



MULTISPEED LEADERSHIP

*How operating and leading in several
speeds simultaneously is necessary to
succeed in an exponential world*

Mannaz

“Leaders must understand that we are living in a world marked by uncertainty, volatility and deep transformational changes”

Klaus Schwab, World Economic Forum

We all have an uncomfortable feeling that the world is changing in ways we did not foresee and do not fully understand. In Mannaz we work with some of the largest organisations globally and we feel the acceleration both internally and amongst our clients. Technologically-enabled disruption, the Internet of Things and new ways of on-demand manufacturing affect our business context and that of our clients. Picking up a trade journal or business newspaper, you might get the sense that a big, smooth, accelerating wave of change is upon us. It is not one wave but choppy water fraught with cross-currents, dangerous eddies, and hidden reefs. The differences between perceptions of speed and the real-time changes affecting us are substantial. As a manager, you might feel that everything is speeding up, but parts of your organisation might still operate efficiently in much the same manner as before while other departments or teams are much more agile in their approach and still others are even hyper-agile in their dealing with new technology, co-creation with large external communities or digitisation of services.

It's a new reality running in several speeds simultaneously – a multispeed reality. This new reality is bringing about a need for different approaches to leadership.

In this Point of View-series we will explore this new reality, tell you about our own journey and how we work with this together with our clients. This first instalment will focus on the broad strokes: The context of multispeed, explain why we have coined this term, and what this new reality means for leadership practices in our organisations. In the next instalments, we will dive deeper into the leadership aspects multispeed environments. We will look at strategy, governance and innovation in the new multispeed reality, and we'll explore some of the challenges of working and leading in several speeds simultaneously.

We invite you on-board this journey and hope you enjoy the ride.

THE STORY OF SPEED

Macro-environmental factors are affecting businesses in unprecedented ways. Everywhere we turn business leaders, technologists and public figures tell variations of the same story. On the political scene, within the past 12 months we have seen an unexpected Brexit and the election of a new and controversial American president. The Russian trade embargo and the economic slowdown in China are affecting both global and local economies. We are experiencing a global flow of refugees and an ageing population whilst having to deal with accelerating technological development, the impact of automation and Artificial Intelligence (AI). These global trends affect all businesses in unprecedented ways, with more intensity and at a greater speed than previously. “The pace of change is accelerating”, Eric Schmidt and Jonathan Rosenberg of Google proclaim in their book “How Google Works”. In leadership forums and closed circles executives talk about the digital acceleration and anticipate how this will affect organisations. Recognised leaders like Jeff Immelt from General Electric says to his shareholders, “we are putting a premium on speed”.

THE ALLURE OF SPEED

Acceleration is a very popular and pervasive way to interpret our current economic and social climate. Another version reads quite differently. The Economist concluded a large study in 2015 (published December

2015) where they sought sound data that could back up the claims of acceleration across sectors. They were hard to find. The speed with which ideas travel the globe has indeed increased and a measure such as the ‘adoption lag’ (the average speed with which new technologies spread from innovative countries to developing or poor countries) has shortened from over 100 years (the spindle) to 13 years (the mobile phone) or 13 days (Pokemon Go). However, other measures suggest a decline or steady-state. The rate of new consumer-product launches, for example, is steady or slowly declining and inventories in the industrial sector have not seen massive changes (on average a large American company had 29 days of inventory in 2014 – only slightly less than in 2000). Another consideration is the people aspect. Just as physical products are not flying off the shelves, the average private-sector worker has held his job for 4.1 years, longer than in the 1990s. So are we decelerating, in a steady state or accelerating? The popular perception is that everything is changing and accelerating but several indicators show alternative scenarios.

MISPERCEPTIONS ABOUT SPEED

We are left with a schizophrenic picture of current affairs. Geopolitics and macro-environmental factors have surely changed over the last decade and the technological forefront of development is racing ahead telling the story of change and disruption.



“The pace of change is accelerating”

Eric Schmidt, Google

Production lines and speed-to-market will be affected by the 4th Industrial Revolution, 3D print-on-demand and IoT (Internet of Things). As a CEO you might find yourself having to lead both traditional production lines and functions, independent and agile project teams in your R&D, and networks of communities that you can engage in testing products or even reach out to for core development. From the enterprise level, the business function level, and down to the individual level, the perception of speed and the actual speed of development are different. To grasp and navigate this fragmented reality we need a new set of lenses, concepts and practices. We need a multi-speed perspective.

THE MULTISPEED PERSPECTIVE

All organisations need to deal with digitalisation: there is no other option. Even if digitisation is essential, however, it is misleading to claim that all companies are, or should be, digital. The reality is that we often still need to be both analogue and digital – both modalities often need to sit side-by-side within our complex organisations. Let us take the example of a bank. A bank still has branches with physical structures and traditional banking systems, whilst at the same time we all use internet banking provided by the same bank. In addition, banks are digitally advanced when it comes to automating processes using robots; many invest in fintechs and experiment with block chain technologies and chat-bots in customer services.

Thus, e.g. the banking sector must relate to at least three different realities:

1. *A more traditional, compliance-based and operational excellence-focused business-as-usual reality*
2. *A digital business that demands a different and more adaptive governance structure*
3. *An exponential business reality that demands a radical rethinking of governance and a hyper-agile leadership.*

These different realities must become the focal points for organisations of the future. A business must be able to relate to multiple realities at the same time across the organisation. In addition, these realities are developing at different speeds. Managing the traditional reality using the logics, governance models and leadership practices of the exponential business reality will fail. Trying to manage exponential projects and digital natives the same way we run our core-business will also fail. The key here is to optimise our governance and leadership to match these different and co-existing realities. The traditional operational excellence-oriented areas of our organisations have been obsessed with ‘efficiency’ as the golden orb for winning customers. We do not advocate a total shift away from this focus toward hyper-agility and exponential realities. Parts of our organisations must remain focused on efficiency but a one-size-fits-all approach will no longer work. If we continue to hold to one standard operational mind-set we will not be effective in adjusting and responding to changing customer needs, dealing with digitisation and readjusting and developing our organisations to match these new scenarios.

MULTISPEED BUSINESS

Business as Usual	Digital Business	Exponential Business	
Developing	Volatile	Virtual	Exponential
Predictable	Uncertain	Unpredictable	
Linear	Complex	Chaotic	
Coherent	Ambiguous	Abundant	

Fig. Multispeed business

In the “old” days, before 2005, linear business planning worked well throughout the organisation. These days, however, we are moving slowly into a more schizophrenic reality because organisations must be developed in different ways and at different speeds depending on their business and operating models. This applies especially to innovation. Where previously organisations used very heavy and rigid governance structures with demanding Gate-Stage processes within research and innovation, several of our clients are experimenting with different governance models for different types of projects, flexible R&D budgets with 15% for ‘moon-shot projects’ and where the vetting of new prototypes is done in peer-to-peer communities. In Mannaz, we have introduced the term ‘Multispeed Business’ to describe this new reality.

However, a multispeed reality will affect not only our innovation initiatives. This will simultaneously induce a need for altering our organisational design, affect governance and decision making, put our leadership practices to the test and shape culture and mindset.

Let us take an example: A recognised European financial institution. Instead of continuing to develop its own algorithms, they chose to post the development tasks as competitions on a giant online market place for developers. These developers then solved the tasks in parallel with the internal organisation. To date, the internal organisation has still NOT developed the best algorithms. This particular financial institution simply transformed the way they worked with innovation. By doing so they opened the door to an abundance of exter-

nal knowledge and ideas but also introduced a need for new governance models, new leadership practices and –headaches.

Many organisations are conscious of the challenge that moving at different speeds brings. They have not yet, however, determined how to manage the complexity of this situation. At Mannaz, parallel to our work with helping our clients assess their Multispeed Business context we have introduced the concept of Multispeed Leadership. A new reality needs a new model that bridges the old and the new – the stable, the agile and the exponential. This new model offers us a new language and a new set of leadership practices. We need to go about this task more intelligently. In organisations where the analogue, traditional business continues to operate as the stable part of the organisation, other parts of the business operate at various speeds and have a significantly different culture, governance structures and leadership practices.

The clear majority of organisations have previously practiced a one-size-fits-all approach to leadership. This “one-size” thinking is slowly dying but we have so far struggled to develop new approaches. The digital natives are now entering the labour market and this

brings a completely new set of leadership headaches. This new generation thinks significantly differently - and are motivated differently - making it challenging to lead all employees using the same one-size approach used previously. Many organisations have learnt this the hard way, experiencing attrition rates of up to 35-40% among graduates compared with the more traditional 10-15% across their organisation. These digital natives are harder to retain with a traditional mindset and a one-size-fits-all leadership style. This raises the challenge we must urgently address: How do we lead in organisations that operate at different speeds, with each speed requiring its own unique mix of organisational, governance, leadership and cultural orientations?



Fig. Multispeed challenges

LEADERSHIP OF MULTISPEED BUSINESSES

To meet this challenge, we must be able to adapt and organise ourselves differently at the enterprise, team, and individual levels. What made us successful yesterday may not work tomorrow. In the future, we must lead our organisations more by a commitment to purpose, by defining direction, by aligning our teams and people than through KPIs and strict oversight. Performance will come from working relentlessly to renew commitment on an ongoing basis. The realisation that we must give some of our employees more latitude to find their own way is growing in C-suites globally but we still need to tackle this dilemma head on. This might have to do with the way we approach leadership as a concept.

Multispeed Business means that future-oriented leaders must apply different decision-making criteria in the traditional versus the exponential parts of the organisation. However, it might also mean that we must re-assess what leadership is fundamentally about, how we describe it and where we look for it. In other words, we need a new leadership ontology.

Two fundamental alternatives to describing leadership: The tripod-ontology and the DAC-ontology.

In the **tripod-ontology** leadership is the process with which a leader convinces followers to pursue a common and clear goal. For the tripod to exist it needs all

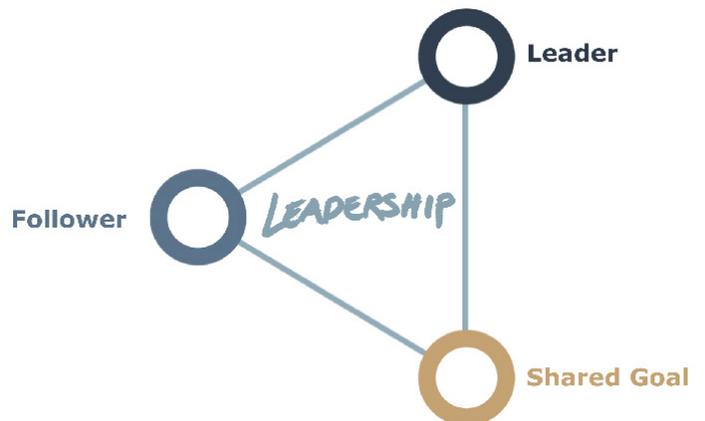


Fig. Tripod-ontology

three ingredients: leaders, followers and shared goals. Throughout most of management history, this fundamental understanding has formed the basis of how we thought and practiced leadership. Tied to this understanding we often entertained the traditional images of a leader as hero or saviour. In recent years, however, the context for leadership has changed making this tripod less stable. In global organisations, it is not possible for a leader to be physically present on all sites (and virtual technologies have helped, but not solved, this conundrum.) What happens when there is no designated leader and only followers and goals remain? The tripod loses a leg and tips over. In these cases, parts of our organisations can be better described as networks or self-governing teams. What does leadership look like, then, when we work across cultural borders and across traditional management levels in multi-stakeholder co-creation projects – when we have to manage digital natives hired to disrupt our own business models using exponential technology and moving at a very different speed?

In 2008 Wilfred Drath and a team of researchers published an article in *Leadership Quarterly* where they proposed a new ontology – a new operating model for leadership. Following their ground-breaking work others researchers and practitioners further developed the model and corresponding practices. Drath and other researchers suggest that we slowly replace or supplement the tripod-ontology with a new image; that of a leadership understood as a collective group of people exerting influence and acting in contexts that are becoming increasingly complex, collaborative and peer-like. This represents a new view of leadership in which its defining elements are three collective outcomes: Direction, Alignment, and Commitment. This is the **DAC-ontology of leadership**.

In this view, leadership is not defined in terms of individual characteristics or behaviours, but as a social process for collectively generating the direction, align-

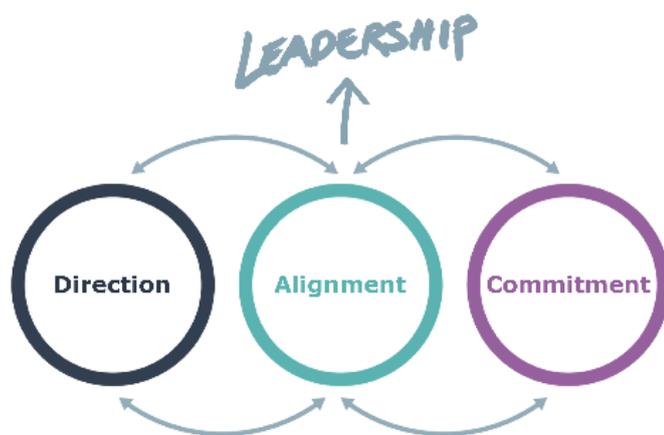


Fig. DAC-Ontology

ment, and commitment needed by a group to accomplish goals. In this new social system, leadership can happen anywhere and anytime and is not limited to a particular setting, organisational level or person. This fundamentally different understanding of the nature of leadership has profound relevance and practical consequence. In network-based organisations, this understanding of leadership is already being used to redefine social processes and to optimise how people work together, focusing on how they produce direction, alignment and commitment. In some of our work with top management teams, this ontology also represents a useful basis for discussing high performance cross-boundary teams and for teams in which every person is both a leader and a team member.

MULTISPEED LEADERSHIP CONTINUUM

These two different ontologies – fundamental understandings of leadership – represent two ends of a continuum rather than polar opposites. Even when adhering to the tripod-model of leadership it is still necessary to create a strong direction, align members and ensure a clear commitment. In network organisations or hyper-agile teams it might still be useful to talk about clearly defined leadership roles, followership and common goals. In our multispeed reality, we need to be able to assess and match our leadership practices to the nature of the task, its speed and what we are trying to achieve.

For parts of our organisation the tripod-ontology still represents a valid model. For operationally excellent-oriented organisations, strong individual leaders are still celebrated as front figures. For some of our more agile development teams we might need to balance our need for control and compliance with setting the team free and delegating leadership – within clear frames and with regular feedback and check-ins.

We have studied a large industrial corporation, which faced some of the multispeed leadership challenges described previously. To respond to changing markets demands and growing competition in their core business the leadership team realised that they needed to fuel their innovation efforts and change their project management practices. Growing the R&D budget and hiring expensive experts had not helped: the innovation process still consisted of a heavy and time-consuming gate-stage process with elaborate steering groups and management bottlenecks. The leadership of the organisation felt more and more that their management practices were hindering growth, and they realised that their organisation needed to operate in several different speeds. The core business with advanced production lines and optimised value chains still had to be run efficiently focusing on compliance with industry standards and quality control, but more peripheral development projects had to be managed in a different way. They decided to create a new governance model for the agile teams where they worked in sprints,

based 50% of their resources on external partners, had fewer steering groups but worked more closely with their immediate manager. As part of their work, they established off-site offices and hired a project manager who could operate in their multispeed reality. These changes enabled the R&D team to cut the product development time from an average of 5 years to 18 months.

In another example, a business in China had stagnated in terms of innovation and growth. To change this, the leaders decided to reorganise into 2000 self-managed units, each devoted to a customer – a retailer or group of retailers and assigned full decision-making authority. The units were assessed as stand-alone businesses. The top leadership defined direction, deliverables and enabled a more adaptable production system. The leadership then left the independent teams to engage with clients, listen to specific client needs and produce accordingly. Within 12 months, the company experienced significant growth.

LEADERSHIP VERSATILITY IS KEY IN A MULTISPEED REALITY

The above example may seem extreme, but point remains that the approach of leaders today must be much more versatile to succeed in the multispeed leadership continuum. If our organisations must operate as multispeed businesses with at least three distinct speeds, we also must be able to lead in multiple speeds.



Fig. The leadership continuum

Leaders must be able to set direction, define the playing field and act in a supportive manner, and employees must be proactive and take responsibility. This represents nothing new. The classic leadership disciplines have not changed but the need for leadership versatility has become immensely more important. Derailment research shows us that half of all promoted executives fail because of their inability to transition quickly enough to their new position and context. In addition, leaders today must also have the agility to hold different leadership ontologies at the same time.

They also must be able to lead very different types of employees - from digital hackers to experienced engineers – within their multispeed business context. If companies do not proactively embrace this new multispeed reality and develop a corresponding multispeed leadership practice for their leaders their foundations will crumble. Warning signs are poor retention of the younger generation, a shrinking core-business, and an inability to innovate quickly to capture future business opportunities. Multispeed leadership is becoming critical for success across all dimensions of the business.

In this Point of View, we have sought to establish the context for multispeed business and the multispeed leadership framework. The leaders of tomorrow must find ways to adapt their leadership style to this new paradigm to be able to stay relevant. In later articles, we will dive into how senior executives can make this transition and how they develop versatility in a multispeed reality.

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