



TRANSCRIPT FOR MODULE 7

# LEADING IN DISRUPTIVE TIMES

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## Introduction

“Leading in Disruptive Times” may sound like a special case of leadership, but to many of you it is “just another Tuesday.”

For industries ranging from medical devices to automobiles, and from legal services to home security management, we have seen new entrants and new technologies, often disturbing the established order, and posing serious challenges for leaders.

For example, in the health diagnostics and monitoring business, the feature on Fitbit or Apple Watch providing feedback on sleep quality was an early warning.

To be able to detect anomalies in heart function took the threat up a level.

The as-yet-unknown potential, to monitor blood sugars or hydration for athletes, opens up new avenues for value creation by the disruptors in wearable monitors.

Along with the gains for innovators and their customers comes the loss of business for those providing health care, in traditional hospitals and doctors’ offices.

Whether you are a leader on the offense in this scenario, breaking new ground in wearable sensors, or a leader on the defense bracing for radical shifts, there are certain helpful mindsets and skills that can improve your odds of success.

In this module, we will focus on how leaders can anticipate disruption and take you through a number of key lessons. These lessons will help you to position your business to navigate disruptive times, and continue to move ahead, to create value, retain key talent, and delight future customers.

Let’s get started!

## Lesson 1: Stop Expecting Stability

### Introduction

Even before any clear signs of product or industry disruption are evident, leaders must shift their mindset.

Rather than expecting tomorrow to be similar to today, or to have an expectation about some “normal”, desirable environment, those who excel in leading in uncertain times have stopped expecting stability.

### Session B: Understand the VUCA world

The disruption generated by new competitors, shifting customer expectations, emerging technologies, and regulatory or legal uncertainty, can often seem like a perfect storm, preventing the traditional leadership toolkit from functioning well.

This session covers a useful way to think about this ‘perfect storm’. We will use terminology invented by the military to describe the ‘new normal’ after the fall of the Berlin Wall and the end of the ‘Cold War’. Based on the volatility, uncertainty, complexity and ambiguity of this new normal, the acronym VUCA was coined.

“Leadership agility and adaptability are now required skills if organizations are to succeed in the VUCA world” writes Thomas Friedman.

Rather than think about the world as a place of totally unfathomable, unpredictable chaos and confusion, the VUCA model strives to examine and untangle four factors that contribute to this feeling of unforeseeable change.

Let’s imagine you lead a firm which is part of a global supply chain in disruptive times.

Perhaps your raw material prices are volatile due to surges in supply over which you have no control, uncertain due to a possible recession that may or may not suppress some customer demand, complex because you can make some substitutions of materials in some of your

products but not others, and ambiguous because you may or may not be able to pass on raw materials cost increases to customers.

Let's clarify what type of challenges each of these four terms describes:

**Volatility:** Volatility is a kind of turbulence. We can't know in a VUCA world how high or low changing demand or prices may go. What will trigger a spike up or down?

**Uncertainty:** Uncertainty means we cannot make reliable predictions about the future. Will the things we expect happen or not? If they happen, when will they happen?

**Complexity:** Complexity adds layers of confusion to the problems leaders face in disruptive times. It is difficult to say what other things will be directly and indirectly impacted by the changing environment.

**Ambiguity:** Ambiguity keeps us from explaining why or how a system works. Leaders struggle to describe how much a given activity matters to their organization. In ambiguous situations, people look to their leaders to tell them: What does it mean?

While volatility can be felt as unexpected shocks, understanding the VUCA world can help you to work with your team to estimate the high and low boundaries.

While uncertainty may hinder your prediction of the future, conducting some 'what if' and scenario exercises can provide guidance for the next price drop or demand surge.

Complexity demands yet a different approach. Rather than trying to discern what you know and what you don't know, your leadership task is to determine the level of inter-relatedness of elements in your environment.

Teasing apart the related elements of your challenges can reduce the complexity to manageable levels.

Ambiguity may be the area where leadership is most important. Even in relatively stable environments, leaders are often called upon to make meaning and share a vision of how the

firm will reach its goals. Crafting and sharing a compelling vision is critically important when ambiguity is high.

Understanding the VUCA world not only provides you with some tools to address its challenges, but also highlights the need for strong leadership in times of frequent dislocation and ongoing instability.

### **Session C: Spend more time in the future than the present**

When faced with disruptions and unexpected changes, human nature often stimulates nostalgia for the past.

The perception that the “the good old days” were better, may have no basis in reality, yet it is tempting to try to turn back the clock.

In this section, we strongly advise leaders to look to the future, especially in times of disruption and rapid change.

Leaders actually face many pressures to focus on the past.

Performance metrics, competitive rankings, and customer satisfaction surveys are all useful, but all of these metrics assess what has already happened.

In fact, most traditional management and leadership tools focus on the past and imply that today will look a lot like what we saw yesterday.

In stable times, past performance is a strong predictor of future performance. Recent customer satisfaction metrics can be useful in setting our expectations of what future customers think.

You need to be ready to chuck out all those metrics and quality awards when disruption hits.

What you did in the past will no longer be a strong predictor of future performance! All bets are off. It's a whole new ball game.



The players, the rules, and the playing field have all changed. Anything anchoring you to the past, is likely to keep you from finding new ways to win.

To lead effectively in disruptive times, it helps to shift one central and vital thing in our perspective.

Let's force ourselves to think that tomorrow will be different. Really different. Not just a different day of the week or different weather forecast!

Rather than allow our routines to reinforce the status quo, effective leaders experiment with new routines and processes.

They actively talk about the ways that their products and services will be used by tomorrow's customers. They seek out potential future competition. They anticipate upcoming regulatory change.

For these future-focused leaders, disruption isn't as wrenching. They have already spent time exploring future landscapes which bear little resemblance to their current realities.

How do you find these future landscapes? Do you need to have incredible imagination or a crystal ball?

No. Actually there is abundant information about artificial intelligence, virtual reality, drones, robots, autonomous vehicles, cloning, cryptocurrency, and dozens of other innovation streams already available.

More news and updates are emerging daily. Devoting even a little bandwidth to the future will reduce your expectation of stability.

You may not be able to predict when your world will shift on its axis, but you won't be surprised when it does.

The science fiction writer William Gibson tapped into a vital truth when he wrote: The future is already here. It's just not evenly distributed.



In fact, the early adopters in any industry are often years ahead of the general public. How quickly you embrace the future is a choice.

Leaders who look to the future can then chart their team's path forward intentionally.

## Lesson 2: Expand Your Definition Of What Is Possible

### Introduction

You may think you can only go as far as your skills and ambition can take you. You'd be wrong. You can only go as far as your imagination can take you. When you radically expand your definition of what is possible, you open up a world of responses to disruption, that radically improve your organization's chances of survival and success.

### Session A: Recognize and challenge your self-limiting beliefs

As a leader, one of your main responsibilities is to enable and support the success of your team or organization. You will have shifted from the "me" perspective to the "we" perspective and learned to view the world in terms of your team and your organization's needs ahead of your own. You may be surprised that leading in disruptive situations benefits from a bit of "me time".

You can't expect your colleagues to step up when you are hesitant yourself. Overall, your leadership focus will still be primarily on the needs of others. But there is one critical reason why leading through disruptive times can benefit from a shift back to focus on yourself.

Importantly, if you have beliefs that are holding you back from imagining and pursuing a radically different future, then you must recognize this as a problem and address it. Too often, a leader blames his team for a failure of imagination or a resistance to change that actually has its origins in their own beliefs.

Self-limiting beliefs can be difficult. Not to get too philosophical, but anytime we start thinking about the way we think about thinking about ourselves, we may be en route to headaches, self-doubt or worse.

Let's use the following example. A certain client we'll call Simon had been successful in an operating role.

Simon was just starting to gain traction in a higher level strategy role - his dream job - when they began to experience disruption in their industry.

Simon's self image was tested at this time. On the one hand, there was a great deal of opportunity and freedom in crafting a strategy for the emerging new realities of his industry.

On the other hand, the strengths that had propelled his career to date relied on data and processes that just weren't viable any more.

First, Simon had to accept the reality that "what got me here, won't get me there" and let go of reliance on his well-worn methods and tools.

His self-limiting beliefs had arrested his growth as a leader by assuming he would continue using the same tools and approaches, just on a bigger stage.

Moving forward with unfamiliar and untested methods was personally and professionally uncomfortable for Simon.

A few prompting questions helped Simon to unlock some of his self-limiting beliefs.

- What would I never do?
- What would never work?
- What is entirely off limits for my firm?

By giving himself permission to voice these things that wouldn't, couldn't, absolutely, positively, never, ever, ever be allowed to happen, two wonderful things were set in motion.

I'm happy to say that Simon was able to reach far beyond the limits he originally set upon himself. You can do the same. Try using these questions and spending a bit of "me" time to ferret out and eliminate any self-limiting beliefs you harbor.

### **Session B: Expand your comfort zone**

Leaders often encourage others to "get out of your comfort zone" as though your comfort zone was a hideaway, cave or a cocoon. Perhaps some people define their comfort zone very narrowly and use it to stay safely away from the uncomfortable realities associated with uncertainty, volatility and other disruptive forces.



For most leaders, we assume you have a healthy comfort zone. Within its boundaries you don't necessarily excel at everything, but you have a reliably accurate assessment of what is needed, how well you'll perform, and the risks associated with failure. In this case, we don't want you to "get out of your comfort zone".

It is more powerful to first: determine where the edges of your comfort zone are and then extend your comfort zone by 5 to 10% each year. That's right. Your comfort zone isn't fixed and finite. You have the power to grow and change it by your decisions and actions.

When disruption up-ends your business, you'll wish you had put in more time to understand and build out your comfort zone. Don't let it be a hiding place. Make it a platform that enables you to demonstrate your strengths, build new skills, and stretch yourself!

## Lesson 3: Lead Towards The Chaos

### Introduction

Leaders may, or may not realize they make important choices every day to move towards the chaos or away from it.

Ignoring the chaos altogether is an all too common behavior. We argue that recognizing and making a choice about how to face up to the disruptions, is a vital responsibility of strategic leadership.

### Session A: Embrace (rather than avoid) uncertainty

Leaders have a choice to move towards the uncertainty in their environments or away from it.

Often this choice is not framed this way. Instead the options appear to confront the risky unknown, or to face more familiar challenges.

Once we start to look *out to the* unknown and spend some time in the future, the uncertainties become more apparent.

Do we know who our future customers will be?

Do we know where our competitors will pop up?

Is there clarity about government and legal realities that we'll need to comply with?

Uncertainty may seem to touch everything in your environment. Sometimes it feels like you can't know what will happen, when, or who will be making decisions and which way the competition will move.

Hugh Courtney, an expert on strategic uncertainty, studied leaders in high uncertainty environments and typically observed one of two responses.

On the one hand, the leaders reacted like deer in the headlights where their uncertainty was so overwhelming that it provoked confused paralysis. Their logic?

If you can't make sense of the situation, you can't make a move. Sometimes they tried hard to analyse the situation. But 'analysis paralysis' set in.

They may have done a lot of talking and thinking, but they were not taking action. They were too overwhelmed to make important and time-sensitive decisions.

The other response Hugh saw quite often was the complete opposite: not much analysis or thinking and lots of action.

In these cases, the leader tapped into their inner "Cowboy" with a willingness to shoot first and ask questions later.

Their logic? If you can't make sense of the situation, then any move is as good as any other!

Since you can't know what will happen, the conclusion is, that you should at least take a shot. Lead with your instincts and hope for the best.

In the first case, avoidance is no action and in the second case, avoidance is random action.

Embracing uncertainty, means having the courage to confront it and make the best decision you can at the time.

Neither paralysis nor instinct can do a better job than your own serious efforts to learn, experiment, listen and chart the right course forward.

You will likely need to make course corrections.

You will often fail or miss your mark. But as you continue to embrace the things you don't understand, your decisions will improve and you'll live to fight another day.

## Lesson 4. Keep Your North Star In View

### Introduction

Leaders play a critical role in steering their organizations by a North Star, informed by ethics, integrity, client commitments, and professional standards.

When the industry is in turmoil and VUCA forces are high, it is more important than ever for leaders to keep their North Star in view and to ‘steer true North.’

### Session A: Reinforce your team’s core values

During disruptive times, you have to stay true to your core values. If your team values transparency and honesty, then you need to have open, honest conversations about the future of your organization.

How do you feel when your world is VUCA and your industry and your job seems to be in turmoil? What if the threat to your job puts your family’s well-being in jeopardy? The fears of your team at every level may bring out their worst selves.

Under stress, even well respected leaders can exhibit undesirable behaviors. As a leader, you will need to factor in your team’s stress levels, as you continue to personally live your organization’s values.

Maybe you have no trouble being transparent when you feel in control. Perhaps honesty is never in doubt when times are good. But you may start to think “desperate times call for desperate measures.” Stop. The times are not desperate. Your values should still anchor and guide your behaviors.

You’ll have to be alert to how stress is impacting you and others. In spite of your own hopes and fears, be your best self and reinforce your team’s core values consistently.

### Session B: Honor your commitments as conditions change

Disruptive times can mean operating conditions can change rapidly. You may have just inked a contract at an agreed price when the cost jumps by 30% or falls by half.



Tariffs, natural disasters, competitive pivots, and other unexpected changes, may mean that you wish you didn't hire more salespeople or commit to an ambitious new product launch. But do you let the sales people go? Do you cancel the product launch and your supplier down?

Remember: the volatility will end and the uncertainty will be resolved in time. Step back from today's chaos and consider how you will be perceived as a leader in the future. Will you still be trusted? Will your word stand for something?

Each case is different, but as you adjust your strategy in the face of VUCA, factor in the value of your long term reputation for fairness and reliability.

Think about how you've worked your whole career to build trust inside and outside your team.

Leadership relies on trust and once trust is broken it is very hard to rebuild.

As much as possible, honor your commitments in disruptive times.

There will be times when you can't. In those situations, make sure that you communicate your reasons and come up with fair alternatives for all parties.

Short term decisions, made in disruptive times, can have lasting consequences. It is up to you to make sure those long term consequences are positive.

### **Session C: Have the courage to stay the course you've chosen**

Throughout this module, we have covered a lot of topics. The common thread throughout is that you'll be better off if you stop expecting the world to settle into a predictable groove.

Your responsibility as a leader is to get yourself and your people ready for what's next.

Hopefully now you see the VUCA world for what it is: a chaotic swirl of moving parts full of opportunities. You have the ability to notice faint signals and prepare for disruption.

You'll make the choice to embrace change and find new ways to win.



I hope you've already started to expand your comfort zone. Perhaps you brought new voices to your last team meeting?

Maybe you are working to understand your self-limiting beliefs?

There will be times it will seem daunting. You will be frustrated.

Almost certainly at some point, your team will be confused, your vision will be unclear and your mettle will be tested. Have the courage to stay the course. You will outlast the volatility. You will resolve the uncertainty. You will master the complexity. You will navigate the ambiguity.

It may be an imperfect journey, but have the courage to lead through the disruption where your organization will find powerful ways to win.