

Excelling in a VUCA Environment Requires a Learning Mindset

A 6-PART SERIES OF ARTICLES BY CHIEF EXECUTIVE IN PARTNERSHIP WITH TLDG

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Can You Do VUCA? 5 Key Strategies for Success

“Disruption is as great as we have ever seen it,” says Joe DePinto, CEO of 7-Eleven. “We are seeing all aspects of VUCA.”

THE U.S. ARMY COINED THE ACRONYM VUCA in the 1990s to describe the post-Cold War operational environment: Volatile, Uncertain, Complex and Ambiguous. Facing a VUCA environment, the Army developed doctrines and procedures that allowed leaders at all levels to respond effectively.

The idea of VUCA has since been embraced by leaders in all sectors of society, in particular the current business world, to describe the nature of the world in which they operate:

- The accelerating rate of change (volatility)

- The lack of predictability (uncertainty)

- The interconnectedness of cause-and-effect forces (complexity)

- And the strong potential for misreads (ambiguity).

Certainly, 7-Eleven is not alone. Thomas Friedman, in his recent book, “Thank You for Being Late,” argues that most organizations face significant environmental complexity in “the age of accelerations” and identifies three main drivers of our contemporary VUCA environment: the exponential growth of technology, globalization and the environment (climate change, population growth and migration), which all are accelerating simultaneously. This “Supernova”—as Friedman calls the convergence of these drivers—has created a VUCA environment for nearly every business and every industry.

How do CEOs and their companies understand the challenges of a VUCA environment? How do they adapt and innovate quickly to respond appropriately? To answer these questions, we interviewed 6 CEOs/Chairman/Presidents from a variety of industries:

Joe DePinto – CEO, 7-Eleven

Mike Fucci – Chairman, Deloitte

Tony Guzzi – CEO, EMCOR

Margaret Keane – President and CEO, Synchrony Financial

Bob Leduc – President, Pratt & Whitney, and

Bob Weidner – President and CEO, MSCI

We asked each to describe their business environment and discuss how they are leading their companies to thrive in the face of massive disruptions.

This is the first of a series of six articles focusing on what the CEOs did to adjust to their VUCA environment, how it worked and what they learned from their efforts that might be helpful to other CEOs. We hope our readers will find this series, drawn from personal stories, to be of benefit as they lead their companies and teams in today’s VUCA environment.

We begin with a case study drawn from the U.S. Army’s creation of and experience with VUCA to introduce several key concepts that will provide a framework for subsequent articles. In addition to the CEO interviews, we also interviewed General (retired) Dennis Reimer, a former Chief of Staff of the U.S. Army. General Reimer led the Army of over 1 million soldiers in the latter half of the 1990s and presided over the service’s transformation following the end of the Cold

War. Under General Reimer’s command, the concept of “VUCA” was created and the Army’s doctrine and procedures to deal with a VUCA environment were formulated.


General Reimer said the Army’s VUCA environment began in December 1989 with the fall of the Berlin Wall and subsequent end of the Cold War. The Army had spent decades building what he called “a threat-based force,” with a single focus on deterring and, if necessary, defeating, a military threat from the Soviet Union. The demise of the Soviet Union ushered in a New World Order, which President George H. W. Bush at the time said was “long on New and short on Order.” Uncertainty about potential threats meant the Army had to be ready for a full spectrum of conflict, from low-intensity conflicts to nuclear war. To respond to this new VUCA environment, the Army moved from a threat-based force to a capability-based force, prepared to “go anywhere in the world, with the right force.” And so, the Army had to be able to mix and match forces to adapt to a more complex and uncertain operational environment. “When you go from something like a threat-based force to a capabilities-based force and all that entails, you end up really doing a transformation,” said General Reimer.

How did the Army transform? According to Reimer, the answer is by using 5 key strategies to position the Army for future success. These strategies have much in common with what business leaders are doing to make their organizations more adaptive.

1. Shaping the Culture around Mission and Values.

Executive leaders shape the organizational culture. Particularly during times of rapid change, it is critical for the chief executive to pay attention to culture. General Reimer noted one cannot change everything at once—the CEO must keep the organization focused. As the Army’s chief of staff, he chose to focus on mission and values and encouraged leaders at all levels to live by, and reinforce, the organization’s values. He cautioned that without a strong emphasis on mission and values, periods of rapid change might create negative leadership conditions within the organization. The Army experienced such challenges in the 1990s when the Army was simultaneously downsizing its end-strength and reorganizing the force, which led General Reimer to redouble his efforts to promote the Army’s core values.

2. Leveraging Technology. For General Reimer, technology was a key driver in both the acceleration of change and the success of the Army’s adaptation. “We decided we wanted to change the way we operate. If we didn’t change, we were going to lose the advantage we had over the other armies. And so, we set about digitizing the Army.” The Army planned to use digital technology to create a complete picture



of the battlefield and, thus, gain an advantage over potential adversaries. “We figured if we could answer three questions: Where am I? Where are my buddies? And where is the enemy? Then we could really change the way the army fights.”

3. Aligning Organizational Structures. The need for flexibility and rapid response led to an examination of how the Army was structured to be able to respond to a wide range of possible threats. The Army has six major levels of command from largest to smallest:

Army > Corps > Division > Brigade > Battalion > Company

The Army division (10,000-18,000 soldiers) had been the force that was deployed to face known Soviet threats, but after the Cold War ended, smaller brigade-sized forces (3,000-5,000 soldiers) afforded greater flexibility, and they could be mixed and matched to meet specific threats. This was no small change. This transformation required changes in training, leader development, supply chain management, and, inevitably, how we fight and win our wars. There is no doubt that a brigade-based structure is more agile than the “Cold War” paradigm of the division-based force. But to make that move would require time and effort and possibly distract from current missions. The problem was the personnel and leader-development systems were all geared to support a division-based structure. So, General Reimer asked his senior commanders to read about, and reflect on, the idea of change. In the end, they decided on a hybrid approach that aligned structure to current mission requirements.

There was some merit to going to a brigade-based force. The problem we had—and the problem I particularly had, was I couldn’t quite figure out how to make the leader development work for that size or that type of an Army. We had certain leader development programs we wanted our leaders to go through. And when you remove a level of command, then you ask yourself, “How do you go from the brigade-level to the Corps-level,” for example. And it didn’t work. So, we backed off of that. But what we did was to leave the division structure in place and to mix and match a lot more. And that’s the way most of the wars, or most of stability operations in Afghanistan, Iraq—well, the second war and then also, the stability force, have been fought. You use that mix and match methodology and it seems to be working out all right.

4. Establishing a Learning Organization. In the 1990s, the Army experimented with these new ideas—creating the digital battlefield and operating with nimble tactical formations. The Army established a test bed at Fort Hood, Texas to try out these concepts which involved lots of people trying new ideas, gathering data, and reporting back to the Army

the results of the tests. Despite some naysayers, the results of the tests were positive enough for the Army to move forward. As General Reimer said, “we just made the decision that we’re close enough. We’re at the 90% solution. Let’s just take it forward. And I’m glad we did.”

Next, the Army ran a series of war game simulations to test the concepts against a variety of current and future threat scenarios. After every exercise, large or small, all leaders used after-action reviews to learn and implement lessons learned in future operations. The objective was to learn how the new ideas stacked up against alternative threats, to ensure the transformed Army would embody the characteristics that would meet the challenges of this VUCA world. Additionally, Army units incorporated the new concepts into tactical training in force-on-force simulated combat at the combat maneuver training centers

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to prepare leaders and units for the new operational environment. Throughout the transformation process, General Reimer clearly communicated the need for change and encouraged experimentation and information sharing within the Army.

5. Leader Development. General Reimer reflected on the importance of leader development within the Army, emphasizing the necessity for a continuous and progressive system of professional education, training and job experiences to prepare leaders throughout the chain of command for the management of change. As the CEO, he also emphasized the importance of succession planning for the most senior executive positions. He told the story of how four successive Army chiefs of staff progressed through critical assignments—deputy chief of staff for operations, vice chief of staff, and chief of staff—and that continuity in top leadership allowed the Army to maintain the transformation’s momentum and continuity from the end of the Cold War well into the post 9-11 era.

The 5 strategies presented above provide a framework for examining what works today in the business world. In subsequent articles, we will look at how corporate CEOs understand their VUCA environments and are positioning their companies to respond effectively. What does VUCA look like today, and how are business leaders adapting to ensure success? Do the strategies used by the Army after the Cold War make sense in today’s business world? We’ll answer these questions in follow-on articles. ■

What The VUCA Environment Means To A CEO

THIS ARTICLE ILLUSTRATES WHAT VUCA LOOKS LIKE from the CEO's perspective across a variety of industries, highlighting specific disruptors—technology, competitors and market forces—that are impacting their companies. We found these environmental forces to be similar to what the Army experienced after the Cold War. Emerging global threats from new competitor nations, as well as non-state actors (terrorist groups) and dynamic market forces (e.g., changing geopolitical alliances and shifting national budget priorities), led the Army leadership to think differently about national security. Advances in digital technology played an important role in allowing the Army to respond to these new threats.

Remember the days of stopping by the local 7-Eleven on the way to work for a cup of coffee, a donut and a tank of gas? That is still the primary focus of the largest franchise business in the world with 63,000 convenience stores, but the business is changing dramatically, according to 7-Eleven CEO, Joe DePinto. Joe was named the Convenience Store Petroleum (CSP) Retailer of the Year among consumer and petroleum retailers and has led 7-Eleven for 12 years.

"Disruption is as great as we have ever seen it. We are seeing all aspects of VUCA." He described the disruption brought on by e-commerce competitors and the desire to transform the company before competitors change the industry:

"We are an immediate consumption business," he says. "We sell products that are immediately consumable, and the e-commerce businesses are starting to encroach on our space. They are in fact beginning to redefine convenience as we have traditionally known it. The company that epitomizes this is Amazon. Once an e-commerce book company, they now disrupt businesses across many channels. For instance, Amazon's Prime business will deliver anything you want within 2 hours. In time, it will be much faster. That's why we have been so aggressive in ramping up our digital initiatives at 7-Eleven. We're working to move our company toward being more of a technology company that works in coordination with our traditional convenience stores. Customers can now order products from 7-Eleven that are picked up by Post Mates or some of our other partners, and then delivered to the customer within 30 minutes.

"Additionally, to offer increased convenience, we're getting into the 'click-and-pick' business where customers will be able to order online or through our app, come to our stores, and the product will be available

for them immediately to pick up, having already been paid for. We are also focused on utilizing our stores as distribution points for other businesses. Customers can have their boxes shipped to a local 7-Eleven, and can pick them up at their convenience. Finally, we are working on digital payment options that are multiple and varied. Today's customer wants different payment options. We need to provide them solutions to pay the way they want. So, we have all of this going on. It's really being driven by the customer and new e-commerce entrants. It's forcing businesses like 7-Eleven to change the way we have done things in the past."


Bob Weidner, President and CEO of the Metals Services Center Institute (MSCI), the trade group rep-

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resenting the industrial metals supply chain in North America, shared a story of how adaptive manufacturing and 3-D printing might disrupt the traditional industrial metals manufacturing process in the industry. This disruption illustrates dramatic changes in the way industrial metals manufacturing firms think about business going forward.

A relatively new CEO to this particular service center was attending one of his first MSCI conferences. And on that program, we actually had a speaker talking about additive manufacturing and 3-D printing. Again, that would not necessarily be the content at a typical trade association's programming, but you know, I believe we have delegates in a ballroom for a finite period of time. Bringing new ideas is part of our value add – because we can see the world, by definition, through a very broad lens. We are looking at the world through a producer's lens. Through a service center's lens. We are looking at it through a lens of carbon steel, stainless steel and aluminum. And, again, our value is to identify on the horizon things that are going to be fundamentally changing their businesses.

The CEO went back to his company, pulled together his senior leaders and asked the question, "What do you guys know about 3-D printing and additive manufacturing?...I just came from an MSCI conference where I heard enough in the hour-long presentation



that basically told me I don't know what I don't know, so I want you all to put together a little team and come back in 6 to 9 months (whatever the time frame was.) Come back with a plan for what our company should be doing in this space." Flash forward – that company recently bought a 3-D printing company.

Bob Leduc, President of Pratt & Whitney, with 2016 sales of \$15 billion and 38,000 employees, described how the rapid pace of technological advances in the jet engine industry is requiring his company to become nimble in the face of a historic growth rate in commercial aviation, advancements in technology, and increasingly stiff competition.

"There is no question that we are in a VUCA environment right now," he says. "When you think about our business, we've got a very complicated landscape. We have established competitors, but also emerging competitors, particularly in China and Russia. We have technology that is constantly advancing, and we have commercial and military customers redefining what their business models are and [what] they value now vs. what they previously did. So basically, the whole landscape is moving on us in many different directions and, because of that, we needed to foster a culture that would allow the organization to move quickly.

Mike Fucci, Chairman of Deloitte, with 84,000 employees and \$18 billion in revenue, spoke about how the changing nature of work and advanced technology is altering customer expectations in the professional services market.

"I'd say the same things that are affecting our clients are affecting us, which is artificial intelligence, robotics and cognitive technology. Our clients are struggling with the question of how they incorporate these innovative technologies into their day-to-day operation. Therefore, if we're going to consult with them, we need to be ahead of the curve and help them decide how they use this technology. The days when you got by using just the experience you had are gone. We have to anticipate things that aren't even fully baked yet, but it's mostly around technology. I call it the—'everything is a what-if scenario.'

"[I]t's almost a 180-degree difference [from when I joined the firm] as to what people need to be learning and how they learn. We don't work in offices anymore. We have people in London, on the phone with people in New York...people in South Carolina. The way we work is so different that training and learning (are different). It's more like an extension of college, as

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opposed to a way to actually help you build skills that help clients solve problems. When people enter different levels of their career, like we do a lot of work with new senior managers and new partners, it's helping them learn how to operate differently in those roles, and it's not just that what got you to where you were doesn't work at the next level. It used to be that that technical experience was kind of all you needed—you had a deep knowledge in something and you brought that knowledge to clients. We have to stay in front of disruption with our clients, and as the chairman, one of the things that actually concerns me a lot is how do we govern over disruption. It's hard enough to manage over disruption. How do we govern over disruption? So, how do I build really nimble leaders to be able to address a little bit of the unknown? That's why the VUCA analogy resonates with me, because it's really more about building leadership than it is about building technical skills.

These examples illustrate how executives understand their dynamic business environments. They all talk about the accelerating rate of change caused by advances in technology, which have brought new competitors into their market and forced a rethinking about the nature of work in their companies. In the next three articles, we will share the ways these leaders are transforming their organizations to respond to these disruptions ■

The CEO's Role In Shaping An Organization's Culture

SO WHAT IS THE CEO'S ROLE IN CREATING and sustaining an organizational culture that leads to adaptation and responsiveness? Our interviews revealed several ways CEOs can influence the culture within their organizations: articulating and embedding values, hiring and growing talent, and aligning organizational systems.

The leaders we interviewed (Joe DePinto, CEO, 7-Eleven; Mike Fucci, Chairman, Deloitte; Tony Guzzi, CEO, EMCOR; Margaret Keane, President and CEO, Synchrony Financial; Bob Leduc, President, Pratt & Whitney; and Bob Weidner, President and CEO, MSCI) all agreed the most important thing they do is shape and reinforce the organization's culture. Bob Leduc expressed it clearly: "I am a firm believer that my job is to define the culture we want, model the culture we want and nourish the culture we want." Tony Guzzi agreed. "In the end, the biggest thing you can try to shape is the culture in the organization." Joe DePinto said the executive's role is "getting the right culture, setting the right tone, demonstrating that is the way we want to do things, but it's picking the right folks and then allowing them the leeway... give their folks room to run and room to grow." Margaret Keane, who was named among *Fortune's* most powerful women CEOs in the Fortune 500 in 2017, talked about establishing the organization's culture following its spin-off from General Electric:

"When we spun off from GE, it was very important that we quickly established our own culture and values—taking what was great from GE, and also becoming our own, bold, visionary company. It's something we drive every day and I must own as the CEO. The spinoff gave us a great opportunity to reshape who we were and who we wanted to become and that is all based on our values.

Articulating and Embedding Values.

Recognizing the need to develop flexibility, initiative and adaptability in their organizations to respond to the disruptions in their business environments, these CEOs worked to articulate and embed values that promoted these characteristics. Among other values, Bob Leduc stressed empowerment, integrity and employee development at all levels within the company. He also recognized he could not shape the culture alone. "I can certainly set the tone but then I need senior leaders to do that exact same thing. They need accurate senses to find it, they need to model it, and they need to embrace it and nourish it." Margaret Keane emphasized being bold and responsible, while driving continuous

improvement and leader development. For Joe DePinto, customer and store-focused servant leadership is essential. As the CEO of a large and diverse engineering company with 33,000 employees, Tony Guzzi values decision-making and accountability throughout the organization.

These CEOs did more than formally communicate the company's values. They were present throughout the organization to encourage and reinforce the values. Joe DePinto captured this theme: "You've got to be around. You've got to be visible; it's important in all businesses, and certainly in our franchise business. Franchisees have to know that the leadership is available. So, we are very open, very available,

"When we spun off from GE, it was very important that we quickly established our own culture and values—taking what was great from GE, and also becoming our own, bold, visionary company." —Margaret Keane, President and CEO, Synchrony Financial

very accessible." Tony Guzzi personally attends and participates in every leader development program the company conducts for its senior executives. They also reinforced the values by how they responded when things didn't go as planned. One of our CEOs shared a poignant story about an expensive failure on a systems test. Despite the cost, he saw it as an opportunity to reinforce empowerment and foster trust, so he and the relevant managers initiated an after-action review (AAR) to determine the cause and fix the problems and the process.

At Pratt & Whitney, Bob Leduc reinforces the company's culture, vision and values through periodic conversations at all levels within the organization. He continuously champions the concept of "going beyond," not just in service to the customer but also in how employees treat and work with each other. Bob acknowledged that it took a few iterations before his messages were fully understood and embraced. After setting the vision and mission for the company, he has relied on a framework of frequent reinforcement throughout the organization.

"I view my most important responsibility to be setting the vision, longer-term mission and near-term ob-

jectives of the enterprise," he said. "I also need to set expectations about the company culture that's needed to achieve our goals. It's then the job of the broader leadership team to cascade these concepts through their organizations to ensure alignment from top to bottom. And I make a point of reinforcing them constantly in large forums like global employee town hall meetings and executive conferences and in smaller settings like individual performance conversations. I ask my direct reports to tell me what, specifically, they are doing to advance the company's mission and to foster our desired culture. I expect them to ask the same questions of their teams. I really believe that it's not enough to set these expectations once and move on. A constant drumbeat is needed to maintain focus and is especially important during times of change or challenge.

Hiring and Growing Talent.

Getting the right people in the right positions within the organization is not a new concept, but the leaders interviewed reinforced the importance of hiring talented people and nurturing their growth, all with an eye to reinforcing the organization's culture and responsiveness to the environment. As Bob Leduc put it, "I should be spending time on people development and strategy—that is where the vast majority of my time should be... One of the most important things I can do is shape how this company is led at multiple levels. And if you do that, and you shape the culture the right way, then you increase your chance of being successful." While all the CEOs relied on different strategies, they shared that the business demands they faced required attention to values and leadership abilities as well as technical skills in hiring and advancement decisions.

CEOs paid specific attention to growing the bench for executive leadership. Mike Fucci indicated, "I'm a big supporter of succession planning, and I believe learning and succession are inexplicably linked." Bob Leduc put it directly when he said, "I believe that my successor is sitting around my table today and this will become the *modus operandi*."

Leader development strategies take many forms. At 7-Eleven, for example, Joe DePinto meets with his senior leaders every 6 months to review all directors and above to assess their performance and leadership. This review is done in a cross-functional setting giving all senior executives an enterprise view of the bench. Tony Guzzi at EMCOR supplements formal training and development programs with peer-to-peer learning to develop his bench. Other firms combine in-house training with external leadership development programs and on-the-job "stretch" assignments to grow their leadership bench. At Deloitte, for example, leaders are encouraged to take an overseas project to grow their global experience. The important takeaway is all these efforts are directed at

reinforcing the organizational leadership culture to respond effectively to the external environment.

Aligning Systems.

Finally, the CEOs reinforced the importance of ensuring that organizational systems are aligned in ways that reinforce the culture and values. The examples they shared illustrate how operations, marketing, customer support, human resources, financial, legal systems and attendant policies and procedures must

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all be integrated with the organization's culture and values. The CEOs acknowledged this is not easy to do, especially if the firm is undergoing substantial culture change; however, it's the CEO's job to make sure systems are aligned with cultural expectations.

Special emphasis was given to human resource functions—selection, onboarding, performance management, promotion, leader development and compensation must all be in sync with company values and cultural expectations. The CEOs are responsible for ensuring that the organization's systems are congruent with the culture they are trying to foster. For example, at 7-Eleven, the performance appraisal and succession planning systems are explicitly aligned with the articulated values and characteristics of effective leadership in their complex business environment. Pratt & Whitney is doing the same thing. Tony Guzzi at EMCOR has synchronized performance metrics and incentives with organizational values.

Executive leadership is cultural leadership. Our CEOs clearly understand their responsibility to shape and reinforce the organization's culture to ensure the business thrives in a dynamic marketplace. They pay attention to articulating and embedding values that promote the adaptation and flexibility. They also realize they cannot do it by themselves, so they ensure they recruit, hire and grow the right talent. Then they align systems and procedures to reflect the company's values and take advantage of talented employees.

In the next two articles, we will take a closer look at how CEOs can respond to their dynamic environments by creating agile organizations and developing nimble employees. We will examine how the CEOs transformed their companies into learning organizations and review their specific approaches to individual employee development. ■

Creating A Learning Organization

THIS IS THE THIRD in a 3-part series focusing on how CEOs adjust to their disruptive business environments and what they learned from their efforts that might be helpful to other CEOs. To answer these questions, we interviewed six CEOs/Chairman/Presidents from a variety of industries: Joe DePinto (CEO, 7-Eleven); Mike Fucci (Chairman, Deloitte); Tony Guzzi (CEO, EMCOR), Margaret Keane (President and CEO, Synchrony Financial), Bob Leduc (President, Pratt & Whitney), and Bob Weidner (President and CEO, MSCI). We asked each to describe their business environment and discuss how they are leading their companies to thrive in the face of massive disruptions.

In his book, "The Fifth Discipline," Peter Senge popularized the concept of a learning organization, where individuals and teams challenge the established mindsets, learn from experience, and develop greater personal and collective competence to achieve better performance. This article will illustrate how the CEOs are transforming their companies into learning organizations to adapt to their dynamic business environments.

It was clear from our conversations that the CEOs based their approaches to organizational learning on being able to meet the challenges they faced in their markets. Corporate culture, values, mission and strategy provide the foundation for learning, out of which emerge a shared vision and purpose that drives actions. We see similarity with the Army's concept of the commander's intent, which flows from the leader's analysis of the mission and communicates to all members of the organization the what (vision) and why (purpose) of the mission. The how is left to subordinate leaders and staff members who are closer to the action and can adjust specific actions as the situation unfolds. Organizational learning, then, is grounded in the mission.

Two strategies for organizational learning emerged from our interviews: experimentation and learning from experience. Woven throughout these strategies is the importance of communicating lessons learned across the organization, a challenge that exists in most organizations but is acute for large global companies.

Experimentation. It will come as no surprise that industrial companies employed prototyping and experimentation as part of the R&D function. MSCI is the industrial metals trade organization, which has member companies representing production mills and service centers. Bob Weidner, president/CEO, described how innovation through experimentation is taking place both in terms of product development and process innovations. He noted the companies in the industrial metals sector that are the most adaptive are "blurring the lines" between product and process innovation, seeing both

production and operational processes as part of a larger strategy for rapid response to market demands.

7-Eleven uses "fast-fail method prototyping" to develop innovative technologies in response to new competitors in its market space. Before rolling out its "click-and-pick" technology, where customers order and pay for products online for pickup at the nearest store, CEO Joe DePinto explained that the company experimented with a small number of stores and refined their processes based on these pilot studies. 7-Eleven learned which technologies worked best and how to train store employees to implement the new system.

In financial services, Synchrony Financial CEO Margaret Keane created four innovation stations with cross-functional teams that work together to accelerate change in the company. The teams include IT, operations, compliance, and legal, all working on innovative ideas to deliver capability as quickly as possible. Team members are trained in agile thinking; they are learning to work cross-functionally to accelerate change across the company. Additional examples from Synchrony include two pilot programs—one to assist military veterans transitioning to the firm and the other to support employees with disabilities. These experiments result in best practices that are shared throughout the company.

Learning from Experience. All the CEOs emphasized the importance of learning by doing the work of the company. Many employed after-action-reviews (AARs) on a routine basis, where work groups take stock of their collective performance following major events or tasks, looking at what worked, what went wrong, and what needs to be improved. For example, to facilitate organizational learning, Mike Fucci at Deloitte engages the firm's partners in change management conversations about specific events. Several important innovations have resulted from this process.

The after-action review is a technique developed by the Army as a tool for organizational and individual learning from experience. Across the Army—from platoons to senior staffs—work groups and teams meet after operational actions and training events to review what worked, what didn't work, what they learned and how they can perform more effectively and efficiently next time. Individual and collective reflection is based on the mission and leader's intent, with the focus on enhancing organizational performance on subsequent events. All team members participate, and leaders often start the discussion with a self-critique to model openness to learning. Honesty and trust are the bedrocks of the review and hallmarks of a learning organization.

At Pratt & Whitney, Bob Leduc has instituted after-action reviews throughout the company. He recently

brought together his executive leadership team to review the actions they had taken in the past 9 months to implement culture change and align organizational systems. He emphasizes accountability, empowerment and transparency, especially in times of challenge. Bob recognizes there will be times when things don't go as planned, and that it is important to own your mistakes and learn from them, just as you do with your successes.

"We are now using regular after-action reviews and allowing people to make mistakes and learn. In virtually every meeting we have now, we have a conversation around what went well, what could have gone better, and what we have learned from this. We had a disappointing incident where a project did not turn out as planned, so I had [the manager] come see me. He took me through his assessment. It was very well done, very well thought out and he actually found some improvement opportunities in relevant policies and procedures. And so, we probably spent a half hour talking about it and in the end, I said 'Listen..., the important thing is to understand the root cause and to learn from this and make sure it never happens again.'"

Tony Guzzi, CEO at EMCOR, told a similar story about how the CEO's reaction to failure can build trust and reinforce the company's values.

"When you're at the top of an organization, bad news needs to travel relatively fast, right? And really bad news has to travel exceptionally fast," Guzzi says. "And the only way that really bad news is going to travel exceptionally fast is if you build a culture of trust—that when someone gives you that bad news, and they've been a good performer and they've made good decisions—even if they haven't—that you're going to react appropriately. If they think you're immediately going to fly off the handle or that everybody around goes into cover-up mode, then that's not going to be a good outcome."

"We had a job in the last couple years that was a real problem. I mean, it was not only a problem for us, it was a problem for a lot of people. It was a high-profile job; many different political factions got involved, which is pretty unusual, quite frankly. Our CEO on the ground had to know that...we weren't going to fire him because this thing was going bad. It was outside of his control; we were going to actively engage in the solution, because the solution was going to be beyond him."

Scaling the after-action review process across a large company presents some unique challenges. At Pratt & Whitney, Bob Leduc gathers all executives at least annually to review strategy and operations. At EMCOR, an international construction services corporation, Guzzi uses functional peer groups to enhance organizational learning within the company.

Corporate culture, values, mission and strategy provide the foundation for learning, out of which emerge a shared vision and purpose that drives actions.

"We have a very extensive set of peer learning and job learning strategies. We have peer groups around building information modeling...The CEOs have peer groups around different construction techniques. We have peer groups around safety. And then, we reinforce those peer groups all the time...We have a lot of communication that goes around those peer groups. When they get together, it's usually around a learning event like a peer group...We've taken that down multiple levels. So, we have a superintendents' peer group once a year for Mechanical; Electrical; service manager; and different kinds of estimating. Now, some will say, 'Hey, we see this need,' and we'll start connecting to different people in the organization, and, then, we'll develop a peer group around that. So, there's an extensive group of peer learning that goes on here."

Joe DePinto at 7-Eleven uses video technology to connect employees across the company in a bi-weekly conversation to review corporate strategy implementation.

"We do a national video call with all of our field operators every 2 weeks. It's about a 2-hour call. There are probably 4,000 or so people on the call. They are all linked in. We zero in on a part of the strategy that we want to talk about. They all understand the overall strategy, but we constantly reinforce the importance of executing the strategy this way. We also share case studies of how others across the organization have been successful, or have tried different ways to improve different parts of our strategy and have either been successful or failed. They actually get up there and teach their peers, and go through their case study in a national forum."

In this article, we have explored how companies in different business sectors respond to their dynamic environment by becoming learning organizations. Experimentation and learning from experience emerged as strategies for these companies. In the next article, we will describe what the CEOs are doing to foster individual learning, so all employees are better able to perform in a dynamic environment. ■

Keys To Developing Organizational Leaders

WHILE THE FOURTH ARTICLE FOCUSED ON THE organization, this one will address individuals. We were interested in how CEOs ensure that employees and organizational leaders are developed to meet the demands of a dynamic environment. Bob Weidner, CEO of MSCI, the industrial metals trade organization, indicated—"thoughtful companies view their people as assets in which you must invest."

Synchrony Financial's CEO, Margaret Keane, summarized why employee development is so important in today's business environment: "You cannot ignore the development of the employees, because they are the foundation of how things operate every day. In the environment we are in right now where change is happening at such an explosive pace, we have to make sure we are thinking through the skill sets of our employees to make sure they are going to be successful in their careers and that we have the right talent."

Companies grow employee talent through both training and development. When employees are preparing to move into management positions, training is oriented toward job-related and leadership skills. Development occurs through stretch assignments and critical on-the-job experiences that broaden employees' understanding of the organization and enhance competencies for higher-level leadership. Developmental opportunities begin by considering an employee's readiness to grow, then combining challenging assignments with support (training, coaching and mentoring) so that employees derive the full benefits of the experience. CEOs who value development understand that meaningful work should be a catalyst for personal and professional growth within the context of creating high-performing organizations. The Army often talks about the fact that it is not made up of people—it is people—to emphasize the importance of people in all organizations. Gen. Dennis Reimer notes that "in working with organizations for over five decades, both military and civilian, it is clear to me that people are our most important asset. We must ensure we develop them and allow them to be all they can be to create high-performing organizations."

All the companies we studied have in-house employee training programs. Deloitte, for example, takes pride in Deloitte University, which uses case studies in small-group settings to prepare professionals for the complexity and ambiguity inherent in their business environment and to help clients solve their challenges. Mike Fucci described it this way:

"When you walk through the doors, you see a different setting. After you check in, your mind switches to learning mode. It's very collaborative, a lot of group settings and multimedia interactivity. Not a lot of presentations. Groups of 6 to 8 to 20 can get together and solve problems, and we do a lot of case studies; we do a lot of hands-on learning. It's a very immersive type of experience."

MSCI's CEO, Bob Weidner, sees his organization's role as offering training and education for his client companies. He has established a graduate program—the Strategic Metals Management program (SMM) at Washington University in St. Louis—for industry leaders, and he sponsors conferences on emerging trends in the metals industry.

Pratt & Whitney has a comprehensive employee-training program that includes leadership training for managers at all levels within the company. All the other companies in our interview set also outsource to organizations like

Thayer Leader Development Group at West Point, leadership training for senior leaders. In addition, Pratt & Whitney uses stretch assignments and cross-functional rotational programs to develop high-potential leaders for more senior positions. Bob Leduc believes much of his company's leadership development philosophy revolves around modeling and reinforcement of positive behaviors until they become ingrained in employees' DNA, as well as the importance of developing a culture based on trust and empowerment to ensure the successful delivery of business objectives.

On the training side, Synchrony Financial has 2-to-3-day functional academies for credit, finance and technology, for example. Margaret also has instituted a range of leader development programs such as the STEP Program, which prepares high-potential, non-exempt individuals for management positions.

"We have a lot of non-exempt employees, many in call centers, and the STEP Program is focused on helping them advance," she explained. "This is a two-year rotational pro-

Successful businesses create a culture of learning that fosters individual growth and corporate flexibility

gram using experiential learning and development to help them grow out of the non-exempt ranks into the exempt ranks and become managers of people; we've had real success with the program. The other positive is that there is a lot of our diversity in our non-exempt staff, so we've been able to pull people up through the organization and increase diversity in our ranks.

Synchrony makes extensive use of stretch assignments and critical experiences by moving "people with real talent, leadership and capabilities to different functions." Margaret told the story of a finance professional who was moved to marketing. As a result, both the individual and the firm discovered he had real talent in that area. He was bold enough to say he wanted to try it (an indicator of developmental readiness) and the company was bold enough to let him try it. Margaret also is moving more tech people into other functional areas to both develop talent and meet the need for greater tech infusion throughout the company. This is a stellar example of a CEO matching organizational requirements for adaptability with individual employee development.

The CEOs with whom we spoke understand that their organizations' ability to adapt to market disruptions would only be effective if their employees and leaders understand how they contribute to the company's success and have the requisite skills and personal attributes to make it happen. We heard CEOs extol the virtues of empowering employees and leaders at all levels to act within their scope of responsibility to be able to add flexibility and responsiveness to their companies. Training and leader development, tailored to specific jobs and levels of responsibility, create the workforce that is allowing them to succeed in their VUCA environments.

Successful businesses create a culture of learning that fosters individual growth and corporate flexibility to respond to the dynamics of the marketplace. The final article in this series highlights the essential keys to excelling in a VUCA environment. ■

Leading By Learning For Business Success

THIS IS THE FINAL PART OF OUR SERIES focusing on how CEOs adjust to their disruptive business environments and what they learned from their efforts that might be helpful to other CEOs. Our thanks to Joe DePinto (CEO, 7-Eleven); Mike Fucci (Chairman, Deloitte); Tony Guzzi (CEO, EMCOR), Margaret Keane (President and CEO, Synchrony Financial), Bob Leduc (President, Pratt & Whitney), and Bob Weidner (President and CEO, MSCI) for taking part. Thanks also to General Dennis Reimer, who led the Army through a major transformation during the period when the Army created the term "VUCA." We are grateful to them for their thoughtfulness and candor. We found their stories fascinating and relevant and hope you have as well.

The six executives with whom we spoke all agreed their business environments are experiencing significant disruptions. Across a wide range of business sectors—manufacturing, engineering, aerospace, financial services, convenience stores and professional services—VUCA (volatility, uncertainty, complexity and ambiguity) is real. Technology advancements, competition, regulations and globalization are accelerating the rate of change and placing enormous demands on their business to be more agile and responsive to new market forces. What are they doing to adapt?

First, they are creating, shaping and transforming their organizations' cultures to be more responsive to their environments. They influence their organization's culture by articulating and reinforcing corporate values. The executives spoke about the values of integrity, trust, empowerment, employee and leader development, and learning as being essential in the new normal of VUCA. Once the corporate values are articulated and shared, they reinforce them by personal example and presence and ensure they are cascaded throughout the organization. They also understand they need others to shape and reinforce the corporate culture; they use the values to guide hiring decisions and personnel development processes, and they ensure that all the organizational systems are aligned and synchronized to embody the culture.

Culture change is hard work that takes time and continuous effort, and they understand the importance of communicating the need for change. The executives stressed the necessity for having a clear sense of shared purpose, an unwavering commitment to change and a willingness to listen to all stakeholders. Celebrating small early successes is important to build confidence in the change process and trust in the corporate leadership.

Second, the executives are transforming their companies into learning organizations. They are encouraging experimentation with new products, services and procedures. From corporate R&D "skunk works" to small-scale pilot projects to cross-functional project teams, these executives are investing in experimentations with new

ways of doing business within the markets. They are also creating the conditions where the organization can learn from experience, making "work" the "curriculum" for improvement and innovation.

Techniques such as the after-action review (AAR) are enabling teams at all levels within the organization to learn from experience. These executives appreciate that things don't always work out as planned; they have the courage to see the value in learning from failure, and they understand when and how to balance learning with organizational performance.

Finally, the executives are investing heavily in employee learning and leader development. They understand

The executives spoke about the values of integrity, trust, empowerment, employee and leader development, and learning as being essential in the new normal of VUCA.

that organizational agility requires agile employees who have the knowledge, skills and personal attributes to operate within the corporate culture they are trying to establish. Employee training programs are planned and delivered to create a workforce that embodies the culture. Leader development efforts leverage stretch assignments and work experiences, which are supplemented with supportive coaching and mentoring, to grow and expand the leadership bench of potential executives.

At the end of the interviews, we asked the executives to reflect on how their efforts are working. They mentioned that employee surveys and "voice of the customer" feedback provide indications for how internal and external stakeholders perceive the change efforts. They also believe it's important to be visible in, and available to, employees—listening to employees at all levels share their stories and experiences with change. They are employing "leadership by walking around." The executives expect the changes will result in better performance of the business; although they are anxious to see early results, they also understand that many of their efforts will need time to fully blossom. They understand the importance of having patience, are eager to celebrate early successes and anticipate making great progress.

Perhaps this is the most important takeaway: Excellence in a VUCA environment takes time. It requires strong leadership and agile, resilient team members who are all dedicated to being learning leaders who persevere in the face of resistance and setbacks. The six executives who shared their stories are certainly committed to change to provide better products and services of value on behalf of their customers, employees and shareholders. We are grateful for their willingness to share their experiences so others might learn as well—a true hallmark of learning leaders and organizations. ■

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Barney is a 1970 graduate of West Point and spent 35 years on active duty in the United States Army, serving in command and staff positions around the world before returning to West Point's Department of Behavioral Sciences and Leadership in 1984 as an Academy Professor. Upon his retirement from the Army, Barney was selected to be the Senior Vice President and Dean of Faculty at Westminster College in Missouri, and in February 2008, he was appointed Westminster's 20th President. Through his experience as President and CEO of a private liberal arts college, he gained practical insights into the challenges of executive leadership in a sector of society that is experiencing enormous disturbance, increased competition and profound change. Barney is a member of the faculty at Thayer Leader Development Group working with corporate clients on cultural change.

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Karen has over 25 years in the field of leadership development working with leaders, and students of leadership, in the corporate, non-profit, and education environments. Karen grew up in the U.S. and several countries, including Pakistan and Bulgaria, and now resides in New York. She attended Virginia Tech where she received a BS degree in Business Management and an MS degree in Education. Karen earned a PhD in Education from the University of Virginia. She is the recipient of a National Research Award for her Master's thesis; has presented at local, state, and national conferences; and is co-author of ten publications. She is the recipient of the *Hudson Valley Magazine's* "Women in Business" Award; has a Professional Collegiate Teaching Certificate, as well as certifications in Interpersonal Skills Instruction, High Performance Management Systems, and GE's Change Acceleration Process. She ran one of General Electric's global executive development program at GE's legendary Crotonville corporate university, prior to co-founding the Thayer Leader Development Group in 2010.

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Dan is a 1988 graduate of West Point, holds an MBA from Kellogg/Northwestern University, and will soon receive a second masters in Integrated Marketing from Northwestern University. Dan has been awarded the Purple Heart, Ranger Tab, Combat Action Badge, and Airborne Badge. Dan served his commitment in the Army after graduating from West Point, then voluntarily returned to the Army a decade later in 2004-2005 to serve in the Infantry in Tikrit, Iraq. He then co-founded two companies overseas: The Marshall Fund in Iraq; and SunDial in Afghanistan. Dan is a Principal of the Historic Thayer Hotel at West Point and co-founded TLDG in 2010. He has over twenty-five years in sales and marketing positions, serving as a Chief Marketing Officer of several companies in medical devices, finance and energy. Dan is the co-author of "West Point Leadership: Profiles of Courage" which won four literary awards in 2014. He has been published in the *Wall Street Journal*, *Small Wars Journal*, and has appeared on CNN, FOX, Bloomberg, TODAY SHOW, NBC, and MSNBC.

THAYER LEADER DEVELOPMENT GROUP (TLDG) is a premier executive leader development program, based on the grounds of the United States Military Academy (U.S.M.A.) at West Point, New York. Founded in 2010, TLDG is a Veteran-Owned Business and has trained more than 50,000 executives and front-line leaders from over 250 companies across a variety of industries earning an average net promoter score of 93%. Utilizing a diverse range of customized, open enrollment, and online learning programs, TLDG's mission is to help build leaders of character by offering leadership and ethics education grounded in the U.S. Army leadership philosophy of "Be, Know, Do" and the U.S.M.A. values of "Duty, Honor, Country". Connect with them on LinkedIn, Facebook, and Twitter.

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