

Rapid Evolution:



Balancing the
leadership tensions to
stay ahead of the curve



KIDDY &
PARTNERS

Balancing the leadership tensions

Rapid growth and transformation are essential for any organisation to thrive in a VUCA* context. Unfortunately, only a few companies manage to achieve it. Only 11% of companies that were in the Fortune 500 in 1955 remain in it. The majority have either gone bankrupt, merged with (or were acquired by) another firm, or still exist but have fallen out of the list¹. The truth is, most companies get stuck, or worse, fail.

* Volatile, uncertain, complex and ambiguous

An analysis of companies in the Fortune 100 over 50-years reveals that **87%** of these companies later stalled, on average losing **74%** of their market share. What's more, if management can't turn a company around within a few years, the odds are against it ever seeing healthy top-line growth again². And the rate of technological change is predicted to continue to accelerate, exponentially. So it's only going to get tougher.

But there's good news. The majority of the reasons for organisations getting stuck are under leaders' control, it's just that organisations are full of processes, mindsets and ways of working that are slowing progress. Leaders need to adopt - and promote amongst others - different mindsets and behaviours if they're to help their organisations to evolve - and fast.



Typically, only **9% of leaders** say that their employees' attitudes and behaviours are changing at the rate they would hope³. During the pandemic though, many achieved unimaginable growth and transformation. The U.K National Health Service, for example, took "two-and-a-bit weeks to achieve more than we have achieved in 20 years in adopting new technology." according to Martin Marshall, chairman of the Royal College of General Practitioners. So if we're capable of rapid transformation, why is it often so hard to achieve?



To read the U.K National Health Service interview with Martin Marshall, [click here](#).



Why is change so hard?

Unfortunately, the human brain has a predisposed preference for the status quo. This is because change is tiring; it requires more effort, energy and 'headspace'. So our brains are wired, through cognitive biases such as the sunk costs fallacy or loss aversion, to constantly downplay the need for change. We tend to be wary of change, and when we detect change is afoot, automatically and subconsciously assess whether it presents a threat or an opportunity.

More often than not, organisational change affects one or more of the key domains⁴ likely to trigger a threat response:



Status

Our importance relative to others



Certainty

Our ability to predict what will happen



Autonomy

Our sense of control over events



Relatedness

Our ability to connect with others



Fairness

Our need to feel that things are fair and just

So it's unsurprising that we tend to avoid change, as it feels threatening. But unfortunately, the environment has evolved faster than our inbuilt instincts. Historically, change has brought with it increased risk, since it involves exploring unfamiliar territory. But today, the pace of change in the external environment means that not changing – or changing too little, too late – is a risk in itself. Numerous case studies of failed organisations, such as Nokia, have shown us that if an organisation falls behind, it becomes very hard to recover. Episodic change is at odds with the modern operating environment. It's not enough.

To stay ahead of the curve, change must become not just what we do occasionally, but who we are and how we operate – on a daily basis. The principles that keep us agile and ever evolving must be embedded into our mindsets and behaviours, as business as usual.

When we find – or create – ways to break free from the mindsets, processes and other barriers that typically bind us, rapid change is possible. But one thing that the last few years has made abundantly clear, is that it can't simply be achieved by doing more, or working harder. **This is not sustainable. Instead, we need to work, think and act differently.**





Rapid Evolution: Definition

Rapid Evolution is a phenomenon identified in evolutionary biology, where organisms have developed the ability to evolve much more rapidly and significantly than expected, often in response to challenging external conditions.

Examples include wolves in the Chernobyl Exclusion Zone having found a way to survive radiation⁵, and lizards in urban areas having developed limbs more suited to climbing flat surfaces like walls and windows⁶.

In the business context, **Rapid Evolution describes the leadership of rapid yet sustained growth or transformation, enabling an organisation to progress further and faster than others in their sector.**

Leaders who manage to achieve Rapid Evolution aren't just more effective at driving performance through setting challenging goals or working harder. They have a distinctly different mindset and approach, which, when driven throughout the organisation, sets them apart.

The research process

Our research sought to identify the organisational characteristics that underpin Rapid Evolution. We did this by undertaking a wide-ranging literature review, synthesising academic and industry analysis of organisations' response to external demands and market changes over the last 10 years. Then, we conducted a deep dive analysis to identify and examine the factors that differentiate between those who manage to achieve sustained success over time and those who don't. In particular, we aimed to identify and unpick the specific leadership behaviours that drive it, and the type of organisational culture needed to instill it.



Achieved sustained success overtime – positive deviance



Achieved initial success but failed to sustain it – negative deviance



The 5 key principles of Rapid Evolution

1

Change becomes who you are and what you do

To keep up with the pace and extent of change, organisations have to embrace the concept of "change before you have to". Wait until the need for change is obvious and it will be too late. Instead of a one-off event or programme, change needs to be hard wired into your identity; how we operate, continually adapting, testing and flexing.

2

Think big but act small

The companies in the biggest danger of stagnation or decline are those that are already relatively successful. These companies don't fail because they're bad at what they do, but because they're great at what they do. Protecting that past legacy becomes the primary focus. Rapid Evolution organisations realise that to remain successful they must take risks and evolve, giving people the freedom to invent and experiment.

Fast, fast, slow

Sustainable growth cannot be achieved by simply trying to do more, pedal faster. In fact, most high growth organisations don't stay in the high growth phase for long⁷. The secret is to be clear about where pace is needed versus time to reflect, reconsider or embed. It's not one pace, it's variation of pace.

3

Less is more

As organisations grow, they become less agile. Boggled down with bureaucracy and complexity, they don't change as fast as the market, technology, or customer expectations, and fall out of favour. Effective growth leaders resist this to stay light, focused and uncluttered.

4

Tension creates energy for change

Forward movement requires a degree of tension. Too much tension creates dysfunction, but without it we linger in the comfort zone, and the world moves on around us. Positive tension can come from a range of sources: from your knowledge base, when you broaden your horizon and spot differences in what you currently know and what you need to know, from diversity of people, when a broader range of perspectives reveals realities that you had neither imagined nor planned for.

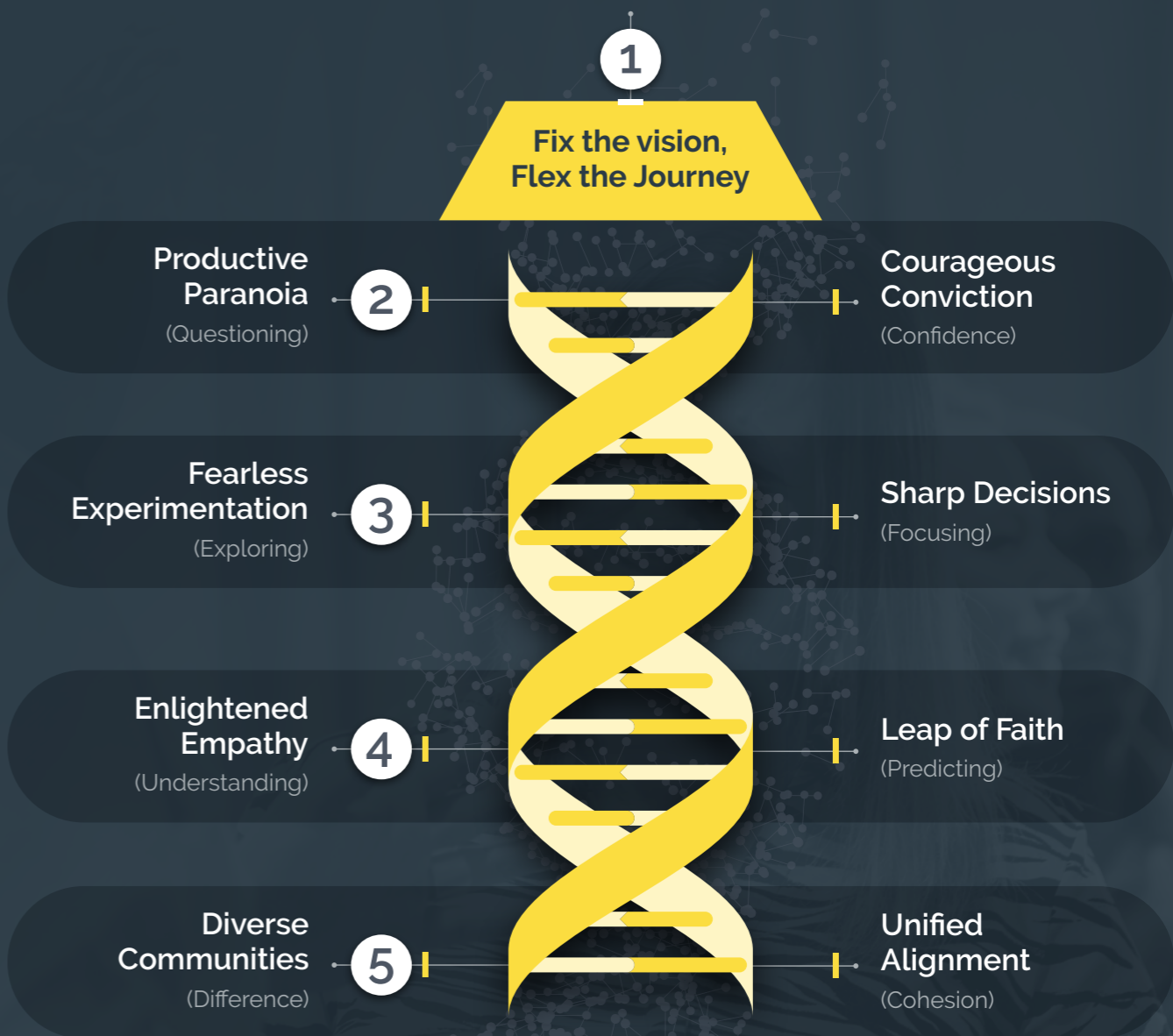
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The Key Tensions of Rapid Evolution

To succeed in a complex, ambiguous, and rapidly changing operating environment, leaders need to balance the inevitable tensions created by fluctuating, and often competing, internal and external demands. Too little tension and we linger too long in the comfort zone, while the world (and our customers, clients, or service users) moves on around us. Too much tension and we risk burnout or disengagement. But without a degree of tension, there is no change, no forwards movement.



5 Tensions



Tension 1

Fix the Vision, Flex the Journey

When analysing the organisational characteristics that differentiate between organisations who are able to achieve Rapid Evolution and sustain this over time, in comparison to those who don't, 5 key tensions emerged. These are the key tensions that leaders and their teams must balance to achieve and maintain the level:

This overarching tension, critical to achieving Rapid Evolution, involves creating a strong sense of purpose and direction through a compelling long-term vision, but then having a high level of agility to flex the route taken to get there.

Purpose-driven companies grow three times faster on average, than their competitors, while also generating higher customer and employee satisfaction⁸. Change can be hard, so the 'why' of growth and evolution has to be strong enough to give people the extra drive needed to achieve it. It also anchors thinking in the longer-term, an antidote to the inevitable pressure all leaders face to deliver results in the short-term. The long-term vision must be strong enough to prevent leaders from allowing short-term pressures to compromise long-term growth. This is critical in achieving sustainable growth, ensuring that actions are not taken which boost revenue or performance in the short-term, at the expense of the longer-term. It also ensures that any minor failures or dips are tolerated (see Tension 3) for the benefit of continued growth in future.

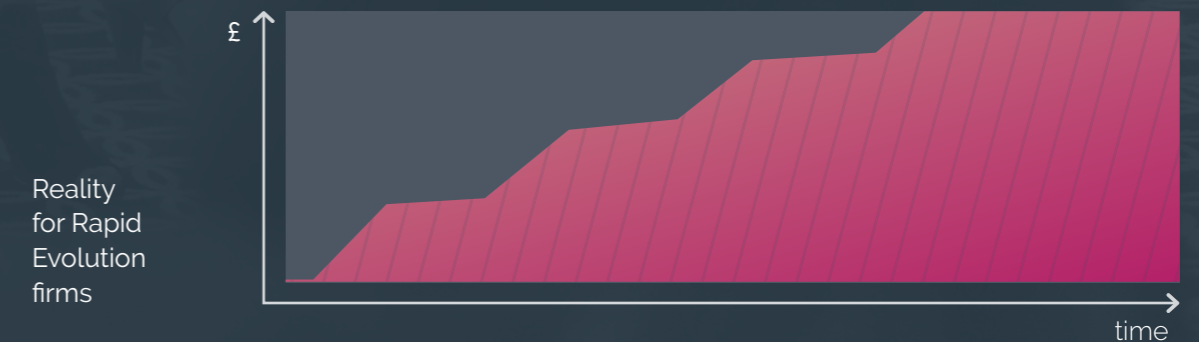
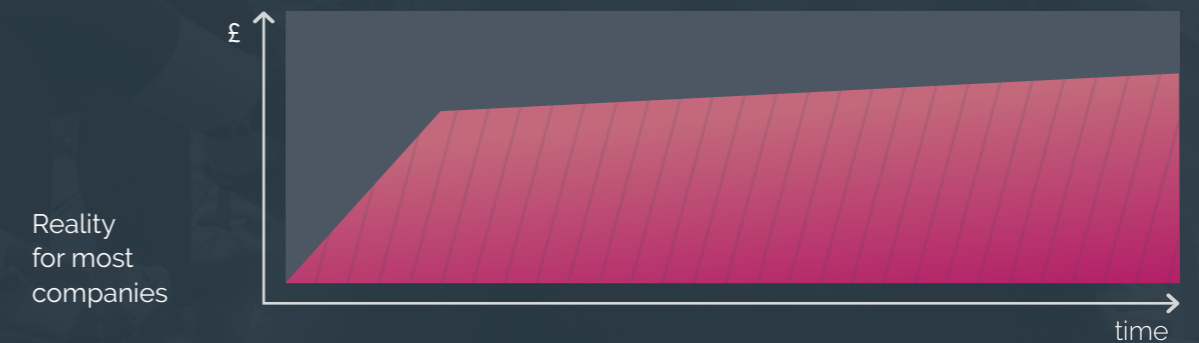
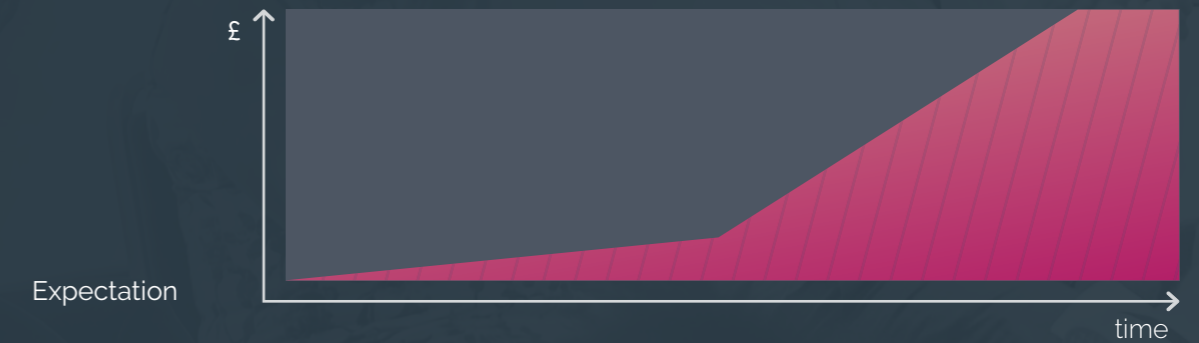
A key role for managers is continually removing the bottlenecks that hinder further growth or evolution, or identifying new paths to achieving it. Research shows that most organisations expect a turning point and then rapid growth, but the reality is that most experience rapid early growth and then plateau (see opposite page). To succeed in the current climate, the reality needs to be different. As outlined in the first key principle of Rapid Evolution, to keep up, instead of an occasional event, change must become who you are and what you do; how we operate, continually adapting, testing and flexing.



Tension 1: Questions to ask yourself

- How many of your team could tell you what the vision is for your organisation?
- If employees decide where to work based on how excited they are about the company's vision or purpose, would they choose yours?
- What are the unquestioned core beliefs or assumptions underpinning your current strategies that could turn out to be misguided?

Growth & Transformation: Expectations vs. Reality*



* Adapted from Lahring et al., 2021

Tension 2

Productive Paranoia vs. Courageous Conviction



As organisations grow, they become increasingly internally focused. Focus moves away from external trends, customer or user needs and preferences to internal matters, such as honing processes and existing products or services. Jeff Bezos describes this dangerous shift as one in which process becomes a proxy for success:



Good process serves you so you can serve customers. But if you're not watchful, the process can become the thing. This can happen very easily in large organisations. The process becomes the proxy for the result you want. You stop looking at outcomes and just make sure you're doing the process right.

A similar story is echoed by Fever Tree founder Tim Warrillow, who cites Schweppes' lack of agility and internal focus as something they used to their advantage:



It's a juggernaut... that makes it a very good competitor, because it's actually very difficult for it to respond to us. It is obsessed with production efficiencies and economies of scale and can only buy in enormous quantities, and that restricts the products it can buy. We can develop products that the customer and retailer really want, rather than what the production department wants us to produce⁹.

Although most business leaders say that they put the customer, client or service user first, the reality is that operational pressures take over and that voice gets lost. Over time, a gap emerges between what the business is focusing on and changing customer wants and needs. Failure to bring the assumptions that drive a company strategy into line with changes in the external environment is one of the most consistent culprits found in declining organisations.¹

Productive paranoia is about maintaining broad horizons and questioning 'are we still relevant?', are we still on the right track? However, this must be done in a productive way that moves things forwards rather than creating paralysis; an emphasis on alternative options and opportunities rather than just problems. In addition, of course, questioning must be balanced with action; committing and moving forwards with confidence. The trouble is, typically there's not enough emphasis on the questioning side, because introspection and self-doubt don't tend to feature in the personality profiles of senior leaders in large organisations.

Instead, research identifies a lack of tension in this area underpinning decline in organisations - a cycle of disdain, denial, and rationalisation that keeps management teams from responding meaningfully to market changes. Strategic assumptions which began life as observations about customers, competitors, or technologies, that arise from direct experience, are then enshrined in the strategic plan, translated into operations, and eventually become orthodoxy. Over time, it is the assumptions that management teams have held the longest or hold the most deeply that are the likeliest to be its undoing.¹



Tension 2: Questions to ask yourself

- Where is the balance of your focus, as a leader, on what's going on internally vs externally? Is this balance sufficient to ensure you're on the front foot, noticing changes in the internal and external environment?
- Are you or other leaders in your organisations being too conservative in the areas where you see opportunities? On what should you be moving faster or being bolder?

Tension 3

Fearless Experimentation vs Sharp Decisions



A plaque in Amazon headquarters famously reads: "There's so much stuff that has yet to be invented. There's so much new that's going to happen... this is still Day 1 in such a big way"¹⁰. This statement has fuelled Amazon's long-term focus on invention, even at the expense of short-term profitability. The reason for this was explained in a letter to shareholders, where Jeff Bezos added: "Day 2 is stasis. Followed by irrelevance. Followed by excruciating, painful decline. Followed by death. And that is why it is always Day 1"¹¹. He adds that an established company might harvest Day 2 for years, "but the final result would still come".

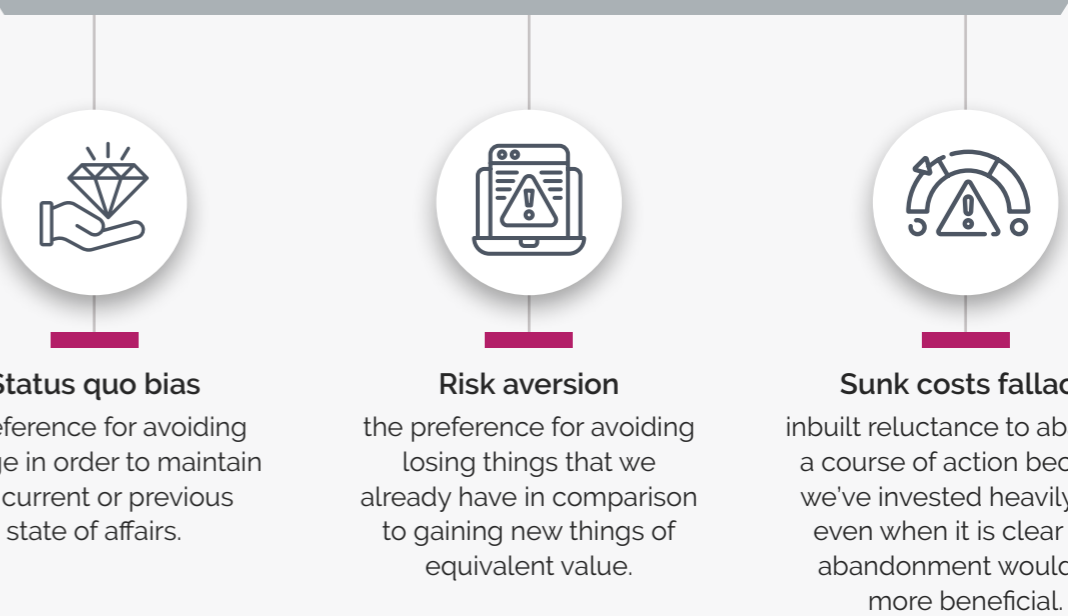
How do you fend off Day 2? Bezos emphasises that staying in Day 1 requires you to "experiment patiently, accept failures, plant seeds, protect saplings, and double down when you see customer delight." Indeed, research shows that organisations fail when they stick too long with products or service attributes that are in decline¹⁰, allowing others to come along and leapfrog them.

Think big, start small. Have an action-led approach to planning, which involves starting small and testing and experimenting with new options regularly, underpinned by the mindset 'the faster we act, the faster we learn, and the faster we succeed'¹⁰. To encourage an experimental, risk-taking approach throughout the organisation, leaders must reward effort, not just success. Growth leaders are 40% more likely to have explicit incentives to reward risk taking in their teams.¹²

As with all of the tensions, however, the divergent and exploratory nature of experimentation must be balanced with sharp decisions. Bezos refers to these as high-quality, high-velocity decisions. A key distinction between Day 1 and Day 2 companies, he argues, is that Day 2 make high-quality decisions, but make them slowly. Letting time slip away through prevarication sets you back. To get, and stay, ahead of the curve, time should be treated with the same amount of respect as capital investments.

Why do we prevaricate about change?

Because we're wired with subconscious cognitive biases that make us highly sensitive to losses, which can play out in terms of:



In mid to large-sized organisations a low tolerance of risk is common due to the perception that there's more to lose than there is to gain. Effective growth and transformation leaders, on the other hand, see that potential for evolution and growth is everywhere. They resist the temptation to obsess about protecting current performance, particularly at the expense of new, even potentially threatening, growth opportunities. The focus is on continually moving towards new opportunities as opposed to protecting existing market share. Elimination of existing forms of value through innovating to generate new opportunities is what economist Joseph Schumpeter called "creative destruction".



Gillette, for example, consistently strengthened its market position through its willingness to make existing ranges redundant and replace them with new products. The Sensor razor created the initial breakthrough, before being superseded by the Mac3, which was, in turn, overthrown by Fusion¹³. Kodak and Nokia, in contrast, provide examples of organisations more focused on defending their existing technologies or products for as long as possible. In both cases this resulted in lost momentum and, ultimately, these companies falling so far behind that once it became clear that existing products were becoming obsolete, it was too late to catch up.

Our in-built loss aversion also means that leaders must resist the temptation to simply try to do more. As it's impossible to move at pace on everything, all at once, sharp decision-making is needed to determine the critical things that will really make difference.

As argued in “Growth in the age of complexity”, it's easy to assume that doing many things is the route to faster progress:

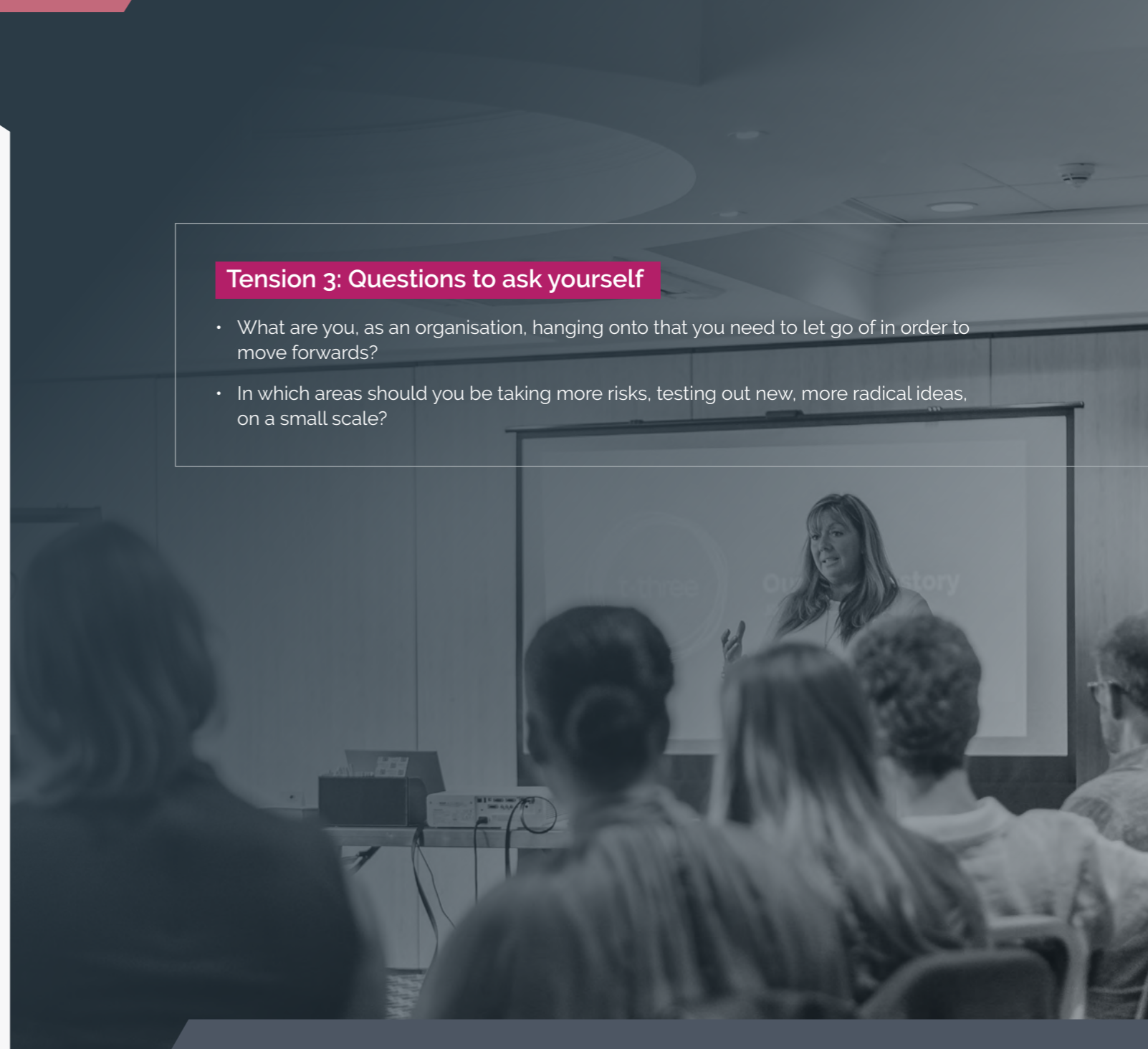
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It may feel bold—“Look at how many things we are doing”—but it is actually the antithesis of real boldness. Rather, pseudo boldness seeks comfort in numbers: so many strategic initiatives (i.e., I'm not really sure any one of them will add enough value)... or much shared responsibility (i.e., I don't want to choose who I will rely on, including myself). Pseudo boldness reflects a lack of conviction or willingness to place a bet. True boldness, on the other hand, cuts through all this.

Underpinned by the clarity of vision and purpose that mobilises action (**Tension 1**), sharp decision-making on the basis of insight gained through broad experimentation, to unearth where most value will really come from, and focus on that. As advocated by Peter Drucker, it's a focus on doing the right things (rather than doing things right), that creates more value in the long run.

Tension 3: Questions to ask yourself

- What are you, as an organisation, hanging onto that you need to let go of in order to move forwards?
- In which areas should you be taking more risks, testing out new, more radical ideas, on a small scale?





Tension 4

Enlightened Empathy vs Leap of faith

Enlightened empathy involves understanding the underlying needs and feelings of customers and employees so that you can go beyond their immediate tactical needs to predict what they may benefit from or value in future. It is not simply about being data-driven, but about going beyond the data to walk in their shoes, share their experience to create a deeper level of understanding.

Leaders who achieve this go beyond simplistic metrics to deeply understand their customers and employees. They spend tremendous energy developing that understanding, which enables them to act upon their intuition.

This depth of understanding is essential for staying ahead of the curve because it enables them to make an informed leap of faith – this is about taking a deep understanding of customers and employees' real experiences, but then going beyond the data by adding a spark or creativity and foresight. Only by doing this, is it possible to lead rather than follow. It's a leap of faith since it's about creating a need that customers and employees didn't even know that they want until they saw it – but it's far from a blind leap.



Rapid Evolution especially requires that this principle is applied internally, in terms of the company's learning and development or talent management strategy. For Rapid Evolution, we need to support each individual to step out of their comfort zone and be moving towards their potential. Having a strong belief in potential means trusting people and giving them the stretching opportunities to grow with the company, and in doing so, to achieve things they may not have thought they were capable of. The organisation will evolve at a faster rate if each individual within it is growing and evolving along with it.



Tension 4: Questions to ask yourself

- When is the last time you spent a day with a customer or end user of your organisation's products or services, to really understand their needs?
- Where are the opportunities to stretch and maximise the talents of everyone in your team?
- Do you create an environment where people are encouraged and enabled to 'go beyond the data', applying creativity to generate novel solutions to problems?

Tension 5

Diverse Communities vs Unified Alignment



Adaptation to changing environments is powered by diversity. The greater the level of diversity, the stronger the level of adaptability and higher the chances of survival. Diversity of thought, of perspective and approach help to reduce potential blind spots in what is (or isn't) anticipated and planned for as a business, and provides a broad repertoire of skills, tools and approaches to draw upon.

In evolutionary biology, Rapid Evolution is enabled by increasing the diversity within any given population. Like a Swiss Army knife, having many different variations - or branches of evolution - that can be drawn upon, depending on what best meets the needs of the ever-changing external demands.

Yet this diversity must be aligned at a high level, connected by shared values, via a co-created language and culture which binds employees and customers or users together. A sense of community creates stickiness - the more linkages individuals have to each other and to the organisation, the more likely they are to stay. Embeddedness is a well-established factor to enhancing organisational commitment and retention, both for employees and customers or clients. Applied to customers, this is about moving beyond providing a product or service to embedding the brand within and across communities. Community embeddedness unlocks loyalty for the longer-term and creates ripple adoption. For employees, this sense of community and shared vision allows differences to be respected and valued, whilst creating cohesion at the deeper level to ensure these differences are harnessed to contribute towards achieving the same vision.

Cohesion to move forwards, at pace, requires alignment regarding the ultimate direction and priorities. Without this, there is friction which creates wasted energy and detracts from the forwards momentum. Deep misalignment issues, for instance relating to fundamental disagreements on the vision - as opposed to the journey - must be addressed early before too much energy is wasted and time lost heading towards different destinations.



Tension 5: Questions to ask yourself

- How cognitively diverse are your people? (e.g. in terms of their worldviews and ways of approaching situations) Is this difference leveraged to minimise blindspots?
- If you asked people across your organisation about the 3 main priorities for the organisation as a whole, how aligned would their responses be?



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