Managing Change and Uncertainty

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Change
Strategic Results

Enterprise Context

Setting Strategy

Implementing Strategy

Short Term Business Objectives
- Dashboards
- Clear Metrics for Success
- Emphasis on Analytics
- Continuous Improvement
- Clarity of Enterprise "Core"
- Alignment of Incentives
- Accountability
- Bias Towards Action

Long Term Business Objectives
- Value-Driven Results
  - Managing uncertainty
  - Higher tolerance for failure
- Organizational Processes
  - Adaptability and Optionality
  - Dynamic Scanning
- Enterprise Mindset
  - Aligned Executive Team
  - Shared Information
- Cultural Enablers
  - Inquisitive Mindset
  - Emphasis on Learning

Judgment

Critical Thinking

Analytics
Barriers

Clarity of the Intent
You are a marine property adjuster charged with minimizing the loss of cargo on three insured barges that sank yesterday off the coast of Alaska. Each barge holds $200,000 worth of cargo, which will be lost if not salvaged within 72 hours. The owner of a local marine-salvage company gives you two options, both of which will cost the same.

- **Plan A:** This plan will save the cargo of one of the three barges, worth $200,000.
- **Plan B:** This plan has a one-third probability of saving the cargo on all three barges, worth $600,000, but has a two-thirds probability of saving nothing.

Prospect Theory: Insurance Professionals

You are a marine property adjuster charged with minimizing the loss of cargo on three insured barges that sank yesterday off the coast of Alaska. Each barge holds $200,000 worth of cargo, which will be lost if not salvaged within 72 hours. The owner of a local marine-salvage company gives you two options, both of which will cost the same.

- Plan A: This plan will result in the loss of two of the three cargos, worth $400,000.
- Plan B: This plan has a two-thirds probability of resulting in the loss of all three cargos and the entire $600,000, but has a one-third probability of losing no cargo.


A “Sense of Urgency”
Stakeholder Interest Matrix

An Alternative Stakeholder Model: Feasibility of Execution
Strategic Agility

Gathering the Relevant Information

Evaluating the Alternatives

Preparing for Execution

Making the Decision

Executing on the Decision

Developing Alternative Solutions

Gathering the Relevant Information

Clarifying the Issue

Who will make the final decision?

When will the decision be made?

Decision rights explicitly determined early
Three Actions for Strategic Agility

- Identify the key uncertainties:
  - Plan for the key trends
  - Manage the key uncertainties
- Track the key uncertainties:
  - “Trendspotting”
  - “Sense-making”
- Take action around the key uncertainties:
  - Conduct rapid experiments
  - Make small bets
  - Build adaptability and flexibility

Trends and Uncertainties

A trend is a future force in which the outcome is very predictable - a known known or a “predictable”
Trends and Uncertainties

An **uncertainty** is a future force in which the outcome is unknown

*Unknown Unknown*

**Known Unknown**  Manage with Adaptability

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**Future Forces Worksheet**

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Sources of the Early Indicators

- Various markets or countries
- Adjacent industries
- Headlines in leading business and / or tech journals
- Employees that interact closely with the external environment
- Formal process embedded in the organization
Key Concept in Strategic Agility

Manage uncertainty by using a process of agility or flexibility:

- SMALL BET: Invest a minimal amount initially in one or a variety of options
- RAPID EXPERIMENT: Test a hypothesis for the purposes of learning about the uncertainty
- PHASED APPROACH: Execute on a portion of the initiative that is less vulnerable to uncertainty

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Red = Vulnerable to the uncertainty  Green = Invulnerable to the uncertainty