NORTH HIGHLAND®

MADE FOR CHANGE:
BUILDING TRANSFORMATION CAPABILITY THROUGH THE RIGHT COMPETENCIES

FOREWORD

AN ENVIRONMENT WHERE COMPETENCIES CAN FLOURISH

Remarks from Alex Bombeck,
North Highland CEO.

Moving past a global pandemic and into the throes of supply chain headwinds, geopolitical conflict, and inflationary pressure, we're reminded, at every turn, of the danger of fixed assumptions. Only the flexible and adaptive will thrive in the face of volatility. "Firms with a strong adaptive foundation...grow at three times the industry average," according to research and advisory firm Forrester.

If you read my recent perspective, you'll know that the right flexibility demands structure and intentionality. This special breed of flexibility fuels change in small, regular increments, directing employees' work, and resulting value, toward a set of shared enterprise objectives.

Companies that employ this intentional flexibility are *made for change*.

Made for Change: Building Transformation Capability Through the Right Competencies

In becoming made for change, we must put every element of our businesses forward for critical examination. This includes legacy mindsets and approaches to devising strategies, gathering requirements, and delivering customer solutions. We've largely been conditioned to ground our business cases and roadmaps in top-down five-year plans, operational assumptions, and financial projections. Many of us have built our careers and staked our success on these practices over decades. While questioning them can be a scary proposition, it's necessary if we acknowledge the kind of flexibility required for tomorrow's growth.

Made-for-change organizations know that legacy planning and delivery methods—often grounded in historical benchmarks and procedures—promote stagnancy and curb flexibility. In order to meet quickly changing market demands with novel engagement solutions, whether it's a digital platform, omni-channel experience, or a predictive service, employees must be equipped to collaborate cross-functionally, test assumptions, learn from failures, and utilize technology and data from the outset.

If you expect your people to embrace these new practices (and shed the old ones), you must actively acquire and develop their **competencies.** Employee competencies in areas like design thinking, self-awareness, collaboration, data literacy, and digital acumen fuel made-for-change organizations' signature ability to flex and adapt at scale.

COMPETENCY:
CURRENCY OF ORGANIZATIONAL CAPABILITY

A **competency** is a cluster of related knowledge, traits, skills, and abilities that give rise to the behaviors needed to perform in a given role.

Capability relates to the organization's ability to perform and sustain, bringing together collective competencies, along with technology, infrastructure, processes, and more.

Ultimately, these competencies power the collective **capability** for change and transformation.

It's time we became more purposeful about investing in our capability for change and transformation by nurturing the right competencies. After all, the ability to flex and adapt defines today's (and tomorrow's) competitive playing field: Adaptive organizations grow at three times the rate of their more rigid counterparts. In addition, organizational capability for change is the factor with the greatest impact on transformation value delivery, according to our research.[1]

As the name implies, made-for-change organizations' greatest superpower is their capability for change and transformation, or their ability to flex with intentionality. But they start small, one employee at a time, acquiring, cultivating, and managing the individual competencies to build the muscle of a made-for-change organization—those which apply tech and data to accelerate continuous improvement. **In this e-book, our workforce transformation experts will outline how to strengthen your capability for change by emphasizing the right employee competencies.**

Whether or not you play a hands-on role in developing employee competencies, all leaders share accountability for establishing an environment where competency, and in turn, collective change and transformation capability, can flourish. The following principles, inherent to made-for-change organizations, make this environment possible:

1. Directed trust, transparency, and empowerment;
2. Frequent, incremental change; and, as a result,
3. Continuous improvement.

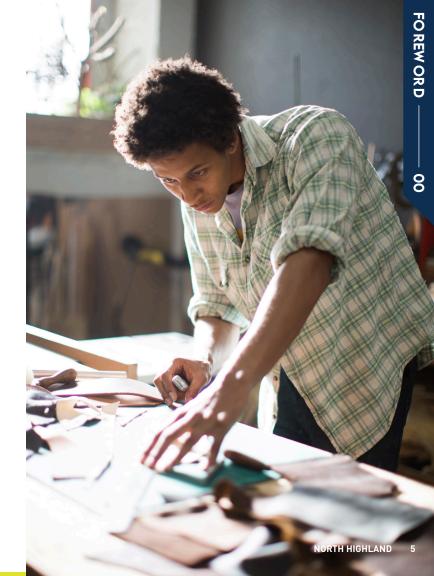## TRUST, TRANSPARENCY, AND EMPOWERMENT START WITH A CLEAR AGENDA

Like the life-sustaining power of oxygen (among other elements) in Earth's atmosphere, trust, transparency, and empowerment are vital elements in the environment of a made-for-change organization. As such, they're core attributes of North Highland's leadership brand. These principles sustain purposeful flexibility and allow competencies, particularly those involving the use of technology and data, to grow and thrive. With empowerment, for example, employees can use insights to take informed risks, learn, and adapt as those closest to customers and the market. In the process, these employees continuously get better at digital collaboration, using real-world evidence to reason through ambiguity, designing tech-forward solutions, and more. Our team will talk more about building these competencies in the chapters that follow.

But before trust, transparency, and empowerment can effectively permeate the cultural climate and support competency-building, leadership must set the agenda.

My recent conversation with a pharmaceutical company executive illustrates the need for clear direction from the top when pursuing trust, transparency, and empowerment. Over the past two years of a global pandemic, changing societal preferences, and more, demands on the executive's business have shifted.

Now seeing new entrants into its constituency—ones who actually might displace Wall Street from the top of the pecking order—his organization endeavored to address a new imperative: "Customer value." I asked him to explain further. After all, "customers" could be patients, caregivers, physicians, or nurses—all with vastly different needs and perceptions of value. To my question, he responded, "That's what the teams are figuring out." In other words, he sought to empower employees before taking the necessary steps, as a leader, to *set the agenda*.

No amount of empowerment or trust can compensate for lukewarm direction from the top. To best apply employee competencies through trust, transparency, and empowerment, leaders need to first align collectively on the drivers of value in their organizational ecosystem (e.g., end customers, employees, partners, suppliers, shareholders, society) and assign their relative priority.

Clarity on priorities assuages the top obstacle to understanding transformation value: *conflicting definitions* of value.[2] From there, leaders must foster shared accountability for meeting the needs of their priority constituency, and the muscle to orchestrate work cross-functionally in service of it. The exercise of setting shared objectives helps cross-functional leaders take up the collective mantle of solving for target customer value, rather than the operational or cost-savings KPIs that often compete for attention. In turn, that alignment and focus cascades to the work on the front lines. It ensures employee competencies—in coordination with other key components of change capability like technology and data—are best utilized in service of the target constituency.

Designer Charles Eames said it best with his cautionary adage: "Never delegate understanding."[3] In the absence of clear direction (in the form of shared objectives), employee trust, transparency, and empowerment become hollow platitudes. Leadership alignment disintegrates as soon as the boardroom doors open and it's time for the real work to happen. Valuable competencies in the areas of problem-solving, analytics, and digital dexterity go to waste as teams painstakingly debate the fundamentals of who they are designing for and why. In turn, the organization's collective muscle for productive, customer-focused change atrophies.

Conversely, let's imagine that the pharmaceutical executive's leadership team *does* set the agenda, and identifies the nurse as its priority target customer. It defines an objective to enhance the nurse's experience by making medication management more intuitive with digital functionality. This clarity establishes alignment at all levels and drives to quicker progress. Now, employee competencies can be best applied—through directed trust, transparency, and empowerment—to advance a clearly defined and compelling customer (i.e., the nurse's) need. For example:

1 **Trusting** employees to talk with nurses directly for insight into their current pain points in patient care. Through these focused conversations, employees can gather and analyze data to identify the factors driving frustration in the prescription management experience. (Competencies: Self-awareness, analytics, empathy, reasoning through ambiguity)

2 **Empowering** employees to design digital engagement solutions that make it easier for nurses to access critical pharmaceutical information. As they test the proofs-of-concept with nurses, they adapt and evolve based on feedback and learnings. (Competencies: Empathy, digital dexterity, formulating hypotheses, unlearning, collaboration)

3 Establishing **transparent** governance supported by digital collaboration tools that help employees work cross-functionally, share knowledge and learnings, and avoid repeated mistakes following pilots with nurses. (Competencies: Knowledge-sharing, digital dexterity, learning, unlearning, collaboration)

If you want to realize the value of employee competencies, trust, transparency, and empowerment must be adequately directed. Now, you're in a position to build your competency stocks through regular, incremental change. This is the next made-for-change principle we'll unpack.

BUILDING COMPETENCIES WITH CHANGE… *LITTLE AND OFTEN*

Trust, transparency, and empowerment direct employee competencies in the creation of end-customer value. These tenets also cultivate conditions where competencies can grow through regular testing, informed risk-taking, and learning. Test-and-learn practices release small changes, and incremental value, regularly. At North Highland, we use the term "little and often" to describe this pattern of change and value delivery. And it plays an important role in helping employees develop the data and tech-oriented competencies that enhance the organization's capability for change and transformation.

By deploying small changes regularly, employees of made-for-change organizations are able to gather feedback about the customer solutions they're designing and adjust course more easily, guided by insights from data. This drives predictability and continuity in the cadence of learning and the release of value. It helps employees learn the methods, techniques, and processes that work in the design of customer-facing solutions, and those that don't.

With the learning that arises from incremental (little-and-often) change, competencies mature. Improved competency, supported by data and technology, enhances the solutions that employees can design—ultimately, moving the needle on customer value. In the words of Tapaswee Chandele, Global Head of Talent and Development at Coca-Cola, "Learning is...a process of transformation and value creation."[4] Consider employing techniques that facilitate the learning process with frequent, iterative (i.e., little-and-often) change. While these methods are widely known to accelerate the delivery of value, our research shows they are underutilized today: For instance, less than one-third (31 percent) rely on minimum viable experience (MVE) prototyping in the design and delivery of their transformation.[5] An even lower 29 percent and 22 percent rely on agile development and value stream mapping techniques, respectively.[6]

Incremental, "little-and-often" change activates a virtuous cycle: As employees test small changes regularly, they learn. Competency stocks grow, and customer value proliferates.

Amid talent shortages, high employee turnover, and rising labor costs, sustaining your investment in competency may seem like a tall order. But with a "best at getting better" mindset, it isn't insurmountable.

USING TODAY'S CONSTRAINTS AS AN OPPORTUNITY TO BECOME THE "BEST AT GETTING BETTER"
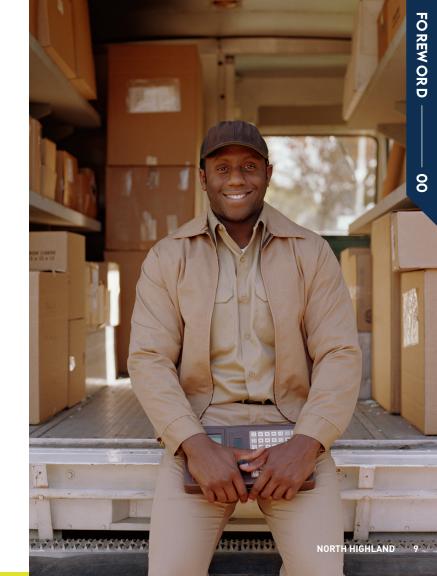
So far, we've unpacked several of the principles that made-for-change organizations apply to build employees' competencies and direct them in the creation of customer value. Because made-for-change businesses also champion "getting better" over pursuing perfection, they have a unique advantage in advancing their competencies despite the shortages and turnover in today's constrained talent market.

Made-for-change businesses manage their talent with an "always improving" stance, recognizing that a new product, process, or service can only be as effective as the knowledge underpinning it. For that reason, they evolve employee competencies as products, available technologies, and transformation strategies meld with customer needs. More valuable than the perfect employee who "checks all the boxes" is one who is committed to learning, continuously improving, and even intentionally *forgetting* the competencies that are no longer serving the organization's (and customer's) goals.

Made for Change: Building Transformation Capability Through the Right Competencies

By emphasizing relentless improvement, made-for-change organizations sustain their investments in competency despite employee turnover, talent shortages, and high labor costs. For instance, a made-for-change leader might hire an employee with only 70 percent of the desired qualifications, provided the new hire wants to build their competencies through real-world practice in applying new technologies, using insights to navigate uncertainty, collaborating cross-functionally, and more. And, as employees work in a climate of trust, transparency, and empowerment, they're more likely to document learnings, create artifacts, and share insights that boost the organization's knowledge stocks; thereby, ensuring work gets better over time, even as employees turn over.

Improve and evolve data and technology-oriented competencies with talent development programs that transcend a single skill, task, tool, or platform. Focus on those that encompass desired practices and behaviors. For example, while the ability to skillfully use Tableau is helpful, more advantageous is an employee with the competency to derive insight from data across a range of platforms and systems. Start by defining the value employees need to create for customers (As described earlier in this Foreword, it starts with your shared objectives); then, determine the competencies (encompassing both skills *and* behaviors) they need to deliver that value. Finally, identify the appropriate mix of talent development techniques that can build those competencies (e.g., cross-skilling, mentorship, leadership development, and reskilling).

Investing in your competency yields dividends above and beyond even the best talent acquisition strategy—good news during a time when technology is always changing and talent is in short supply. According to our research, upskilling and reskilling programs are the most critical non-technology factor in improving digital maturity, cited by 48 percent of organizations. A comparatively lower percentage (40 percent) attribute digital maturity to their talent acquisition strategies.[7] In other words, our research suggests that it's often more valuable to find employees who can improve their competencies regularly, than those who have all the acumen out the gate.

Of course, discrete skills are non-negotiable in certain roles—whether it's low-code development, analytics, or project management. But overall, made-for-change leaders know that locking employees into a static list of tasks and responsibilities atrophies the muscle for incremental change and continuous improvement. It starves the trust, transparency, and empowerment that fuels employee competency, novel uses of data and technology, and, ultimately, the organization's capability for change and transformation.

YOUR NEXT STEPS

Made-for-change organizations unapologetically question legacy strategic planning and delivery practices in favor of trust, transparency, empowerment, incremental change, and continuous improvement. These tenets give way to an environment where employee competencies can grow and thrive, best harnessing the differentiating potential of data and technology. In turn, the organization's change and transformation capability grows too.

Now that we've covered how to establish an environment where competencies, and in turn, collective transformation capability, can flourish, our workforce transformation experts will explore some of the highest-value behavioral competencies for employees to possess today. They will dive deeply into how to build these competencies among the workforce to strengthen your organization's muscle for change and transformation.

BUILDING THE COMPETENCIES THAT POWER YOUR COLLECTIVE CAPABILITY FOR CHANGE AND TRANSFORMATION

Behavioral competencies encompass the knowledge, skills, traits, and abilities an individual needs to perform effectively in a given role. They reflect the attributes that create success at work and reinforce your organization's differentiators.

There are 11 key behavioral competencies today's business leaders should actively acquire and develop among employees to fuel their made-for-change organization's ability to flex and adapt at scale:

1. Communication
2. Collaboration
3. Compassion
4. Critical thinking
5. Formulating hypotheses
6. Testing and learning
7. Reasoning through ambiguity
8. Learning agility
9. Self-awareness
10. Creativity
11. Digital dexterity

In the chapters that follow, we'll explore how these key competencies support the three signature characteristics of a made-for-change organization:

- **Trust, transparency, and empowerment**
- **Change, little and often**
- **Continuous improvement**

We'll then show you the way to nurture and harness these made-for-change competencies within your workforce to intentionally invest in your capability for change and transformation.

CHAPTER 1:

COMPETENCIES THAT SUPPORT TRUST, TRANSPARENCY, AND EMPOWERMENT

As we described in the foreword, trust, transparency, and empowerment are critical elements in the environment of a made-for-change organization. Trust, transparency, and empowerment allow employees to drive the creation of end-customer value when there is clear direction from the top and when employees—those closest to customers and the market—are empowered to take informed risks, learn, and adapt.

In this chapter, we'll look at three behavioral competencies that reinforce an environment of trust, transparency, and empowerment: **Communication**, **collaboration**, and **compassion**.

COMMUNICATION

Global market intelligence firm IDC calls communication a critical human skill for the year ahead—one leaders should look to hire for or develop this year and into 2023. We agree. Your employees' and leaders' ability to communicate is the bedrock of your organization.

Communication encompasses how individuals interpret written and spoken language and convey ideas to others. From emails and Microsoft Teams meetings to internal messaging systems and boards and face-to-face conversations, effective communication is also marked by taking time to validate with others whether your intended message is clearly understood. The communication skills and abilities your employees possess directly affect the customer experience, which impacts your business as a whole.

Consider how communication skills have regressed among employees during the COVID-19 global pandemic. Contact center agents, for example, are now called on to flex between messaging channels, modes, and mediums, and to do so effectively. Whether it be a miscommunication, a misunderstanding, or the inability to handle difficult customer conversations swiftly and respectfully, communication challenges and barriers have created some pretty interesting situations for customers and agents alike.

As we navigate the post-pandemic world, leaders must focus on bolstering these skills. **Communication not only impacts the quality of the customer experience but also helps nurture an environment of trust, transparency, and empowerment in your made-for-change organization.** Let's explore:

COMMUNICATION CREATES TRANSPARENCY AND ALIGNMENT.

When your business needs to evolve to meet a new customer preference, for instance, your employees must be aligned around your transformation strategy to be able execute on it. The path to employee alignment starts with effective communication. In fact, in our June 2022 survey, 37 percent of leaders cited poor communication from leadership as the top *barrier* to employee alignment.

Communication skills are paramount for securing buy-in from your team, especially when introducing new transformation strategies or future-state roles. When everyone on your team is communicating effectively, they're able to discover new and important information that can help them stay informed and aligned. With transparency around critical topics, employees can make informed decisions and take appropriate actions based on what they learn.

Through a better understanding of the company's strategy, North Star, and future-state roles, employees can see how their work contributes to the company's direction and how it benefits them. This influences employee behavior and inspires employees to take action in support of strategy.

Transparency through effective communication also builds trust, ultimately strengthening relationships.[8] As empowerment and trust take root within an organization's culture, employees will be increasingly comfortable "failing fast" in a safe space that is defined by shared values and principles.

COMMUNICATION POWERS THE FLOW OF KNOWLEDGE.

Communication is the foundation for **knowledge flow**, which encompasses both knowledge sharing and knowledge management.[9] As knowledge management author and speaker Stan Garfield highlights, knowledge must flow between people "to solve a problem, save time, make a sale, inspire innovation, improve quality, lower costs, increase profits, meet customer needs, and otherwise improve the world."[10]

Knowledge is power, after all, and with access to more of it, employees are more likely to be engaged and empowered to make sound decisions that advance the organization's strategic direction.

In addition to driving transparency, the sharing of knowledge also builds trust across the organization.

Externally, employees who effectively and efficiently share knowledge with customers drive better experiences (think back to our contact center example). These employees are empowered to use insights to take informed risks, learn, and adapt as they respond to customers' needs. Internally, when employees are skilled communicators, they can effectively transfer knowledge across teams (even remote or hybrid teams), arming individuals in the organization with the resources to get smarter and innovate faster.

In a fast-paced world, it is not uncommon for multiple people or groups to be working on the same problem sets. Effective communication keeps everyone on the same page, which helps save time and drive efficiencies by eliminating duplication of work and rework.

And, in today's labor climate, where high turnover and talent shortages abound, communication and the flow of knowledge are particularly important. For example, knowledge flow can enhance onboarding by allowing new hires to get up to speed more quickly. Communication also makes the transfer of knowledge easier as employees exit an organization.

Knowledge flow also enables better **collaboration**, *the next competency we'll explore.*

COLLABORATION

More than a third (38 percent) of leaders we surveyed in June 2022 said improving ways of working, including cross-functional collaboration, is a priority for gaining a competitive advantage in today's environment.[11] While collaboration looks a lot different now than it did pre-pandemic, the root of it remains the same: It's about how work is divided and conducted, how groups operate, how information is managed and shared, and how people interact.

Post-pandemic, today's teams are pushed to work together in new ways physically. And more than ever, as transformation strategies impact entire enterprises (vs. siloed functions), teams are challenged to work cross-functionally to complete tasks and projects. That's why every leader must strive to enhance cross-functional collaboration skills and abilities among employees.

Let's explore how collaboration skills can help you build trust, transparency, and empowerment in your organization.

COLLABORATION BUILDS HIGH-PERFORMING TEAMS THAT UNLOCK EFFICIENCIES.

Today's businesses are pressured to do more with fewer people. Cross-functional collaboration is key to building dynamic, high-performing teams that can address changing market needs more efficiently. Cross-functional collaboration naturally facilitates the sharing of diverse knowledge, skills, and expertise between individuals and teams, which increases transparency across the organization.

When collaboration is promoted and encouraged by leaders, employees have the space to develop and share perspectives, knowledge, skills, and experiences that lead to significant breakthroughs that deliver competitive advantage. Giving employees, who are closest to customers and the market, the space to collaborate sends signals of trust and empowers them to leverage new perspectives, knowledge, skills, and experiences to take informed risks, learn, and adapt. The practice of collaboration can help you grow strong relationships in your organization and create a culture of trust.

THE RIGHT DOSE OF COLLABORATION EMPOWERS EMPLOYEES.

A survey conducted by Microsoft revealed that collaboration, or "times of close teamwork and striving toward a common goal," fuels employee thriving, which Microsoft defines as being "energized and empowered to do meaningful work." The company's research highlighted that employees who claimed to thrive cite collaborative environments, teamwork, and "an inclusive culture with autonomy and flexibility, and well-being support."[12]

Here we draw the connection between collaboration, empowerment, and employee thriving. Employees who work together in an inclusive and flexible way are empowered to perform meaningful work; it's the empowerment that promotes thriving and leads to success. But Microsoft's research also revealed that too much collaboration can negatively impact work-life balance, "and leaders and employees alike should guard against that intensity becoming 24/7."[13]

COLLABORATION FACILITATES OPPORTUNITIES TO PRACTICE COMPASSION.

People who work together in a collaborative manner are better able to listen, offer support, and show compassion. These actions build job satisfaction and productivity, both of which are vital to any business.

*Let's now turn to **compassion** as our next competency.*

COMPASSION

When you think about the word compassion, what comes to mind? For some people, it conjures up images of warm feelings toward others. For others, it may be a sense of empathy and understanding. There are various ways to define compassion; we're drawn to two descriptions in particular:

- **"Actively listening to others without judging them."**[14]
- **"Not only caring about one another but also acting accordingly."**[15]

No matter how you define it, one thing is certain: The pandemic made the need for workplace compassion clearer. For instance, compassion in the form of flexibility and space to test and learn is important for employee success and thriving in a hybrid workplace.

While compassion isn't a word most people associate with business, the case for it is clear in made-for-change organizations: **Compassion nurtures trust, transparency, and empowerment.** Let's dive in:

COMPASSION INSPIRES TRUST AND WELL-BEING, WHICH DRIVES PERFORMANCE.

Trust needs to be constantly nourished and taken care of in order to ensure its longevity, and the workplace is no exception. One of the ways to do this is through compassion.

We lose sight of compassion when we get busy or distracted. It's easy to forget our coworkers' needs when we are laser-focused on our own goals. But compassion is an important component in any employee's or leader's toolkit. Compassion helps us see things from our peers' perspectives and develop new understanding—something that can be especially useful when trying to manage conflict. Being compassionate allows you to connect to others, deepen relationships, and open up communication channels that can build a sense of belonging and trust.

HIGH PERFORMING TEAMS ARE COMPASSIONATE

For over a decade, Google has been striving to define the factors that make up high-performing teams. The company's research revealed that one of the most critical factors is psychological safety, or "a sense of confidence that the team will not embarrass, reject, or punish someone for speaking up. In other words, the high-performing teams were compassionate."

(Forbes)

For these reasons, compassion supports well-being, which can drive higher performance as we introduced in the previous section. Harvard Business Review explains that "well-being is enhanced by managers showing compassion and providing support, and that well-being in turn enhances all sorts of measurable, performance-related outcomes."[16] By showing compassion, individuals inspire one another to be bolder, share perspectives and ideas, and take more risks. In this way, compassion is a powerful catalyst for innovative thinking.

COMPASSION PUSHES EMPATHY INTO ACTION TO EMPOWER OTHERS.

Paul Polman, former CEO of Unilever, once said: "If I led with empathy, I would never be able to make a single decision. Why? Because with empathy, I mirror the emotions of others, which makes it impossible to consider the greater good."

Exercising compassion, in contrast, prevents burnout. It puts limits on the empathetic experience, empowering individuals to balance the needs of others with their own.

Empathy is the spark that ignites compassion, which then leads to action. With compassion, "you are able to step away from the issue a bit and empower others to solve their issues, while helping them navigate and providing some guidance."

"Compassion occurs when we take a step away from empathy and ask ourselves what we can do to support the person who is suffering. In this way, compassion is an intention versus an emotion."

Harvard Business Review, 2022

BUILD THE COMPETENCIES

Start here to build the muscles for communication, collaboration, and compassion:

1. **Prioritize psychological safety.** Create a psychologically safe environment that allows employees to communicate and collaborate effectively. This is a climate in which individuals feel safe speaking up and can bring their whole selves to work. Psychological safety encourages open communication, facilitates the flow of knowledge, and boosts collaboration. Additionally, psychological safety is both a product of compassion and a way to strengthen the muscle for compassion. When someone shows compassion, it helps create an environment of psychological safety: "A compassionate leader actively listens to colleagues and creates a safe space for them to feel comfortable openly contributing their thoughts and ideas."[17] And when you've established a psychologically safe workplace, employees have more opportunities to listen to others and actively support them.

2. **Seek opportunities to co-create.** "Co-creation is a strategy that brings together multiple parties to jointly produce a mutually valued outcome."[18] By definition, it is a form of collaboration. To support better collaboration and more transparent flow of knowledge through communication, leaders should co-create solutions and strategies with employees and encourage

Co-creating strategies alongside employees and cross-functional teaming are two of the top techniques leaders use to tap into the value of people in their transformation efforts (55 and 48 percent).

(Forbes)

employees to co-create strategies alongside their peers. Co-creation should also be approached from a place of compassion. Those involved in the process must wholeheartedly listen to one another as they collaborate. When co-creating, it's important for employees and leaders to seek out diverse perspectives to expand thinking and develop inclusive solutions and approaches.

3. **Revisit your knowledge management strategy.** In today's fast-paced environment, businesses are generating and collecting more information than ever before. They have access to more data, which means there is always new information that needs to flow through the organization. With the right knowledge management strategy, you have an opportunity to boost your organization's ability to organize and distribute knowledge. When knowledge effectively moves through your organization, it informs what your employees are talking about, how they are communicating, and how they collaborate. To enhance your knowledge management strategy, review your current strategy to determine how you might leverage new data and technology resources to increase access to information. Importantly, your approach to knowledge management should actively consider **organizational forgetting** to ensure that the knowledge that can be retrieved by your workforce is up to date and inclusive of the latest thinking. Organizational forgetting helps ensure that employees focus on what is most important, which is essential

to avoid cognitive overload. It allows us to adapt our thinking and actions to the most relevant and recent information. Through a systematic approach to organizational forgetting, we open space for knowledge transformation and growth.

4. **Support communication, collaboration, and compassion with data and analytics.** Data provides an unbiased view of the drivers of value, and this allows employees to communicate more effectively with others and make the case for change. Data also supports employees' ability to collaborate. For example, you can bring employees together to evaluate customer, workforce, and operational data and align on the value drivers that are most important in the context of your shared vision and strategy for transformation. Data also provides insights to help your employees respond with compassion. Consider how Voice of Employee (VoE) data can help others discover what matters most to individuals, and respond accordingly.

CHAPTER 2:

COMPETENCIES THAT ENABLE CHANGE, LITTLE AND OFTEN

In the foreword, we explained how "little and often" change can help you capture the value of flexibility while managing risks. Let's revisit why the ability to change little and often is so important to businesses today. Then, we'll take a look at four behavioral competencies that support your organization's ability to make change in this manner.

New data and technology capabilities, business models that disrupt the status quo, and changing consumer and workforce behavior are pushing companies to adapt at a faster rate than ever before. And as the pace of change continues to accelerate and business conditions remain uncertain, knowing how to respond effectively to change will be just as critical as defining what success looks like in your business. Building the competencies that enable small changes frequently and incrementally is the best way to capture value, manage risk, and achieve your vision.

Additionally, as we experienced during the pandemic, each day seems to present a new scenario or challenge that leaders and teams must navigate and respond to (we can all recall the COVID-19 variants that emerged). To stay afloat in today's environment, every organization must be able to quickly digest rapidly incoming information and flex accordingly. Even the most experienced and prepared employees have to master the art of adaptability and changing little and often—even when they come face to face with challenges that do not have defined solutions.

There are four competencies that can strengthen your business's capacity to respond with agility to changing conditions in the marketplace. We consider them to be part of a **"Little-and-Often Change Loop":**

- **Critical thinking** (identifying problems or opportunities)
- **Formulating hypotheses** (identifying solutions)
- **Testing and learning** (taking controlled risks)
- **Reasoning through ambiguity** (refining and scaling to resolve and grow)

In this cycle, it's important to not rely on any one employee to fulfill all of these competencies. Instead, play to a variety of employee's strengths. In doing so, you'll also benefit from collaboration.

CRITICAL THINKING

Critical thinking is defined as the ability to think deeply, analyze with logic and reason, and use facts, data, information, and evidence to make decisions. Critical thinkers fulfill an important role in helping an organization make frequent, incremental changes—especially when they help identify mistakes before they lead to costly outcomes.

CRITICAL THINKERS ARE ABLE TO IDENTIFY PROBLEMS AND OPPORTUNITIES.

Critical thinking is the spark behind a business's ability to iterate and evolve. As customer preferences, market conditions, and more continue changing at record pace, the employees who are skilled at taking in new information, reflecting on current processes and ways of operating in light of new knowledge and conditions, and identifying opportunities to iterate and improve upon on those processes will have a positive impact on your organization's ability to change little and often. Employees who are able to adapt in this manner may also be easier to train or upskill, which is important since nearly all respondents to our December 2021 survey agree that successful transformation requires the anticipation that talent and skills needs will change (39 percent strongly agree and 56 percent agree).[19]

CHAPTER — 02

THE LITTLE-AND-OFTEN CHANGE LOOP

Critical thinking = identify problems

Formulating hypothesis = identifying solutions

Testing and learning = taking controlled risk

Reasoning through ambiguity = refining and scaling to resolve and grow

CRITICAL THINKERS ADVANCE DATA-DRIVEN DECISION-MAKING.

As part of taking in new knowledge and insights, critical thinkers are likely to be adept at analyzing data. With data and analytics (D&A) capabilities fueling transformations and touching a diverse set of roles in the modern-day workplace, critical thinkers will be some of your most valuable players.

Data has the power to help businesses evolve little and often along the transformation journey, but only if employees are skilled at interpreting insights and drawing conclusions.[20] In fact, employees' ability to leverage data might be the key to a competitive advantage in 2023 and beyond, according to those we asked in June 2022. Nearly half of leaders (46 percent) say it's a priority to enhance analytics capabilities to gain a competitive advantage.[21]

Critical thinkers are able to identify patterns, spot areas that may need to change, and predict trends. Critical thinkers also know when data is presenting bias or may require more context. This informs decision-making and enables problem-solving, which in turn allows your organization to keep evolving, little and often.

FORMULATING HYPOTHESES

Your critical thinkers will identify problems and opportunities for improvement, and those employees who are able to formulate hypotheses, or ideas that can be tested to create solutions, fulfill the next important role in the Little-and-Often Change Loop. Let's explore how formulating hypotheses nurtures an organization's ability to change little and often:

A HYPOTHESIS-DRIVEN APPROACH ALLOWS INDIVIDUALS TO PRIORITIZE, FAIL FAST, AND LEARN QUICKLY TO IDENTIFY SOLUTIONS.

Employees who approach problems with a focus on the "why" before the "what" are able to target the root cause of a problem and understand the "right" issues to address. This allows employees to bring testable ideas to the table, which powers your organization's ability to identify solutions that spark change, little and often.[22]

Working hypothesis-first also encourages employees to tap into the collective knowledge and creativity of your organization (i.e., co-create), which will lead to faster results and more sustainable solutions.

TESTING AND LEARNING

The next critical competency in the Little-and-Often Change Loop is testing and learning. In our June 2022 survey, we found that 64 percent of leaders are striving to build a test-and-learn culture to create a flexible transformation strategy. Leaders understand the value of empowering employees to experiment and learn in order to build a made-for-change organization. Let's explore how testing and learning leads to incremental evolution:

TEST-AND-LEARN PRACTICES RELEASE SMALL CHANGES AND INCREMENTAL VALUE, REGULARLY.

Harvard Business Review explains that data leaders "understand that individuals and organizations learn through experience, which often entails trial and error," and "companies that are prepared for faster iterative learning—fail fast, learn faster—will gain insight and knowledge before their competitors."[23]

By testing and learning, you can take controlled risks. As employees test small changes or hypotheses regularly, measure the results or impact, and adjust as necessary, it provides a feedback loop to help you learn what works—and what doesn't—quickly. This informs whether to stop initiatives and forget old ways of working that do not drive the desired value (which 52 percent of leaders acknowledge is critical for successful change). It supports workforce productivity

Empowering employees by building a test-and-learn culture is consider a top technique to design for a flexible transformation strategy (64%). Stopping initiatives and forgetting old ways of working that do not drive the desired value (52 percent say it's critical for change success).

"Data leaders understand that individuals and organizations learn through experience, which often entails trial and error. It has been said that failure is a foundation of innovation. Companies that are prepared for faster iterative learning—fail fast, learn faster—will gain insight and knowledge before their competitors."
Harvard Business Review

and helps builds employees' knowledge, skills, and abilities. It also directly impacts customer value, which supports revenue growth.

REASONING THROUGH AMBIGUITY

The employees who will power your ability to evolve and adapt will be those capable of not only testing and learning but also using that information and past experiences to navigate uncertainty. That's where reasoning through ambiguity, the final competency in the Little-and-Often Change Loop, comes into play.

REASONING THROUGH AMBIGUITY ALLOWS BUSINESSES TO REFINE AND SCALE TO FIX AND GROW.

By embracing ambiguity and reasoning through it, employees can adapt to challenges and opportunities (problem-solve). These employees seize opportunities and tackle unclear situations with creativity, boldness, and resourcefulness. Importantly, they learn as they go and refine and scale their approach accordingly. The ability to reason through ambiguity is important for meeting future business needs and taking advantage of new data and technology capabilities.

BUILD THE COMPETENCIES

Start here to build the muscles for critical thinking, formulating hypotheses, testing and learning, and reasoning through ambiguity to power the Little-and-Often Change Loop:

1. **Build data literacy.** Equip your people with the information to think critically. Evaluate your data capabilities to ensure that they are robust, then build data literacy among your workforce. Ensure that employees are fluent in the language of data so you can use data to guide adaptive test-and-learn practices. Consider governance, tools, metrics, and more to define your path to data literacy. When employees are equipped to effectively extract valuable analytics from clean and secure data—and create data stories, scorecards, dashboards, and more—they can help formulate hypotheses based on insights so you can test, learn, and pivot to power change, little and often. Data may also help employees reason through ambiguity by eliminating some of that uncertainty.

2. **Embrace Agile ways of working.** To facilitate testing and learning among the workforce, embrace the principles of Agile. Upper case 'A' Agile, a method of project management first used for software development, drives the division of tasks into short phases of work. In an Agile environment, teams analyze progress frequently and adapt plans regularly to maximize value for customers through iterative development. Agile teams reflect, think critically, and formulate hypotheses at regular intervals to become more effective and adjust accordingly as context and business needs change. This is why part of embracing Agile ways of working also means practicing agility (lower case 'a'). This is the ability to move, think, understand, and respond quickly and nimbly to situations as they arise.

SUPPORT WITH A DIGITAL CORE

Design an integrated digital core that brings together the technology, analytics, and operational capabilities you need to leverage analytics and extract valuable insights to think critically.

3. **Reinforce psychological safety.** Your employees need space and psychological safety to think critically, formulate hypotheses, and test and learn. As introduced in Chapter One, a psychologically safe environment is one where employees are "encouraged to ask why, how, and to what extent." As a result, "critical thinking flows, learning abounds, and new ideas are plentiful."[24]

4. **Practice little and often change through scenario play.** By allowing yourself to consider the unexpected, you develop muscles of little and often change that kick in when you need them most. Take scenario play one step further by embedding scenario thinking as a formal discipline in strategic planning and design. Scenario thinking, when paired with design and systems thinking, helps organizations set a strategy and operational blueprint that can flex to accommodate a range of potential futures. Design, systems, and scenario thinking—a mindset we call DSS thinking—helps leaders keep a pulse on changing market signals to plan for shifts in workforce demand and design future-state roles, too.

CHAPTER 3:

BEHAVIORAL COMPETENCIES THAT DRIVE CONTINUOUS IMPROVEMENT

We explained in the foreword that made-for-change businesses also champion "getting better" and relentless improvement over pursuing perfection. This mentality creates space for your employees to build knowledge, skills, and abilities (competencies). Those competencies, in turn, can support your made-for-change organization's pursuit of continuous improvement. Here, let's take a look at four behavioral competencies that allow your organization to be the best at getting better: Self-awareness, learning agility, creativity, and digital dexterity.

SELF-AWARENESS

Self-awareness means being conscious of your thoughts, feelings, and behaviors—as well as how they affect others—in any given situation. In short, it's knowing who you are and how that affects your interactions with others. Positive Psychology states that self-awareness "is an important factor in how we think, feel, act, and react to our thoughts, feelings, and actions."[25]

Understanding your strengths, weaknesses, abilities, and characteristics is a critical competency in enabling relentless improvement. Let's explore:

SELF-AWARENESS IS A CATALYST FOR PERSONAL AND ORGANIZATIONAL GROWTH.

Knowledge of self is an incredibly important part of the learning process. It's impossible to improve if you don't know what you're working on or what needs to be improved upon. If you want to evolve, it is crucial to know where you are now. This takes self-awareness.

Self-awareness is the cornerstone of personal development and self-improvement. When individuals are self-aware, they are able to reflect on their performance, identify shortcomings, and consider opportunities for improvement. When an employee frequently and skillfully reflects on and improves their performance to continue getting better, it benefits the individual and has positive impacts on your organization. Employees who constantly challenge themselves and evolve are the ones who keep your organization moving forward. Self-aware individuals intuitively understand their strengths and use them to increase their impact. They also recognize areas where they have room to grow and seek opportunities for continued development. That's what makes self-awareness a key ingredient in learning agility, our next high-value competency.

THE BURN OUT REMEDY

If you're not self-aware, you might be at risk for burnout because you don't know when to ask for help, how much is too much, or how to recognize when things are getting out of control.

Self-awareness helps prevent burnout because it allows you to take action before things get out of hand. The more self-aware you are, the better equipped you'll be to recognize when something isn't right and take steps to correct it before it becomes a serious problem that affects your productivity and overall well-being.

(Forbes)

SELF-AWARENESS ENHANCES EMPLOYEE DECISION-MAKING.

Self-awareness is not simply about knowing yourself; it's about knowing yourself as objectively as possible so that you can make informed decisions about how to act in any given situation—both personally and professionally.

"The best decision-makers know themselves well. They are clear about their perspective on the subject, aware of their biases, understand their personality traits, and know the kinds of things that influence their decision making."[26]

When you have an awareness of what's going on around you, you can make more informed decisions about how to act in any given situation. The more aware you are of what's happening around you, the more likely it is that your actions will be aligned with who you/ your organization are and what values matter most to you/your organization (shared purpose). This in turn supports continuous improvement and growth.

LEARNING AGILITY

As new data and technology drive businesses to abandon old ways of working and embrace new ones, the ability to learn, unlearn, and relearn quickly is fast becoming a necessary skill for success. There are many ways to describe learning agility,

but the one we're focused on for the purpose of this e-book is as follows: An individual's ability to learn, adapt, unlearn, and relearn to keep up with dynamic conditions.

Let's take a look at the ways learning agility supports continuous transformation.

AGILE LEARNERS SHINE DURING PERIODS OF RAPID TRANSFORMATION.

The future of work demands new skills and employees who can adapt and pivot to continuously get better. Those employees will be agile learners. Those who possess learning agility are able to "navigate ambiguous, complex circumstances with ease, powered by an ability to synthesize, learn, and adapt."[27] "Agile learners are more resilient, adaptable, and able to capitalize on new opportunities."[28] This, of course, allows your organization to be the best at getting better.

AGILE LEARNERS NEVER SETTLE.

Agile learners continuously strive to improve. They demonstrate a constant willingness to learn, and learn quickly, to prepare for future situations.[29] They readily embrace change and are open to new ways of thinking and working. They take past experiences to generate new, creative approaches and solutions that help your business evolve when needed. We'll explore creativity as the next key competency.

CREATIVITY

Businesses need creative employees who continuously strive for improvement at every level. Creativity is especially important today because we face unpredictable situations and challenges that require us to try new approaches and come up with innovative solutions. Let's explore more specifically the ways in which creativity supports continuous improvement:

CREATIVE EMPLOYEES ARE SOLUTION-ORIENTED AND INNOVATIVE.

Every industry has complex challenges that require creative solutions. How many times have you come across a challenge and then found someone on your team who figured out a solution? Creative employees produce new and improved strategies, capabilities, processes, and services. They leverage existing knowledge to generate original and innovative ideas that allow your organization to continuously improve. According to our June 2022 survey, one of the most commonly used techniques to deliver on transformation strategies is focused innovation (53 percent), which makes the creative employee particularly valuable today.

LACK OF CREATIVITY IS A BARRIER TO GROWTH.

Harvard Business School notes that "one of the main hindrances to a business's growth is cognitive fixedness, or the idea that there's only one way to interpret or approach a situation or challenge."[30] But every situation and challenge—especially in the world we live in today—is unique; creativity enables you to overcome cognitive fixedness. "If a business's leaders don't take the time to clearly understand the circumstances they face, encourage creative thinking, and act on findings, their company can stagnate—one of the biggest barriers to growth."[31]

DIGITAL DEXTERITY

According to Gartner, 69 percent of leaders are planning on increasing their spend on digital tools in 2022.[32] But many of these organizations are missing a key ingredient—or competency—in their digital transformation initiatives. That missing employee competency is digital dexterity.

Harvard Business Review defines digital dexterity as "the ambition and ability to use technology for better business outcomes." We believe it encompasses capabilities that allow your people to leverage both your technology *and* your data as part of an integrated digital core.

Without digital dexterity, employees are not able to effectively use technology or maximize the value of a company's digital investment. Yet, our recent survey highlighted that 66 percent of leaders expect employees to use data/digital tools and capabilities in their daily work to maximize the value of those capabilities in their transformation efforts.[33]

It's clear that digital dexterity is critical today and that it supports your organization's ability to continuously transform.
Let's explore:

DIGITAL DEXTERITY POWERS TRANSFORMATION DELIVERY.

As technology in the workplace advances and the amount of data available increases exponentially, digital dexterity allows employees to stay up to date on new skills and technologies, and adapt to other business trends and changes. Technology (57 percent), technology capabilities (51 percent), and data capabilities (45 percent) are considered the most effective techniques for delivering transformation strategies, according to our June 2022 survey, making it critical for employees to have a thorough understanding of how data can be utilized in their role. Further, two-thirds (66 percent) of leaders we surveyed said they best obtain value from data/digital capabilities in their transformation when employees use these tools in their daily work.

Harvard Business Review reinforces the need for digital capabilities in the modern workplace: "There's hardly a role untouched by the need for digital dexterity within an organization—both office and deskless workers need basic competencies in collaboration, data literacy, workflows, and information creation and retrieval."[34]

DIGITAL DEXTERITY CAN IMPROVE THE QUALITY OF COMMUNICATION AND COLLABORATION.

Digitally dexterous employees are skilled at adapting to new technologies and adopting news ways of working to leverage those technologies. They are able to effectively use digital platforms and tools designed to improve communication and collaboration—think

Microsoft Teams, Microsoft OneDrive, Mural, or Slack—and this can make information (and, importantly, new information) more accessible to everyone. When employees build digital literacy, they are comfortable with your organization's technology and are empowered to innovate, test, and learn.

BUILD THE COMPETENCIES

Start here to build the muscles for learning agility, self-awareness, creativity, and digital dexterity:

1. **Staff agile learners on strategic initiatives.** Developing learning agility is fundamentally experiential, and it's best enhanced by stretch opportunities involving discomfort, ambiguity, and uncertainty. Assign your employees challenging projects to help them strengthen this muscle. It is these moments that will provide deep learning about how to make sense of available information and take action, even when you're uncertain about the outcome.[35] Stretch opportunities allow employees to demonstrate excellence in problem-solving, uncertainty/stress, crisis control, new learning, and adaptability.[36]

2. You can also **use data** to assess team members' learning agility. Utilize aggregate assessment data to identify team member preferences and habits in relation to learning agility as well as key development areas. This information can help you tailor development plans for each individual.

3.   **Create a culture of continuous learning.** This is one where employees are encouraged to learn on the job and are given room for ongoing education. This approach—which must be supported by an environment of psychological safety—should combine efforts to close specific skills gaps and cultivate an enterprise-wide mindset around rapid and constant learning. In a culture of continuous learning, employees have the space to learn, create, and constantly improve, which enables your organization to evolve too.

4.   **Establish a strong digital core.** As discussed throughout this e-book, a strong digital core helps you to bring together the technology, analytics, and operational capabilities your workforce needs to flex and respond to constant change.

5.   **Rely on data to overcome obstacles to dexterity.** AI-enabled analytics can help you pinpoint the factors that most greatly influence and motivate employees to adopt data and digital tools as well as adaptive, insights-driven working practices.

6.   **Keep a long-term view in your workforce planning.** While we've learned that the future is never set in stone, maintaining a long-term view in workforce planning is a key trait of change-ready organizations. But only 17 percent of industry leaders say they engage in <u>future-focused workforce planning</u> to tap into the value of people in their transformations. Leaders can use data to identify pain points and capability gaps standing in the way of delivering on transformation strategy. With these insights, you can consider the expertise you'll need to close those gaps and begin to define future-state roles.

As we've seen in this e-book, the ability to intentionally flex and adapt distinguishes successful organizations of today as well as tomorrow. To harness that ability and become a made-for-change organization, leaders must foster an environment rooted in trust, transparency, and empowerment; little and often change; and continuous improvement. With that foundation in place, leaders and employees have the space and the right conditions to grow the made-for-change competencies that will ultimately power your organization's change and transformation capability.

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ABOUT NORTH HIGHLAND

North Highland makes change happen, helping businesses transform by placing people at the heart of every decision. It's how lasting progress is made. With our blend of workforce, customer, and operational expertise, we're recognized as the world's leading transformation consultancy. We break new ground today, so tomorrow is easier to navigate.
Founded in 1992, North Highland is regularly named one of the best places to work. We are a proud member of Cordence Worldwide, a global network of truly connected consultancy firms with the ability to think and deliver together.

This means North Highland has more than 3,500 experts in 50+ offices around the globe on hand to partner with you.

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