

The Agile Manager

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The world of work is changing. It is one of those oily phrases that slips off the tongue so easily we have stopped bothering to listen. We have also heard enough of all the follow-up phrases too: increased globalisation, increased competition, more demanding customers. The rhetoric is so familiar to us now, that we don't connect to what it might mean for us. But while change may be universal, its direction, form and impact is not. Just what is the effect on the skill demands of managers?

In this briefing we attempt to do two rather daunting things: disentangle the key trends from the rhetoric, and distil the hype to the essential truths. In doing so we assemble the evidence from a few key sources. We have spoken with leading HR managers about the changes they see in their organisations and the impact of technology on management and leadership. We have looked at a range of 'futures' studies, to make sense of what is being predicted for organisations and what this means for managers within them. We have also looked at a range of studies on management skills, what is being demanded of managers and the ways in which this is changing. Finally, we have looked, in-depth, at the skill needs of seven different sectors, through published case studies on how organisations in these sectors perceive their skills needs changing over time, and what skill gaps inhibit their performance.

This briefing paper is a journey that takes us to management capability and the ways in which it needs to change. But, like all journeys, it starts with a consideration of where we are now and where we are heading. On our way we consider what both of these mean for organisations, for their skill demands and, finally, for their managers.

But first a warning! In attempting to look at the future, we are immediately trying to do the impossible. Of course, none of us can see the future. All we can really appreciate is where we are now, where we have come from and what is driving us forward. In trying to look forward, we must first understand what it is that may be causing change to happen. Just what are the pressures that mean the future will be different to now? Let us start by exploring the key forces for change and what they mean for organisations.

The driving forces

Our review indicates that there are four clearly visible trends in our lives that are set to continue for some time or are gathering pace:

1. **Economic:** in particular, the move in some sectors to a global economy and the consequent growth of world trade, is one of the major trends of the last decade or so.
2. **Technological:** IT is just one example of the ways in which technology has already created a revolution in the ways many organisations function.
3. **Social:** in Europe the trend is, and will continue to be, an ageing population. People's attitudes are also shifting.
4. **Political and legislative:** political developments at national, EU and global level have implications for organisations.

Economic

When you look at the drivers to change that organisations say they experience, they frequently boil down to one thing – greater competition. This increase in competition can be numerical: perhaps there are just more people out there wanting to provide the same thing to the same people. Or perhaps it is just being sharper or working harder to be different. Or perhaps it is coming at you from the most unexpected sources, as organisations seek to define their core markets differently.

These changes are set to continue. The impact of a continuing globalisation of the economy will mean that all kinds of business offers, *ie* goods, services, capital and information will be mobile. Within this marketplace, competitors can quickly appear from nowhere and from the most surprising places, as the accepted categorisations of businesses begin to blur around their edges. The structure of the world of work will also change. Manufacturing, which is already in decline, will continue to do so with a concomitant growth in service/information industries and the shift to a 'knowledge economy'.

Technological

Another aspect of competition (that may not be seen as such) is the impact of new technology. This provides the ability to do things differently, to offer something that no-one else can, or at least keep up with what everyone else is doing. In some sectors, it is the fuel of their industry, in others it has completely refreshed a longstanding traditional product, whilst in others it speeds up service delivery or reduces costs.

All sectors report technological change as a key driver for them as a business. If new technology is seen to be a driver, it is not new

technology 'out there' but what new technology the organisation can utilise to change product, processes or delivery. The rules of business have changed fundamentally, growth and decline can happen much faster than ever before and, with them, the ability to learn and change direction.

Social

Looking across the case studies, another reported common pressure for change is changing demand. For some, this is expressed as changing customer requirements, or, more starkly, more demanding customers. Consumers of services have become more sophisticated, they have tasted something better and they now recognise stale and disinterested service when they receive it. Is this something to do with our more accessible society, that conveys aspirations into our living rooms, or is it that there has been a boom in consumer choice through competition? Perhaps there are just that many more organisations screaming 'choose me' and finding that the only way to back up that demand is to offer something extra. So perhaps consumer expectations are merely a response to wider experience. We have been raised on messages of excellence: who then can be surprised when shoddiness is deemed vociferously unacceptable, whether that be yet another late train, poor NHS care, or a poorly trained waiter or hotel receptionist?

The texture of competition or changing demand will be felt differently in different sectors. For some, there are the advantages and disadvantages of relatively high entry and exit costs for consumers. Changing supplier is not as easy an option for your banking arrangements as it is for your weekly shopping. In some sectors, the essence of attraction is often found in newness, in innovation or gadgetry, hence low consumer loyalty on mobile phones or consumer electrical goods. The pressure is to build brand image, whilst maintaining innovation and the design quality to support it.

These expectations spill over into the workplace. We are less compliant than we used to be. We want to be more engaged with our organisations, we want to know what is happening, and the growth of electronic forms of communication provide the means of mass communication. Within organisations, employees may be more cynical and more demanding of leaders. Outside, the public and community may make their views heard on issues as wide as the salary of the chief executive, the company's foreign activities, or the disposal of assets. Experts, and those in authority, are no longer held in high regard, their views sacrosanct. They have bumped down to earth with the rest of us and it's a messy place to be.

Consumers will continue to be more discerning with regards to who they will do business with. Similarly, the shape of our organisations is shifting and will continue to do so. Our democratic institutions are becoming more fluid. There will continue to be a

reduction in hierarchical power, which combined with more fluid structures, will result in more open communication and less protocol. Individuals will be less attached to their organisations and will want greater choice over lifestyles, greater creativity, greater mobility. The concept of the job will diminish, with greater flexibility of hours, and career cycles will shorten and diminish.

Political/legislative

There is another set of drivers that sometimes have nothing to do with competition. These come from our social fabric, the acts of governments to regulate or deregulate their labour markets. These may be competitive, but they may also be driven by desires for equity, justice and fair play.

In some sectors there has been deliberate encouragement of competition, with deregulation of the market place. This has opened up opportunities for newcomers who saw things differently and were able to offer niche services or capture a particular section of the population because of their offer.

Self-inflicted pressures

Organisations also mention other pressures on them. But sometimes, what feels like a pressure is of their own making and, in reality, is a response to the pressures to change we have already described. One of the most frequently mentioned such drivers is the structural change experienced by organisations. This structural change is normally in response to competitive pressures and designed to save money, increase efficiency or add competitive value in some way. In many sectors, one of the key forms of such change is mergers and acquisitions, as organisations attempt to align themselves better to the competitive environment. Others may be trying to restructure their internal organisation to be able to respond more quickly to environmental pressures. The point is, that organisations do not generally restructure just for the hell of it, although it can feel that way on the inside.

Alongside mergers, acquisitions and restructures, are changes that make the edges of organisations more fuzzy, attempts to create movement of people, ideas and information regardless of traditional boundaries. In some sectors, this has been to enhance the ability to respond to the customer or to reduce the time of certain transactions, In others, it has been absolutely essential as the complexity of work has grown and wider expertise is needed to resolve an issue, or to create a new product. This has been mirrored on the outside as organisations work in strategic partnership with each other, bringing different skills and capabilities that are mutually enhancing.

At the micro level the impact of competitive pressures has seen a drive to greater efficiency, with increased emphasis on; managing

performance better, building morale and motivation, making better decisions on recruitment, retaining the best and moving on those who are no longer wanted or needed.

Weathering the storm

So just how are organisations coping with this impossible future? Faced with this array of pressures, their responses are, in part, a function of the market in which they operate, and partly a function of their own strategic choices.

Market differentiation

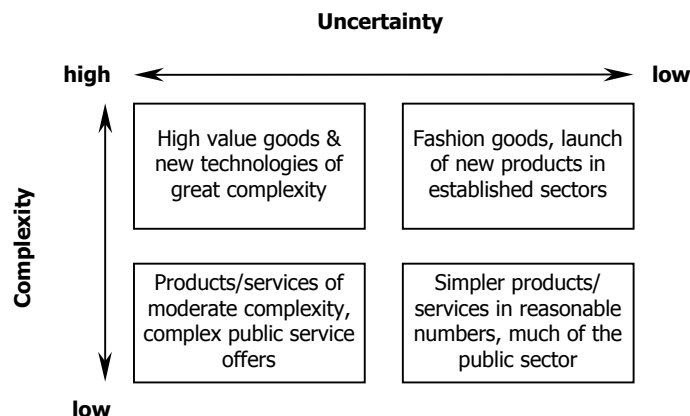
Across different sectors there are some broad differences in market characteristics:

- **Complexity:** the complexity of the product or service is expressed in product lead times, and the staff expertise necessary to produce or provide it.
- **Uncertainty:** some markets are relatively stable or have sufficient demand to even out multiple peaks and troughs. Others are characterised by fickleness, or are so small they are easily unbalanced by economic changes.
- **Volume:** this is a subset of uncertainty: the larger the volume of demand, the greater the number of players.

Complexity and uncertainty were developed into a conceptual framework by the Warwick Manufacturing Group in 1998 to help understand the engineering sector. But the applicability of the concepts go further than engineering and can help in understanding the pressures and responses of organisations in other sectors too.

In Figure 1 we adapt the Warwick framework to show how such market differences impact on different sectors.

Figure 1: The Puttick Grid, the interplay of market conditions and product



Source: adapted from Davis et al., 2000

Business strategy

Business strategy is the range of strategic choices organisations can make irrespective of market constraints. We think these boil down to three broad-brush strategies, which are not mutually exclusive, but may be pursued with different degrees of vigour:

1. **Being better:** a focus on people or quality.
2. **Being cheaper:** a focus on efficiency or cost.
3. **Being first:** a focus on innovation and speed to market.

All place different pressures on organisational inventiveness and responsiveness.

Being better

Being better means offering goods or services that are an improvement on those of the competition. Unrivalled customer focus and service for some, high quality reliable product for others. Whatever an organisation is selling, it may decide that it wishes to offer something that is the best there is, and target it at those who want to buy the best and who have the money to pay for it.

Being cheaper

Being cheaper, on the other hand, is an emphasis on efficiency, cost cutting, pursuing methods of production or service delivery that maximise output and reduce waste. Cost considerations do, of course, affect all organisations. Even those who are following a quality strategy will still need to ensure that they offer quality at a cost the consumer will pay and with a careful eye on their competitors too. Similarly, those pursuing a low cost strategy still need to keep some eye on quality and consistency of product.

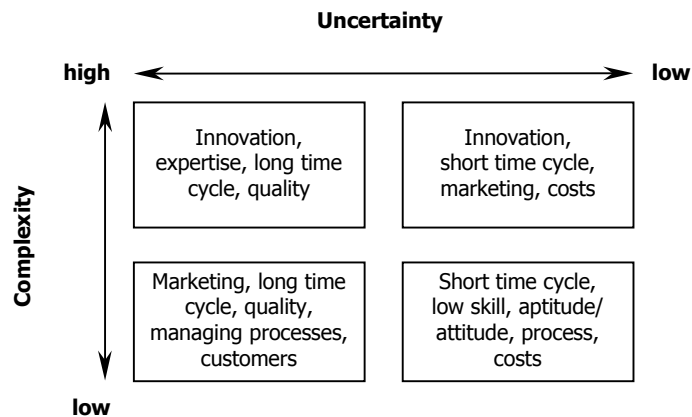
Being first

Falling costs of technology mean that price is often not enough; organisations need to pursue innovation and be first. Being first is especially important where innovation can help capture a share in the market, especially where the market itself moves rapidly on. Another aspect of being first is finding the unique offering or even the unique combination of offers that might appeal.

Interplay of market and voluntary strategies

The universe of organisations is not a random assortment of combined market characteristics and voluntary strategies. It seems to us that not all sectors can equally display all strategies. There is an interplay of market characteristic and voluntary business

Figure 2: The impact of uncertainty and complexity on skill needs



Source: IES, 2001

strategy which means certain combinations work better than others (Figure 2).

Where *uncertainty and complexity are both high*, the voluntary adoption of being cheaper is unlikely, because the investment costs are so high. This is inevitably complemented by the need to adopt an innovative strategy with speed to market, important in terms of beating any competitors. Entry costs are high and specialisation greater. Quality is essential as product or service failure would be catastrophic.

By *lowering complexity*, the market is potentially much wider, as costs can be reduced and being cheaper becomes a possible strategy. Innovation is still important whenever uncertainty is high, and organisations need to maintain a product strategy where innovation and speed to market are important. Speed to market is probably more critical where complexity is lower, as there are likely to be more competitors as entry costs are reduced. Quality will be to specification, and cost will determine at which market segment the product is aimed.

Where *complexity remains high but uncertainty is less*, ie goods where there is an established market place, such as commodity goods (washing machines, cars, telecomm products, IT) and established services, such as personal banking, new medical treatments, this too enables all forms of voluntary strategy to flourish. Producers and service providers can aim for new, cheaper or better, and somewhere in the large marketplace there will be a consumer for whom these different strategies are primarily attractive.

Where *both complexity and uncertainty are low*, then there is probably a greater emphasis on being cheaper; entry costs are lowest, competitors numerous. Quality is dependent on customer expectations and their ability to pay for a better service or a better product. Organisations who wish to trade on quality will be constantly seeking new ways to be better. Innovations may also be frequent but of relatively little significance.

Survival skills

So, just what is the impact of the drivers for change and interplay of market differentiation and business strategy? Do the pressures for change exert generic demands on skills that are experienced equally across all sectors, or do the market characteristics and organisations' consequent product/service strategy determine their subsequent skill needs? Is there a relationship between the reported skill needs of the sectors and their unique situation?

When discussing skill needs of managers there is a tendency to focus on the generic, to the exclusion of the specific, but what are the unique combinations of market response and voluntary strategy that make a difference to the skills that managers need? We begin by looking at the impact of market conditions on managerial skills.

High complexity/high uncertainty

We would expect that where complexity and uncertainty are high, there must be an emphasis on quality and the perfection of the product; quality has to be high as costs are inevitably high too. As such products and services are constantly pushing at the leading edge of practice, innovation is crucial too. Being able to provide the environments conducive to innovation is important, whilst containing costs is also important.

In such sectors there is an emphasis on expertise: the need to build and retain highly expert and capable people. Knowledge management is important in such sectors and managers are also more likely to need in-depth technical know-how to be able to support teams and processes appropriately.

In such an environment much of the work of producing goods is likely to take place in project teams, who will take a product through from concept to production. Managers will be managing valuable staff whose skills and experience will be crucial to the success of the organisation. Managing well with good terms and conditions is important.

For senior people, building alliances is an important, top-level, management skill.

Key sector skills:

Cutting edge innovation, considerable expertise, care, professionalism, pride, combined with a culture of long-term investment.

Low complexity/high uncertainty

If the complexity of the product or service is lower, even if uncertainty is still high, there are potentially more competitors,

and therefore the skills of marketing are more important. Getting product to market, or service responsiveness, is important and managers need to have and understand marketing skills. The management of processes is key to keeping costs under control and to improving speed and responsiveness. Managing innovation is less critical but still an element of the profile of an effective manager.

Key sector skills:

The ability to have and develop good ideas, managing speed to market, managing staff turnover, in a cultural climate of rapid change and development, shorter product development cycles.

High complexity/low uncertainty

When complexity is high but uncertainty is less, *ie* goods and services with an established market, then entrepreneurship is less marked. That is not to say that there will not be some market leaders developing even established goods to new levels but, on the whole, these organisations will be operating to set standards, with good training and development, and attention to process to keep costs down and quality high. Brand image and reputation will be important. Expertise will be valued. Managers need to cope with conflicting pressures and changes to the ways things are done, as new technology offers new opportunities and challenges against a relatively stable background. Managing motivation and morale may be more of an issue, building appropriate ways of working, such as team working and greater worker responsibility, are important as are the skills to handle high volumes of customers and their queries.

Key sector skills:

Management of process and quality, customer care, managing changing systems, morale and motivation, team working, empowerment.

Low complexity/low uncertainty

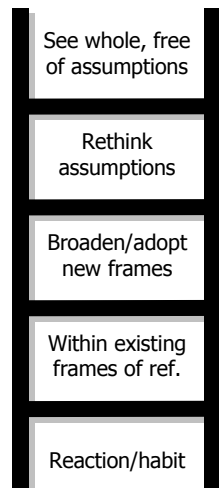
When both complexity and uncertainty are low then there are many possible options for organisations to pursue, depending on their ability to find a market niche and the right balance over quality, cost and innovation. On the whole, these are low margin sectors because of the competitive pressures. Cost control is therefore important, and because complexity is low there is a tendency to employ relatively low-skilled staff with higher staff turnover. Clear instructions and procedures, designed to keep costs and wastage to a minimum, equipment to help the manufacturing process, or the use of technology to maximise efficiency, will all be important. Some organisations will choose to diversify to spread risk, whereas others may stick to core products or services.

Key sector skills:

Greater variety of climate and skill depending on voluntary strategy but with the emphasis on short time cycle and therefore skills of managing batch processing, managing low skilled staff, important performance management skills and the management of process.

Figure 3 illustrates the relationship between the various strategies and skill needs.

Figure 3: The learning ladder



Source: IES, 2001

The generic

Despite the specific skill needs arising from the mix of sector and business strategy, all sectors experience a changing business environment, and change means new skills and capabilities are needed. There are enormous commonalities of experience and subsequent skill needs regardless of sector, product or service.

All sectors need managers who:

- are good with people, whether those people are the product experts who need to be nurtured and kept, or low-skilled staff who need support and training
- have the performance management skills to maintain productivity in frequently difficult work climates
- can deal with conflict and have the difficult conversation, to deal with misbehaviour when it arises in a climate where there is generally less space for poor performance
- are able to shift from manager as controller to manager as coach and mentor
- encourage workers to take greater responsibility for their own management and the management of the task or service
- develop people to take on this widened role.

'Joined-up' working requires greater project management skills and awareness of the issues that cut across the boundaries of professional expertise, this requires intellectual breadth and open-mindedness. Also, as a result of such changes, there needs to be much greater emphasis on working in teams and partnership.

With the emphasis on customer care, this has led to a need for customer-facing staff to develop problem-solving skills and the soft skills of building and managing relationships. Managers have to develop these in others but also in themselves, as they manage relationships and partnerships with both internal and external customers.

There is also considerable evidence that managers increasingly need to balance the management of human relationships with a deep technical understanding of the other aspects of management. For example, Kettley and Strebler (1997) stressed the need for the soft skills of motivation, empowerment and relationship-building with somewhat harder abilities in focusing the organisation on its strategic priorities, and recognising the interdependencies when managing change.

The growing use of new technology, in all aspects of business, places distinct demands on leaders. In recent discussions with top HR specialists at IES, two quite different views were expressed. Some felt leaders need to understand the capability of IT, so they can unlock innovation within people. Others felt that perhaps leaders don't need to understand but do need to know, that it is a technical tool which can help, and what they need instead is an expert who can help them understand.

All organisations seek to maximise productivity and, therefore, will be keen to improve employee relations, to conceive of new and better ways of working internally, and of challenging existing conceptions. Organisations need to do all those things that enable them to continue to maintain market share and to thrive: the processes of production, delivery, marketing and managing people. They also need to be constantly aware of the possibility of doing things differently and more effectively or efficiently.

Agility

We have seen that we face an array of pressures that push organisations headlong to the future. We have seen that organisations can be locked into certain pressures and responses because of the market conditions in which they operate. There are also those responses that flow from voluntary strategies: the result of organisational ambition or choice and which also impact on skill needs. We have seen that some skills are generic because some pressures are felt by everyone: these skills are in demand almost regardless of sector or strategy. Other skills are needed because of the market/sectoral pressures that they are under.

Organisations are challenging places and at the same time will continue to be lonelier places for leaders. Organisational structures have shifted from classic bureaucracies with their attendant hierarchies to much flatter more devolved organisations. There has been a dramatic increase in the number of people working alone at home without an organisational support system (Caudron, 1996), and downsizing has eliminated many of the executives who used to be available as mentor figures in the past.

The reality is that the goods or services we offer, the ways in which we deliver them, the breadth of the job, and the support the organisation provides, are all in a state of flux. Managers need to survive in a changing, flexible world, one that is increasing the rate of change and change that penetrates everywhere. A changing environment requires a changing response, if organisations and individuals are to survive and prosper. Changing the response is all about agility, the ability to be light of foot, to abandon locked behaviour patterns, to be open-minded, and responsive to change, to stay young and creative because the world of work now demands it.

Easier said than done it seems. It is intriguing why modern change feels so overwhelming, perhaps any future looks scary when you can only imagine it. It is only in the living of it that you realise it brings its own rewards as well as challenges. It is also intriguing why so many of us find change difficult. As children we come prepared to experiment with anything, to learn the values and traditions of any family or society in which we find ourselves. But we are gradually socialised in the process and over time lose that willingness for uncritical acceptance.

It would seem that one lesson is clear from the experience of organisations: it is that change is inevitable and everyone struggles with it. We struggle because it challenges our comfort, because behaviour patterns acquired and rewarded gradually over time are tenacious, even if they have become obsolete. We would rather deny the reality or kick against it as wrong, than see its opportunities and unlearn. It also hurts because, for some, what is new is the norm. Those who come fresh to our organisations do not have the baggage of expectations and belief systems to carry around with them, and travelling light they adapt more quickly and go past us.

So what are the real skills that managers need? We think there are relatively few, but they are excruciatingly hard to acquire and perfect. We need to play more and to become critical thinkers, challenging ourselves at every opportunity to see the world differently. We need to open our eyes, hearts and minds to new ideas. We need to be willing to recognise our own prejudices and try new skills and new ways of seeing. We need to stay light of foot, able to move in a quick and easy fashion; mentally alert, we need to be agile. There are two aspects to this agility:

1. the ability to adapt to changing environments, to accept rather than reject them and change our own behaviours in line with these new demands
2. the ability to see our own assumptions and mental models, to understand and accept our own resistance to change and thereby free us from only seeing part of the picture.

They are both essential, but without the ability to make conscious that which is unconscious, it is much more difficult to fully accept and explore differences. If we insist on looking through imperfect lenses, we cannot easily see that which is in front of us.

They are both centred in learning, not the everyday learning of facts, but the higher learning of self and the ways in which we see the world; the learning of reflection and critical thinking. Perhaps then what we really want is managers who are open to learning and who recognise that, however you are doing it today, you will be doing it differently tomorrow. No matter how successful today's behaviour is, don't let it set too strongly; keep it soft, keep watching the environment. Take nothing for granted, keep open-minded and take every opportunity to grasp feedback, no matter how uncomfortable, for discomfort is the catalyst of agility.

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