraq and Afghanistan; and, as we write this in early 2012, a protracted global financial crisis that is permanently tilting the global economic balance of power. There are also natural events. In 2010 alone the massive earthquake in Haiti was followed too quickly by devastating floods across Pakistan that overwhelmed the capacities of NGOs, international institutions, and friendly governments to meet all of the financial and humanitarian needs that arose.

Attention spans, resources, and efforts are spread out and stretched, further limiting the full capacity to act as fresh disruptions occur. The Fukushima nuclear disaster's ultimate impact remains unknown as we write this book. However, some consequences were already being felt, as Reuter's James Topham wrote on April 25, 2011, that Toyota Motor Company would fall to the number three from the number one position in global car

production as a result of supply disruptions from the disaster (Topham, 2011).

Our early concerns about turbulent change led to the design of a global survey about agility and resiliency that was cosponsored by the Human Resource Institute (now Institute for Corporate Productivity or i4cp) and American Management Association/Human Resources Institute (AMA/HRI) (2006). Eighty percent of the more than eight hundred organizations responding to the survey reported an increasing pace of change that, while still manageable, was becoming more challenging. Significantly, 70 percent of respondents also reported increases in the number of surprises and severe shocks that necessitated changes in their business strategies. Figure 1.1 summarizes those findings and breaks them out by performance levels, measured as profitability and competitiveness. The difference between perceptions among higher and lower performers is striking and helped direct our subsequent work, as we explain in a moment.

Figure 1.1. Perceived Pace and Predictability of Change



Source: American Management Association/Human Resources Institute, 2006.

The intense interaction between accelerating change and increasing surprises and shocks creates dynamics that are relatively new on the human stage. Many organizations do not know how to handle this degree of turbulence well. As Martin Ford notes in his 2009 book *The Lights in the Tunnel: Automation, Technology & the Economy of the Future*, “As we will see, technology is not just advancing gradually, it is accelerating. As a result, the impact may come long before we expect it—and long before we are ready” (Ford, 2009, p. 6). So it is not surprising that mistakes will be made by leaders in organizations when they realize, too late, that outbreaks of turbulence are absorbing more and more resources to manage them and setbacks and failures are increasing.

We are unfortunately seeing leaders making choices and taking actions for managing turbulence that are not only misplaced and ineffective, but even threatening to their long-term survival. One characteristic of increasing turbulence is that it is coming from “out there,” outside the realm of our personal and organizational control and influence—that is, the sources or manifestations of turbulence are contextual or exogenous. For leaders used to controlling events, it is decidedly disorienting to feel control slipping away.

With the past popularity of such books as Richard D’Aveni’s *Hypercompetition: Managing the Dynamics of Strategic Maneuvering* (1994) and Clayton Christensen’s *Innovator’s Dilemma: When New Technologies Cause Great Firms to Fail* (1997), it is clear that organizations want to act aggressively and proactively in shaping their competitive markets. However, a good portion of the turbulence these same organizations now experience is being *self-induced* by their own unilateral competitive acts that interact with others’ similar unilateral actions. We end up contributing to conditions that we never expected to have to manage.

Note another very important feature of turbulence: events intersect and reinforce each other, creating political, social, and economic eddies and whirlpools that magnify their complexity

and seeming intractability. Few issues or challenges presented by turbulence are simple. Issues are tangled in a knot of interdependencies that makes complexity one of the most defining characteristics of turbulent environments. As former U.S. senator Bob Graham, an appointed member of the committee investigating the 2010 BP Gulf disaster, noted in a hearing reported on National Public Radio, “Complex systems fail in complex ways.” Eric Bonabeau, an expert on complexity theory, had prophetically noted three years earlier, “In fact, catastrophic events are almost guaranteed to occur in many complex systems, much like big earthquakes are bound to happen. Indeed, the statistics of events in manmade systems is starting to closely resemble that of destructive natural phenomena” (Bonabeau, 2007).

There is a growing sense that organizations are losing control of their operating environments—the ecosystems in which their immediate suppliers, customers, communities, and other stakeholders interact. These operating domains are being subjected to turbulence induced in their larger contextual environments, which are now taking on dynamics all their own. When morning rioting in Athens over the Greek government’s austerity moves limits access to credit that afternoon for small businesses in Omaha, it is turbulence in the contextual environment affecting the entire global financial sector—and more.

This tight connection between contextual and operating environments is certainly not new. The SARS outbreak in China over a decade ago halted computer plants in California for several days, even weeks, as global supply chains shut down. The Japan earthquake and Fukushima disaster did the same, just for a much longer time period.

The fact is that we are not just connected; we are “hyper-connected” (Retter, 2001) with too many interdependencies—many unrecognized, many unwanted—all demanding active attention if we are to manage the risks associated with them and remain successful. When Starbucks or ArcelorMittal, the

world's largest coffee retailer and steel producer, respectively, built tight global supply chains and vertically integrated production systems, they may have reduced their exposure to market price volatility for coffee and iron ore, but those systems required billions of dollars of investment and demand ongoing, active management. Reducing the risks and impact associated with turbulence is costly.

Welcome to Hyperturbulence

What is unique about this predicament, however, is how it is playing out at multiple levels, all of which are integrally linked and dependent on each other. We talk about organizational agility and resiliency, but we marvel at the fact that it is the individuals and teams of individuals functioning within them that really must bear the impact of turbulence. At an individual level, people feel the effects when the number and variety of events they have to deal with become so mind-numbing that they develop high levels of stress and anxiety. Health suffers, psychological burnout becomes the norm, and dissociative behaviors (the “flight” side of the “fight-or-flight” response) prevail. As Richard Eckersley noted in *The Futurist*: “The images we hold of the world affect how we think, feel, and act, and they are increasingly shaped by global and distant threat and disaster. . . . While these hazards are, for the most part, not new, previous fears were never so sustained and varied, nor so powerfully reinforced by the frequency, immediacy, and vividness of today’s media images. . . . The boundaries between the personal and the global are breaking down” (Eckersley, 2008, p. 35).

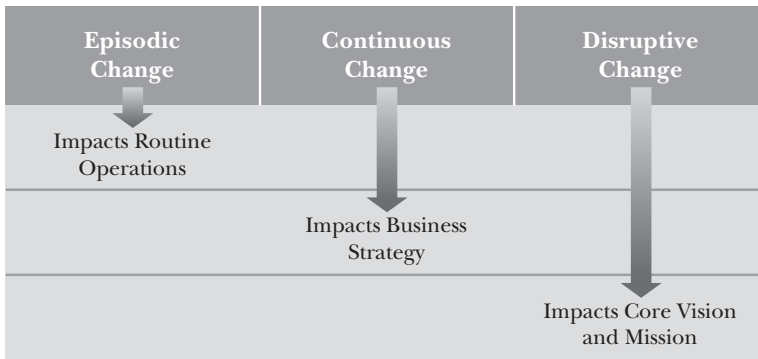
This new intimate linkage between the personal and the global plays out at work, at home, and in communities. In the workplace the effects of turbulence are felt at the team level of work groups when economic distress forces cutbacks, destroying skilled technical work teams in Detroit auto factories, and

threatening a whole generation of the U.S. workforce with underemployment.

For individuals, these new forces can also mean forsaking the idea of work-life “balance” and accepting work-life “integration” or even “no life” as the norm. Our communications technologies are now inseparably parts of our personal life and intrude relentlessly. Like all features of change, this is good and bad at the same time. Indeed, as Thomas Friedman points out in *The World Is Flat: A Brief History of the Twenty-first Century* (2005), it is a defining characteristic of turbulence that individuals are now active players at a global level. Whether it is a solo terrorist in London or a Bangladeshi farmer linked to global commodity markets via a cheap cell phone, power is being decentralized into the hands of individuals. We are adjusting to a global workday where someone, somewhere, is always working ahead of us or after us while we sleep. It is an uneasy sleep.

We also see the effects of undermanaged turbulence at the organization level when profits suffer, innovation seizes up, companies fail, and valuable networks of suppliers collapse. And we see the impacts at the broadest levels, such as in the global financial system, when the economic vitality of a small nation like Greece can be questioned and a trillion dollars of global market equity is lost in a matter of days. The U.S. Army War College coined the acronym VUCA to refer to a world that was Volatile, Uncertain, Complex, and Ambiguous; that pretty well sums up the conditions facing us (Horney, Pasmore, & O’Shea, 2010).

Our own concern is that we are edging closer to a condition we tagged in 1984 as “hyperturbulence”—too many and too frequent surprises and shocks that they simply overwhelm the adaptive capacity of individuals, teams, and organizations to manage. As Chapter Two discusses, environmental change evolved from manageable episodic change where temporary changes punctuated normal operating conditions, to continuous rapid change that required more significant and frequent

Figure 1.2. Severity of Impact from Three Kinds of Change

shifts in business strategies, to disruptive change that is potentially so challenging that it threatens the very identity and viability of the organization and those that support it (Selsky & McCann, 2008). Figure 1.2 illustrates this idea of change penetrating deeper into the core of the organization as it has evolved (Bouchikhi & Kimberly, 2003).

As organizations encounter increasingly rapid and disruptive change, simply responding with shifts in operations and business strategies is not enough. Much more is demanded, yet the available repertoire of adaptive strategies is not up to the task. We are finding too many examples of anemic strategies being deployed today. We should never approach the point where we have so few response choices. Our recommendations are designed to significantly expand that set of effective responses.

Change as Opportunity

There is a fascinating paradox to all this that gave us the insight we needed to create a positive, motivating story to tell. While many are reeling from turbulent change, there are many others

who view these dynamic operating conditions opportunistically and as sources of competitive advantage. What sped us along our current path of inquiry was the global survey we conducted and subsequent research that provided clear evidence that higher-performing organizations, in terms of profitability and competitiveness, perceive their environments as both more manageable and providing more opportunities to shake things up to their advantage (McCann, Selsky, & Lee, 2009). The converse was also true—lower-performing organizations experienced their environments as more challenging and were more reactive than proactive toward change. This was illustrated in Figure 1.1 by the differences between higher- and lower-performing organizations. Our conclusion? Not everybody is in the same boat. It is clear that turbulence is not experienced evenly.

We were intrigued by what makes rapid and disruptive change so hazardous for some and such an opportunity for others. What we have learned is that the actual effects of such change depend on the amount and nature of the adaptive capacity available to manage it. Simple enough, but adaptive capacity is a multifaceted concept with many attributes and elements. It's one of those concepts that everyone may use, but is very complex to operationalize.

So what are the aspects or features of adaptive capacity that must be specifically targeted? Agility and resiliency are two of the most critical elements or attributes we have found for sustaining, even building, superior performance in the midst of increasing turbulence. Chapter Two provides a context for understanding the role of agility and resiliency as elements of adaptive capacity, and both concepts are thoroughly developed in Chapter Three.

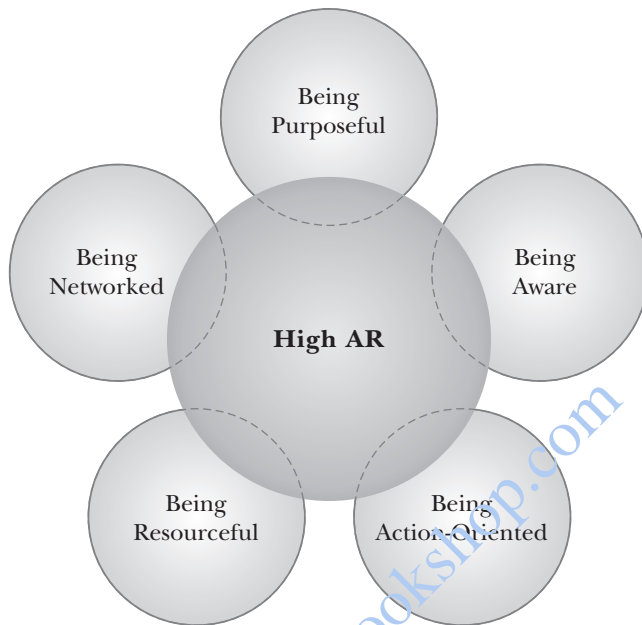
These concepts have been getting exceptional attention in the management literature and media for some time now, for obvious reasons. Much of this literature is thoughtful; however, much of it is, honestly, muddled. Based on our own research and work with

organizations, we believe that we now understand some of the most important new features of agility and resiliency.

We found that agility and resiliency are conceptually and statistically unique concepts or constructs, but they are highly correlated with each other. That is, both are distinct and essential elements of adaptive capacity, and it is impossible, even dangerous, to consider developing one without the other. They must be considered as two sides of the same coin and we approach them as an integrated concept—"AR"—from this point forward. Chapter Three provides the rationale and logic for developing "High AR" at four deeply interconnected levels—individual, team, organization, and the organization's larger business ecosystem.

Chapter Three also describes the characteristics of High AR individuals, teams, organizations, and ecosystems in terms of five critical capabilities. These individuals, teams, organizations, and their ecosystems are: Being Purposeful, Being Aware, Being Action-Oriented, Being Resourceful, and Being Networked. These five capabilities are manifested in many similar and different forms across all four of these levels. Figure 1.3 illustrates the idea that these five capabilities are the basis for AR. They have to be considered together as a bundle of capabilities that are most powerful when individually developed to their full potential and then tightly integrated with each other. Overall, AR is greatest when this occurs; both agility and resiliency are enhanced. On the other hand, AR is compromised when one or more are not developed and integrated well with the others.

This is what our book is about—building and sustaining high performance in turbulent environments by developing these five critical capabilities across all four levels. It is simply not effective or realistic to think that you can sustain organization performance by focusing on one or two of these capabilities; it is equally ineffective and unrealistic to think that operating at just one or two levels will work either. A more strategic perspective and approach is necessary.

Figure 1.3. The Five Essential Capabilities for High AR

An organizing model is provided in Chapter Three to help guide thinking and action for developing High AR. As we noted in the Preface, ours is not a simple model, but it does capture how capabilities and levels work with each other. Chapters Four through Eight describe each of these capabilities in detail and provide specific strategies and intervention points for building them. Chapter Four makes the case that Being Purposeful promotes High AR, because it is founded on a clear and firmly held core identity, supported by physical, psychological, and social wellness. We believe that being and acting purposeful, particularly at the individual level and team level, is the foundational capability. For this reason, Chapter Four is also one of the longest chapters in this book.

Chapter Five focuses on Being Aware to promote High AR in terms of the essential competencies, knowledge, and skills that

support organizational learning and effective knowledge management. In turn, it is organizational learning and knowledge management that underlie critical sensemaking practices and processes that support timely and appropriate action.

Chapter Six builds the argument that High AR also requires Being Action-Oriented—a capability typically associated with agility and resiliency in the literature. Without question, being capable of swift, flexible, and sustained action to seize opportunities and minimize or avoid the negative impact of events is an important part of this capability. However, that is too simplistic. Guiding such action must be an adaptive design mindset that focuses much, much more on what we call a “roll-up and rollout” model that matches the characteristics and experiences of individuals’ knowledge, skills, and core competencies with the organization’s strategies. Other skills are also called for in that chapter, including strategic boundary management, which essentially calls for triaging stakeholder relationships to consciously manage their value and risks.

Chapter Seven similarly focuses on a capability often associated with agility and resiliency—Being Resourceful. Being Resourceful means thinking creatively and acting entrepreneurially at all levels, but in different ways using different scripts, as we call them, that meet the conditions facing the organization. We offer four such scripts, although others certainly exist. Our objective is to drive home the idea that the environmental conditions presented an organization require differentiated responses if the outcome is to be optimized as an opportunity, or minimized or avoided entirely, if a threat.

Chapter Eight recognizes that High AR is very much a function of the quality of the networks of relationships that exist at all four levels in our model. Being Networked for High AR entails an awareness that action always occurs through others. Being able to call on others in a valuable, carefully managed network for support in time of need can make the difference in

how well opportunity is realized or damage minimized. That support may take many forms—in knowledge and skills, finances, or effort. Indeed, we argue that the domain for action has shifted to collaborative networks of actors as ways of creating innovative solutions, aligning unilateral actions, and establishing more defensible shared space.

Chapter Nine brings all the pieces together with specific recommendations for sustaining a strategic AR perspective, creating significant organization change expertise, and making sure that all of that management effort is used well. The roles and responsibilities of the key actors involved in building High AR are also described.

This formidable development challenge requires thoughtfully aligning and constantly balancing these capabilities across all four levels. We try to provide numerous stories and examples as illustrations in all of these chapters about the challenges, strategies, and skills involved.