

Managing Change and Uncertainty

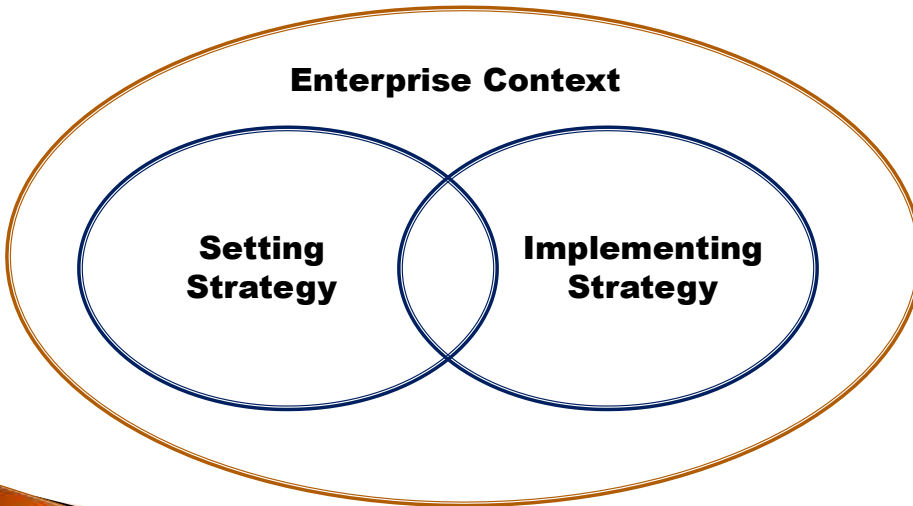
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Change



Strategic Results



Short Term Business Objectives

Long Term Business Objectives

Short Term Business Objectives		Long Term Business Objectives
<ul style="list-style-type: none"> • Dashboards • Clear Metrics for Success 	Value-Driven Results	<ul style="list-style-type: none"> • Managing uncertainty • Higher tolerance for failure
<ul style="list-style-type: none"> • Emphasis on Analytics • Continuous Improvement 	Organizational Processes	<ul style="list-style-type: none"> • Adaptability and Optionality • Dynamic Scanning
<ul style="list-style-type: none"> • Clarity of Enterprise "Core" • Alignment of Incentives 	Enterprise Mindset	<ul style="list-style-type: none"> • Aligned Executive Team • Shared Information
<ul style="list-style-type: none"> • Accountability • Bias Towards Action 	Cultural Enablers	<ul style="list-style-type: none"> • Inquisitive Mindset • Emphasis on Learning
Judgment		
Critical Thinking		
Analytics		



Barriers



Clarity of the Intent



An Organizational Mental Model

PRODUCTIVE PARANOIA!



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 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.

"The Hidden Traps in Decision Making", *Harvard Business Review*, John S. Hammond, Ralph L. Keeney, Howard Raiffa, January 2006.



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- ▶ 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.

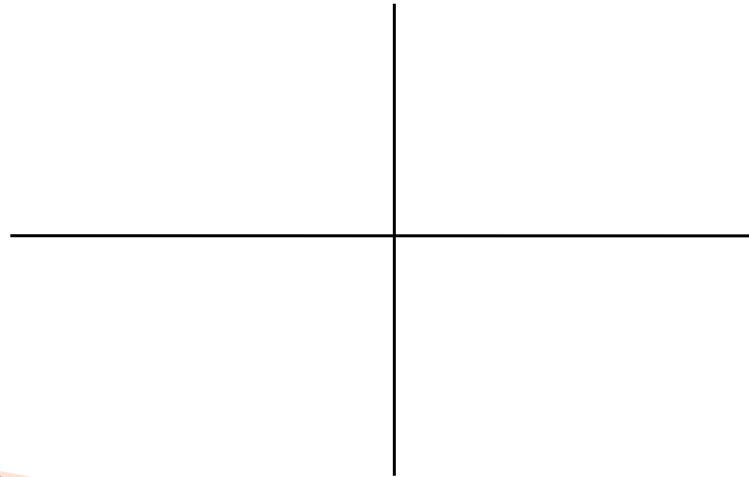
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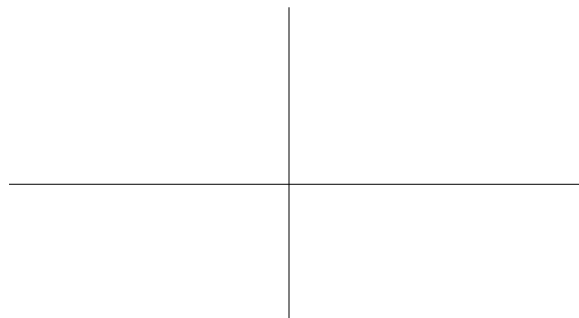
A "Sense of Urgency"



Stakeholder Interest Matrix



An Alternative Stakeholder Model: Feasibility of Execution



From Gregory P. Shea, PhD



Strategic Agility



Decision Rights



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



Future Forces Worksheet

Key Trends	Key Uncertainties



Future Forces Worksheet

Key Trends	Key Uncertainties



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



Testing the Initiatives

Initiative	U1	U2	U3	U4	U5	U6
Initiative 1						
Initiative 2						
Initiative 3						
Initiative 4						
Initiative 5						
Initiative 6						



= Vulnerable to the uncertainty



= Invulnerable to the uncertainty

