

AMPLIFY

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AGILE-ADAPTIVE VOICES FROM THE C-SUITE: GINNI ROMETTY, FORMER IBM CEO

by Jim Highsmith

Agility prepares us for our turbulent future. But how do we achieve enterprise agility in light of the magnitude of that turbulence and the overwhelming number of failed transformation initiatives? In this *Amplify Update*, we suggest that growing *agile-adaptive* leaders who are adventurous, inspiring, and, of course, adaptive is critical to success. We then seek to validate that assumption by listening to the voice of a former CEO of IBM. By understanding this brand of leadership, digital and Agile transformations can be more successful. However, lurking in the shadows of even the best agile-adaptive leaders are the formidable obstacles of rigid cultures, financial myopia, and performance hacking.

AND THE CHANGE CLOCK TICKS ON

“We meet in an hour of change and challenge, in a decade of hope and fear, in an age of both knowledge and ignorance,” said US President John F. Kennedy in 1962. His words about the moon mission are as relevant today as they were 60 years ago. He went on to say: “This generation does not intend to founder in the backwash of the coming age of space. We mean to be a part of it — we mean to lead it.”

From Medium to the *Wall Street Journal*, articles are shouting out today’s massive disruptive events that come with increasing frequency and amplitude. You know these events, so I won’t bother repeating them, and you also know they offer both unique opportunities and imminent threats to your enterprises.

And the change clock ticks on. In the 1980s, it ticked away. Quicker went the ticks in the 1990s. From 2000 to 2010 or so, it raced, and today, the clock dials spin so fast that you can barely see the hands move. Will advances in quantum computing, artificial intelligence (AI), and intelligent interfaces (voice, gesture, emotion) impact the pace of change and require further digital transformation efforts? Probably.

To address the challenges of turbulence and the ticking clock, organizations of all types must invest in *enterprise agility* — and work toward becoming increasingly agile and adaptive. The purpose of enterprise agility is simple: *to prepare enterprises for our turbulent future.*

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**THE PURPOSE
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In the current hour of change and challenge, we must identify, recruit, and nurture leaders who can meet these challenges — from teenagers like climate advocate Greta Thunberg to country leaders like Jacinda Ardern, New Zealand’s former prime minister, who showed the world how to balance strength and compassion:

One of the criticisms I’ve faced over the years is that I’m not aggressive enough or assertive enough, or maybe somehow, because I’m empathetic, it means I’m weak. I totally rebel against that. I refuse to believe that you cannot be both compassionate and strong.

— Ardern

In the business world, leaders like Ginni Rometty, former chairman and CEO of IBM, have demonstrated the ability to balance persistent performance with genuine empathy for people:

[The] ability to combine soft and hard leadership styles is an essence of good power.

— Rometty

The purpose of achieving enterprise agility may be simple, but achieving it is not. *Agile* speaks to flexibility and resilience while *adaptive* reflects a (sensing, action, learning) iterative lifecycle. Together, they define an *agile-adaptive* mindset. To the question, “What differentiates agile-adaptive leadership from traditional leadership?” my answer is a mindset that is adventurous, inspiring, and adaptive. But identifying these traits isn’t enough, they must be tested and revised.

Looking for a way to do this, I turned to Rometty’s recent book, [Good Power: Leading Positive Change in Our Lives, Work, and World](#). Instead of looking toward *telling* the C-suite about leadership, my thought was to *listen* to Rometty (and others) discuss an approach to transformations during turbulent times.

Rather than push ideas of what constitutes agility up to C-suite executives, maybe reflecting on their words can help us gain a deeper understanding of how to achieve enterprise agility. As I read *Good Power*, there was a growing sense that here was a CEO of a major corporation who, to me at least, demonstrated the characteristics of agile-adaptive leadership in her actions, decisions, and balancing of performance and people.

Over the last 20-plus years, Agile methods, methodologies, and mindsets have been introduced at the team level, the project level, the IT organization level, and increasingly today at the enterprise level. At each level, leading gets harder as the obstacles loom larger.

ADVENTUROUS LEADERS

Rometty worked for IBM for 40 years, the last eight as the first female CEO, until she retired in 2020. She accumulated accolades and was said to be “among the most powerful women in business.” This spring, she published a [book](#) about her early years, including a detailed account of her tenure at IBM, the major transformations she led, and her use of “good power” in service to others.

In her 32 years at IBM prior to becoming CEO, Rometty led *adventurous* challenges, including heading the global insurance unit and the PwC acquisition and integration. Along the way, she voiced both successes and concerns in a series of revealing quotes:

I was 34, embarking on the biggest risk I'd taken in my young career, and feeling very uncomfortable.

My biggest obstacle was not a lack of ability, but self-imposed doubt ... I had to embrace risk and the discomfort that came with it.

AGILE-ADAPTIVE LEADERS HAVE TO MAKE ADVENTUROUS, RISKY CHOICES

And a favorite of mine:

Simplicity is a silver thread of stellar communications, and clear communication is a silver thread of delivering value.

Agile-adaptive leaders have to make adventurous, risky choices, and the higher in the organization, the more consequential they are. Reflecting on my 60-year journey in software development — half of that practicing and writing about Agile — I propose a three-pronged characterization of [agile-adaptive leaders](#). *Adventurous* leaders boldly go into the future. They propose challenging ideas that are risky but not foolhardy. These leaders can articulate an *inspiring* vision that engages others in implementing that vision. They are also *adaptive*, embracing an envision-explore mindset: quick to sense, learn, and adjust by looking at reality, whether it conforms to earlier plans or not. Every C-suite leader faces three challenges to achieve business agility:¹

1. **Strategy.** What direction do we take?
2. **Funding.** How do we pay for it?
3. **Initiatives.** What do we want to do?

STRATEGY — WHAT DIRECTION DO WE TAKE?

Rometty's planning phrase is "strategy beliefs" (others might call these "assumptions"). She approached IBM's major transformation by stressing three:

1. "A new era of computing had already begun, and we had to be a bigger part of it."
2. "Clients themselves were changing."
3. "IBMers themselves had to evolve."

¹ Business agility is a subset of enterprise agility. I use both terms depending on the context.

Some might view these as simplistic or too limited. But they are intended to be short, simple, and inspirational: the world is changing, our customers are changing, we have to change. But what does change mean? Rometty offers another three critical guidelines:

1. "IBM must completely reinvent itself without losing its core identity."
2. "Knowing what to change and what must endure asks us to think critically and solve problems."
3. "If businesses don't change, they cease to be relevant. But like a person, a business can't change so much that it loses its soul."

These six bullet points, three beliefs and three challenges, communicated simple but powerful ideas about IBM's future. Acknowledging it had to catch up in the new era of computing (including cloud, data, and AI) left executives with the questions, "How do we pay for it?" and "What do we want do?" Two stories from Rometty's book illustrate the scale of these questions. The first story tramps through the agony and the ecstasy of transforming IBM's investment portfolio. To fund new initiatives, a large, treasured IBM product line needed a radical revision. The second involved transforming a 112-year-old culture using design thinking and Agile as the catalysts.

SEMICONDUCTOR DIVESTITURE — HOW DO WE PAY FOR IT?

IBM's semiconductor business had an illustrious history dating back to 1964. IBM pioneered high-end integrated circuit design and manufacturing, insourcing the core component of its computer hardware. However, in 2015, keeping up with the next chip manufacturing technology upgrade would have required a massive investment. Rometty realized the money to fund the company's future would need to come from divestitures, but the chip decision involved thousands

**ONE COMPONENT
OF LEADERSHIP
STYLE IS HOW
INDIVIDUALS
EXERCISE POWER**

of employees and IBM's semiconductor reputation. "We had to divorce ourselves from history, say goodbye to something we'd birthed and nurtured," Rometty writes.

A traditional CEO might have made the decision quickly and imposed that decision, but Rometty took another route — displaying her diplomatic side by remaining open to possible alternatives. She selected a respected high-level executive to lead a team to investigate and recommend alternatives and implementation strategies. The biggest issue was whether IBM's highly integrated design and manufacturing systems could be effectively split. Initially, the answer was no, the integration was too complex to break apart.

"Heated arguments and bucking of some very smart heads took place ... which was vital because conflict can breed progress as much as collaboration, as long as it is respectful," Rometty writes. The team found a way to retain the chip design process and outsource manufacturing. According to Rometty:

A good power approach ... is willing to muster patience, sit through discomfort, and think through the impossible, holding the tension between two undesirable, incompatible options until the situation can be reframed and a third alternative is found.

One component of leadership style is how individuals exercise power, especially decision-making power. Rometty enabled and encouraged intense collaboration about the momentous decision but retained final decision power — not every decision, no matter the organizational level, can be delegated. However, assembling the right team to clarify the decision often leads to better ones.

Deciding to divest the chip business was still difficult, but it was necessary. Divestiture was the performance decision, yet there was empathy for impacted employees: "I did worry talented people might leave in protest.... Taking no action put all of IBM at risk," Rometty writes. In the decade from 2010 to 2020, IBM divested five businesses with a combined revenue of US \$9 billion to fund its future.

To get an inkling of the difficulty of making decisions like this, imagine a scene in Kodak's board room in the late 1990s. The senior VP of the film-processing division presents his capital budget: \$150 million with a nearly guaranteed return of 23.5%. Next comes the young, upcoming director of new products. She requests \$55 million to fund development and initial manufacturing of a newfangled digital camera with little likelihood of near-term return. Guess who got the money. Guess what company went bankrupt a few years later.

Kodak refused to recognize the potential of a product invented in its own research facilities. That product's market ascendance doomed the company and made billions for competitors. Similar incidents are documented by Clayton Christensen in [The Innovator's Dilemma](#). Could the same thing happen with leadership styles? The Agile movement has roots going back to the 1990s. In 1999, Stephan Haeckel, director of strategic studies at IBM's Advanced Business Institute, published [Adaptive Enterprise: Creating and Leading Sense-and-Respond Organizations](#). It would be interesting to peek inside the covers of IBM to see what happened to Haeckel's ideas 15 years before Rometty launched IBM's Agile and design thinking initiative.

AGILE & DESIGN THINKING — WHAT DO WE WANT TO DO?

One of Rometty's strategic beliefs was that "IBMers themselves had to evolve" to keep up with customers and the pace of change in the world. "Only two out of 10 IBMers had the tech skills and knowledge we needed for the company to move forward," Rometty recounts. And the price tag wasn't cheap. Over the ensuing decade, IBM spent \$5 billion to revitalize its skills and jobs. "Together, design thinking and [A]gile provided the systemic work, behavior, and cultural changes we desperately needed," she writes.

**LEARNING FROM
EXPERIENCE,
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TO TRAINING,
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ROMETTY'S
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She also wanted senior managers to be bold. One example was an initial action by her recently hired CIO Jeff Smith, who had engineered a major Agile transformation at Suncorp in Australia. Smith proceeded to take a sledgehammer to cubical walls in one building as a symbol of change — from individual cubicles to collaborative workspace. But the entrenched IBM culture remained a major obstacle:

The biggest issue I had to overcome at IBM was the existing culture. IBM's culture drove the love of the rank of position over the love of craft. IBMers were conditioned to look for opportunities to become executives (of which there are multiple exec levels) because of the entitlements that came with those positions.... I had never seen anything like this. IBMers also respected hierarchy to a fault. They were conditioned over time to know where to sit in a meeting, who they could speak to, etc. Conversely, an Agile culture has no hierarchy in communication, innovation, or entitlements. The best ideas have to win.

— [Jeff Smith](#), former IBM CIO

Rometty was trying to change this conservative culture, having been immersed in it for more than 30 years. Did that make the transformation easier, or harder? Of course, some felt she moved too slowly; others, too fast. Time will tell.

Learning from experience, in addition to training, was core to Rometty's approach to shifting to new skills. To demonstrate her commitment to this transformation, she personally prepared and taught the initial hour of "Friday's Think Academy," an IBM online learning experience. She taught 50 sessions over a four-year period, leading by example to excite others to join in the transformation effort.

In 2015, IBM had more than 400,000 employees. Instilling a new way of working, shifting to high-promise/potentially high-reward products, and transitioning to Agile/design thinking was a “bet the company” undertaking, requiring adventurous leaders who set courageous goals that involved “acceptable, but not imprudent” risk, acted when conditions were ambiguous, and adapted to new realities as progress began. In Rometty’s time as CEO (her total IBM career spanned 40 years), she exhibited all these traits, but there were challenges at many levels.

These changes didn’t occur in a straight line; they wobbled from success to failure and back again. Feelings of uncertainty and ambiguity plagued the advances. Agile-adaptive leaders must balance performance with empathy. As Rometty says, “I also was learning to balance my own opposing forces: to be nurturing, caring, and supportive while also being analytical, rigorous, and demanding.”

ENTRENCHED OBSTACLES

At a C-suite level, the lure of agility clashes with the reality of long-entrenched obstacles. Large companies face three critical obstacles:

1. **Entrenched rigid cultures** — formal, conservative, traditional
2. **Emphasis on financials over customers** — focus on shareholders, rather than customers and talented employees
3. **Performance hacking** — abandoning the future for the present

These obstacles are serious and difficult to overcome, even for a CEO, and appear to be a prime reason most company-level digital transformation efforts fail. For example, one external measure that gives us a peek into culture is [revenue per employee](#). Here are some numbers to ponder:

- #1, Apple, \$2 million per employee
- #2, Microsoft, \$993,000 per employee
- #33, IBM, \$201,000 per employee

IBM's technology competitors in the cloud, AI, and quantum computing space were far ahead (maybe not in AI given IBM's Watson research) in both products and financials. Because of the difference in the businesses, you might question the comparisons, but even Walmart, #1 in both revenue and number of employees, clocks in at \$254,000 per employee.

The magnitude of culture change at a large, long-lived company like IBM is analogous to turning a 300,000-ton oil tanker with a 16-foot runabout with a 15-horsepower motor. In her early years, IBM was "cookie-cutter conservative" to use Rometty's words. As we will see, other financially oriented obstacles greatly impede culture change.

One of the major obstacles to Rometty's strategy lay within the moneyed halls of Wall Street — and it impacts other companies trying to redirect their enterprise ships. In 2014, Rometty and her CFO announced to Wall Street that IBM was leaving its long-nurtured, steadily growing EPS (earnings-per-share) roadmap. The transformation being undertaken would impact earning growth, possibly for several years, but the change was necessary to accomplish the transformation. Wall Street wasn't impressed. By the end of the week, IBM stock had declined 10%.

IBM's current board of directors consists primarily of current and former CEOs of large companies such as Dow Chemical, Johnson & Johnson, Anthem, Emerson Electric, and the Vanguard Group. All are accomplished CEOs, but with no obvious high-tech member (excepting the current IBM CEO), the board appears to be financially, not customer, oriented. It's not clear that any of them have led a major corporate Agile/digital transformation effort.

Making an announcement and following through proved difficult. The IBM C-suite, saddled with millions of stockholders and Wall Street expectations, remained financially

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driven, competing with companies that are customer- and product-driven. Apple is the premier example. Rometty and IBM's CFO could announce a change in the company's long-standing EPS roadmap, but top executives and the board members still tended toward short-term financial initiatives rather than longer-term customer- or product-oriented ones.

"We call this style of short-term leadership *performance hacking*. Performance hacking is the practice of giving the appearance of effective leadership by delivering on particular metrics, without delivering real performance," write Cutter Expert Robert D. Austin, Robert H. Hayes, and Cutter Expert Richard L. Nolan in a June 2023 *MIT Sloan Management Review* article, "[Cashing Out Excellence](#)." The authors identify performance hacking as the biggest obstacle to enterprise transformation. Driven by Wall Street, performance hackers focus on short-term financial results rather than long-term resilience and sustainability (the ability to adapt quickly). Major transformation investment initiatives, which impact short-term financial results, are rejected. Innovation dwindles. Remember General Electric, titan of the business world in the 1980s? GE went from a component of the Dow Jones Industrial Average to being delisted from the New York Stock Exchange due to the performance hacking of Jack Welch. For years, Welch was touted as a management genius, and his destructive style lives on.

The emphasis on financials by leaders usually takes the form of cutting costs and using stock buybacks to manipulate steady earnings growth. Rather than betting on new product innovation and future earnings growth, short-term financial manipulation takes precedence. An agile-adaptive leader rejects short-term performance hacking for a delicate balance of short-term financials with long-term sustainability initiatives, but it takes courage to do so.

A short-term focus on financial results also tends to turn CFOs or strategic planning groups into gatekeepers. A staff unit usurps the decision-making authority of customer-facing business executives. An example of this comes from Robert Iger, CEO of the Walt Disney Company, in his book [The Ride of a Lifetime](#). When Iger became COO, he inherited a 65-person strategy planning group: “They’d taken over nearly all of the critical business decisions across the entire company,” he writes. Just weeks into his new job, Iger received a meeting notice about ticket pricing at the theme park in Hong Kong. The meeting had been called by the head of the strategy group, not the executive in charge of parks and resorts. This group, in addition to creating high-level political battles, slowed decision-making and reduced business agility. Iger eliminated it.

Performance hacking rewards short-term financial performance, which compensates board members and C-suite executives for financial and cultural conservatism, which creates a hostile culture for business agility. In the face of this system, baked into the core of large, traditional businesses, it’s no surprise so many major agility-enhancing transformation initiatives fail.

ROMETTY & IBM

Did IBM with Rometty at the helm make a successful transformation? Did she manage to overcome, at least partially, huge obstacles to business agility? IBM has weathered big changes for 112 years. During the 1980s, it led the mainframe computer market and survived the mini-computer revolution, although it stumbled during the personal computer era. During the 1990s, it successfully made the transformation from mainframe computers to software and services. IBM today may not be the top brand name in the technology field, but let’s see how Google, Meta, and other tech high-fliers fare over the next 50 years.

**EVEN THE BEST
CEO, AGILE-
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Maybe the transformation efforts Rometty led will push IBM to the forefront of the next era of cloud, AI, and quantum computing. Maybe not. Maybe Rometty's term will be viewed by the financial world as inconclusive, but it remains to be seen whether her initiatives have managed to steer the cultural changes necessary for IBM to thrive in the future. Perhaps IBM is slated to continue as a mid-tier, slowly deteriorating technology company.

Even the best CEO, agile-adaptive or not, faces daunting odds on the road to business agility. The internal obstacles to success are difficult to overcome but pale in comparison to the external ones. When I first read Rometty's strategy, her attention to both performance and people (empathy) led me to categorize her leadership style as agile-adaptive. But it is a road fraught with difficult choices — What endures? What changes? To repeat Rometty's quote, "Taking no action put all of IBM at risk."

Although her tenure may not have been as successful as some desired, I believe Rometty started to turn the IBM ship in the right direction — against almost impossible external obstacles. We will see if her successor continues the turn or, under the enormous pressures of short-term [shareholder capitalism](#), wrenches the ship back toward the ferocious financial monsters at the edge of the world.

THE LEADERSHIP CHALLENGE

Agile-adaptive leadership is not a destination; it's a journey. It's not that one style of leadership is wrong and another right, it's about finding a style that fits the times. A quick perusal of the last half-century reminds us of technology advances, such as moving from individual transistors the size of a pencil eraser to integrated-circuit chips with 5 billion transistors. As work progressed from the Industrial Age to the knowledge and innovation ages, management models had to evolve. We cannot predict the next 10 to 20 years, but we can prepare for it by understanding that:

- Turbulence will continue to increase. The forces of pandemic, climate change, geopolitical stress, economic and social disruption, and technologies like AI and quantum computing are too great to ever slow down the change clock.
- Companies like Amazon, Apple, and Alphabet have replaced General Electric, General Motors, and IBM in the top 10 US companies listing.
- The Agile community (software, products) has led the way for the last 20+ years in IT transformations to adapt to turbulence.
- Make no mistake, the cultural transformation to an agile-adaptive culture is daunting, not completely unlike ancient mariners who feared sailing off the edge of the world. But maintaining the status quo will result in status over.
- Just as COVID-19 sometimes rewarded luck as much as adaptability (think hospitality industry versus online shopping), building an agile-adaptive culture won't solve all future headaches, but it will encourage the innovation needed to solve them.

**LEADERS WHO
DEMONSTRATE
AGILITY
MAY BE THE
CORNERSTONE
OF OUR FUTURE**

Some research studies report that 75% (the number varies a lot) of digital transformation initiatives fail. However, that large a failure rate could doom the world economy. We need strong businesses that produce customer value, reward employees and other stakeholders, and engage in making the world a better place.

Leaders who demonstrate agility may be the cornerstone of our future — be it for a team, a company, or a nonprofit organization. However, major corporate transformations suffer from such significant external and internal obstacles that even the best agile-adaptive leaders often feel they are running in quicksand. Repeating the challenge to the agility community, our purpose is: *to prepare enterprises for our turbulent future.*

We end as we began, with a quote from JFK: “We meet in an hour of change and challenge, in a decade of hope and fear, in an age of both knowledge and ignorance.” Sixty years later, we are in an hour of high turbulence and blazing change speed. We are in a decade of hope and fear. We know more than we did 60 years ago, but we are still ignorant of things like the consequences of climate change. We need a new mindset, a new culture, one that is agile and adaptive, to navigate our era of knowledge and ignorance.

About the Author

Jim Highsmith is a Cutter Fellow Emeritus. He was the founding Director of Cutter’s Agile Product & Project Management practice and received the 2005 Stevens Award in recognition of his work in adaptive software development and Agile processes. Mr. Highsmith has 30-plus years’ experience as an IT manager, product manager, project manager, consultant, and software developer. He has consulted with IT and product development organizations and software companies in the US, Europe, Canada, South Africa, Australia, Japan, India, and New Zealand to help them adapt to the accelerated pace of development in increasingly complex, uncertain environments.

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