MCE BUSINESS RESOURCES

Managing in the **Age of Complexity**



BY ALAN ZUCKER

"May you live in interesting times" is commonly thought to be an ancient Chinese proverb. That's a myth. A British diplomat, Sir Austen Chamberlain, used the phrase in a 1936 speech, which Robert F. Kennedy amplified in his 1966 speech in South Africa.

The ability of large enterprises to effectively navigate complexity also is a myth. In the classic 1993 book *Reengineering the Corporation*, Michael Hammer and James Champy estimated that 30% to 50% of change efforts succeed. As *Harvard Business Review* detailed in a 2017 article ("Overcome Resistance to Change with Two Conversations"), the success rate remained mostly unchanged almost 25 years later.

Managers and leaders at all levels in the organization respond to macro-, micro-, internal, and external events that have consequential impacts. Their team members' well-being, the

team's ability to fulfill its operational role, and ultimately the effectiveness of the organization may be at stake. Strategic change efforts capture much attention. But effectively responding to tactical change is equally critical and impactful.

Volatility, uncertainty, complexity, and ambiguity are persistent management challenges. Today, we face volatile supply chains, uncertainty regarding the impact of AI, and the complexity of collaborating with hybrid and remote teams. We can draw on the patterns and experiences from the past to better navigate today's challenges.

I have had the distinction of leading teams at three large enterprises as they traversed headline-grabbing crises. The executives did their best to contend with strategic and external fallout. However, it was the managers who had to contextualize and operationalize the new realities. Amid chaos, we had to stabilize our teams, brace for uncertainty, and lead courageously.

UNDERSTANDING THE CONTEXT

Michael Lewis's first book, *Liar's Poker*, provided an insider's view of the excesses, risk taking, and bravado of the Salomon Brothers' bond desk. The traders felt they were invincible and the rules did not apply to them. In 1991, Salomon tried to corner the market in United States Treasury securities.

I managed the team of a dozen analysts at the U.S. Department of the Treasury responsible for the securities auctions. I was in my late 20s, and it was my first leadership role. I remember being shown Salomon's bid and being told that something looked "funny." At that moment, there was a problem to resolve. I could not predict or imagine the turmoil that would follow.

That was the beginning of the end for Salomon Brothers. The head trader was convicted of fraud. The company was suspended from participating in Treasury auctions. It was acquired a few years later by Travelers Group and eventually disappeared.

Internally, my team was cast into chaos. Investigators from the Justice Department descended to collect evidence. We developed new regulations. New procedures and controls were implemented. Within two years, a new application was built and deployed. And the team nearly doubled in size.

I was focused on execution—keeping things going and addressing and resolving issues as they arose. Executive leadership was in crisis response mode. Political leaders, Capitol Hill, the press, and financial markets all needed reassurances that the auctions were fair and secure.

The Cynefin framework was developed nearly a decade later to help leaders understand complex organizational situations and choose context-sensitive decision-making approaches. The framework, developed by Dave Snowden when he worked for IBM Global Services, is a sense-making tool that describes four states:

1. **Simple problems can be addressed using best practices.**
2. **Complicated issues require expert analysis to define and resolve.**
3. **Complex problems are emergent, requiring experimentation to identify suitable solutions.**
4. **Chaotic situations must first be stabilized. Only then can an approach to the problem be considered.**

At the time of the Salomon crisis, we were in a chaotic state. Initially, we tried implementing simple solutions. But that was inadequate. As things stabilized, we were able to deconstruct the situation.

Implementing new process controls was a simple problem. There were well-established frameworks and practices. Creating new regulations was complicated. Industry, Treasury, and Federal Reserve experts collaborated with lawyers to revise the auction rules.

Building a new application was both complicated and complex. To address the complicated aspects of the project, we assembled a team of business and technology experts. Seemingly minor details like synchronizing timestamps were a major issue.

Developing new software is always complex. We used a simple prototyping tool to document the application requirements and adopted an incremental and iterative development approach. We created and demonstrated screen mock-ups to the user community. Updates were made based on the feedback. A similar process was used to build the software modularly. These practices would be embraced a decade later by Agile.

PEOPLE ARE COMPLEX

I was an IT director at a Fortune 50 financial services company struggling in the aftermath of the 2008 housing crisis. Our strategic initiatives were failing to gain traction. The CIO decided to split the organization into "Run" and "Change." Run was responsible for ongoing operations and



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supporting the legacy applications. Change would focus on the strategic initiatives. The goal was to improve alignment and accountability.

A highly detailed plan was developed, where "sending" and "receiving" managers acknowledged the transfer of duties. However, on Day One, work fell through the cracks. Friction between the organizations grew. Within a year, the company reverted to its previous structure.

The reorganization and its plans failed to account for complexity. People, organizations, and cultures are complex, adaptive systems. Their response to events is not predictable, monolithic, or static.

Because people differ, expect your employees to have different responses to changes at work. On one side are the champions who always embrace the opportunities. On the other side are the resisters. They are fearful and cling to the status quo. The majority in the middle are the participants and fence-sitters. Participants engage tentatively, and fence-sitters wait to see what happens.

An adaptive approach grounded in Agile principles will enable organizations to respond to changing forces more effectively. First, describe the desired end state. What are we trying to achieve and why? This becomes the "north star" that motivates, inspires, and guides employees' efforts. Establish and execute short-term plans rather than long-term ones. This approach enables feedback, learning, and adjustment.

BUILD RESILIENT TEAMS

I managed the financial reporting systems and processes for MCI WorldCom. A few weeks before the company filed the largest bankruptcy in history, I had to fire a third of my team. It was Friday. On Monday, we would start processing and auditing hundreds of data files for the monthly financial close. And I had plans to leave on Saturday for vacation.

Friday morning was emotional. I laid off people who had worked with me for years. I sat with my boss as she fired some of my peers. In the afternoon, I met with my management team. Then I gathered the rest of the team. I shared my grief over the firing of friends. Afterward, I outlined a plan to close the books on Monday. Critical work was prioritized, and other tasks were either postponed or dropped.

I took my kids to the beach as planned. My laptop and BlackBerry came along. Despite the upheaval, the close went smoothly. My team did a great job!

As I reflect on those experiences, I feel proud. Great teams rarely happen by chance. They are built day by day through relationships and trust. Traumatic events and stressors can either tear a team apart or make it stronger.

This was just the first of many new challenges and assignments caused by the bankruptcy. We developed a reputation for "getting things done," not through heroics but through teamwork and cooperation.

LESSONS FOR TODAY'S MANAGER

Circumstances will differ, but the role of the manager in guiding teams through disruptions and uncertainty remains constant. Today, managers face new challenges: disruptive technologies and competitors, economic and market uncertainties, and a multigenerational workforce.

The lessons from my experiences are timeless and will equally benefit today's managers:

Understand the context. We need to first understand our situation and environment before responding.

Adapt incrementally. Creating detailed, long-term plans is folly. Set a direction, start the journey. Get feedback and adjust.

Recognize that people are essential. Our teams are critical to our success. They consist of individuals with different needs and motivations. Build relationships and trust. Your team members will make you proud.

Build resilience. Resilience is like a muscle that strengthens with use. Empowering team members to make decisions and be accountable for their work builds strength.

Emotional intelligence is our superpower—our force multiplier. Managers with high emotional intelligence are adaptable, create positive work environments, and are more successful. Employing these skills allows us to address today's challenges and be prepared for the future. AQ

Alan Zucker has more than 25 years of experience leading teams in Fortune 100 companies and the federal government. He is a consultant, keynote speaker, and instructor at leading universities and professional development organizations.

MCE | KEY FACTS

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