



The Unpredictable Economic Landscape

How To Develop a Culture of Focus and Agility

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The Only Constant in Life is Change.

In today's world, we are experiencing an unparalleled period of disruption, uncertainty, and change.

Organizations and teams are encountering rapidly evolving situations like never before. Leaders are grappling with new challenges, reprioritizing needs, making complex decisions, and managing their teams' associated difficulties throughout. This process can be overwhelming, but it can also be fascinating.

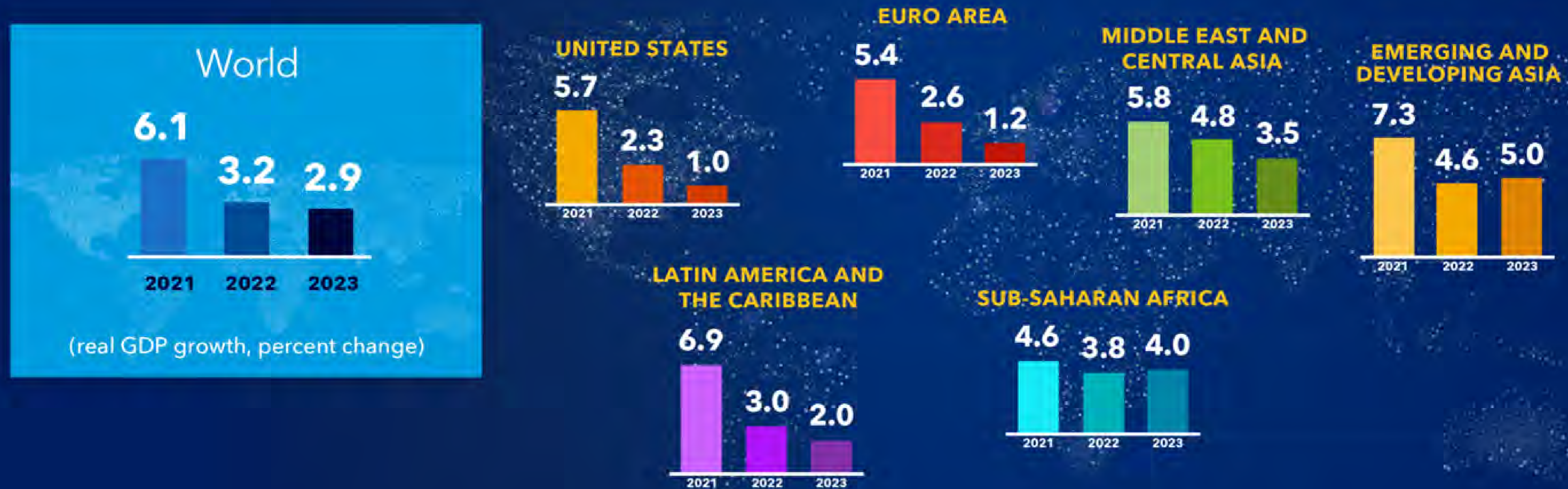
The current business context has made the world different. Organizations across various industries are facing unique challenges today. A recent study by Ernst & Young in August 2020 revealed how Middle Eastern consumers' behaviors and paradigms have changed during the pandemic. For instance, 68% of MENA consumers reported that their consumption values have changed, while only 9% planned to "get back to normal" with their spending. Furthermore, 29% of MENA consumers prioritized their families' health when shopping.

While vaccinations, the lifting of restrictions, and the opening of borders have given the world hope for an economic rebound, this has not been the case. In 2021, a tentative recovery was followed by increasingly grim developments in 2022 as risks began to materialize. The International Monetary Fund (IMF) had described the world economic outlook for last year as "gloomy and more uncertain," and this trend has continued this year, especially in the Eurozone, South America, and the US, which is also impacting the Middle East.



GROWTH PROJECTIONS BY REGION

(PERCENT CHANGE)



IMF.org/social

Source: IMF, World Economic Outlook Update, July 2022.

Note: Order of bars for each group indicates (left to right): 2021, 2022 projections, and 2023 projections.

Experts had predicted a shift that would occur after the Covid-19 pandemic, and the world will never be the same. However, the world is becoming turbulent faster than organizations can respond and adapt to this change. In the past two years, ten out of the 20 largest US bankruptcies in the past 20 years have occurred, as reported in “The Quest for Resilience” by Gary Hamel and Liisa Välikangas.

In this context, there are two significant ideas worth sharing. The first one is quite puzzling. Eliminating waste sounds like a reasonable goal. Why wouldn't organizations strive for more efficient use of resources, especially in a challenging business environment? But there is a counterintuitive idea that argues this concept, saying that an excessive focus on efficiency can produce a dramatically negative effect. The second idea is related to the vulnerability of the global supply chains and the urgent need to rethink them.



An Excessive Focus on Efficiency Can Produce A Dramatically Negative Effect.

To understand why a relentless focus on efficiency can be dangerous, we must first explore some basic assumptions about how the rewards from economic activities are distributed.

First of all, business outcomes are NOT normally distributed

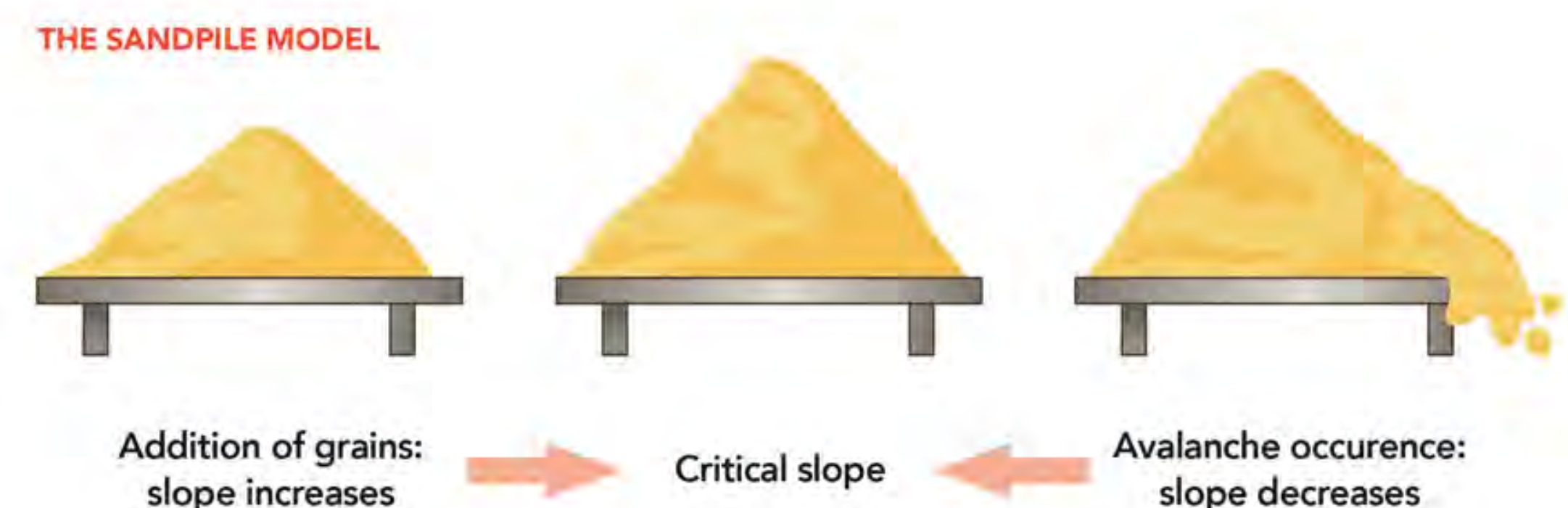
When it comes to predicting economic outcomes such as incomes and profits, statistics often suggest that they will follow a Gaussian distribution, also known as the normal distribution curve or bell curve. This distribution is prevalent in human life and nature, leading us to expect it across most domains. As a result, we expect outcomes to be normally distributed and design our systems and actions accordingly, such as with performance and remuneration.

However, this distribution only holds true for outcomes that are independent from one another, such as people's heights within each gender. When cumulative efficiency gains create a competitive advantage for some players, we see outcomes following a different type of distribution - one named after Italian economist Vilfredo Pareto. Over a century ago, Pareto observed that 20% of Italians owned 80% of the country's land, and this Pareto distribution also applies to wealth and market shares.

Unlike independent outcomes, wealth and earnings are not independent of each other, and having more money makes it easier to earn more due to access to better resources and technology. Business outcomes also appear to be shifting towards a Pareto distribution, as industry consolidation becomes increasingly common, especially in the developing world. For example, we have seen numerous mergers and acquisitions in various industries such as banking, manufacturing, and fin-tech in recent years in countries such as the UAE and Saudi Arabia.

Second, the pressure to consolidate.

Expanding on the initial point, it has been noted by Bill McKelvey, a professor at UCLA, that certain factors tend to drive outcomes towards Pareto distribution. He employs a well-known analogy of complexity called the "sandpile," which demonstrates how thousands of individual grains of sand can be added one at a time without causing the pile to collapse. Each grain has a negligible effect on its own, resulting in a bell curve distribution of the sandpile. However, adding one additional grain sets off a chain reaction in which the entire pile crumbles, causing the impact of a single grain to become significant due to gravity.



In the context of business outcomes, this is akin to how efficiency can act like gravity. McKelvey cites the waste management industry as an example. In the past, there were numerous small waste management companies across the country, each with one or two trucks serving customers in a particular area or region. These companies' profitability followed a normal distribution, with most clustering around the mean, and some more efficient and profitable than others.

However, a handful of highly profitable companies examined their cost structure and centralized their truck repair shops, allowing them to reduce costs and negotiate better prices for the growing number of trucks they purchased. As a result, the industry became unable to compete effectively, and many companies consolidated with these dominant players, leading to a shift from a bell curve to a Pareto distribution.

Last year, the global Mergers & Acquisitions market hit a record high with over \$5 trillion in deals closed. This trend was also observed in the Middle East, which saw a significant increase in M&A activity, reaching approximately 650 deals by the end of the year. This is a notable increase compared to the pre-Covid-19 average of 450 transactions.



According to EY's CEO Survey 2022, two-thirds of CEOs surveyed in the Middle East in 2021 planned to pursue a merger or acquisition within the next 12 months, with a focus on future-proofing business strategies and improving operational capabilities.

The need for economic diversification

The Gulf region has recognized the necessity of diversifying its economies and reducing its heavy reliance on oil revenues. The journey toward economic diversification has not been without its challenges, and organizations in these countries have had to undergo significant changes to adapt to this new economic landscape.

One of the key changes organizations have embraced is a shift in their core focus and strategies. This shift required redefining business models, acquiring new skill sets, and investing in research and development to stay competitive in these emerging industries.

Organizations have actively sought international partnerships to bring in expertise and human capital. This transformation process has not only reduced their vulnerability to oil price fluctuations but has also propelled them into the global arena as dynamic and adaptable players in the ever-evolving global economy.

In this new economic landscape, the need for organizations to be focused and agile has never been more critical. The rapid pace of change and fierce global competition demand a level of adaptability that is unmatched in the past.



Action Plan for Organizations to Stay Focused and Agile

After highlighting some of the current economic challenges, what actions can organizations take to survive in this new normal? One approach to answering this question is to learn from both the past and the future.

Historically, companies relied on momentum and relatively stable product cycles to sustain their success. Some telecom and airline companies, both worldwide and in our region, enjoyed a certain level of government protection and support.

However, successful companies today are finding it increasingly difficult to deliver consistently superior returns. In his book “Built to Last,” Jim Collins identified 18 “visionary” companies that had consistently outperformed their peers between 1950 and 1990. But now, only 8 of those companies remain in the Dow Jones Industrial Average. The other 10, including Citigroup, Ford, General Electric, Hewlett Packard, IBM, Marriott, Motorola, Nordstrom, Philip Morris, and Sony, have gone from great to good!

The bottom line is that success in business has never been so fragile

Although the past holds valuable lessons, forward-thinking leaders recognize that the future presents unique challenges and opportunities that demand fresh perspectives. One key question they ask themselves is: “How can we develop effective strategies in today’s volatile, uncertain, complex, and ambiguous world?”





To navigate the challenges of an unpredictable business environment, organizations need to adopt a more dynamic approach to strategic planning. Instead of limiting themselves to a single scenario exercise that gets filed away and forgotten, companies should embrace a continuous exploration process. This ongoing process allows management to establish resilient and adaptable connections between their current actions and future vision.

Key actions for organizations to stay focused and agile:

- **Distinguishing Between Risk and Uncertainty:** Leaders must understand that risks can be calculated and mitigated, while uncertainties are more difficult to predict. Embracing uncertainty and building a culture of continuous learning is essential.
- **Balancing Priorities:** Organizations should find a delicate balance between managing day-to-day operations (the Whirlwind) and pursuing important long-term goals (the Wildly Important Goals). These two priorities often compete for resources and require different modes of thinking.
- **Building Competency:** To thrive in uncertain times, organizations must leverage their existing competencies while exploring new ones. This involves both protecting core business functions and innovating for the future.
- **Institutionalizing Exploration:** Companies need to institutionalize exploration within their culture. This means encouraging employees to adapt to rapidly evolving trends proactively and make necessary changes before they become critically necessary.



Unlocking Agility and Focus With The 4 Disciplines of Execution (4DX)

How can leaders effectively manage volatility, uncertainty, complexity, and ambiguity? Is there a clear, step-by-step process to navigate these challenges and cultivate a culture of resilience and agility within organizations?

Leadership is all about change. It is about taking people from where they are now to where they need to be. Going forward, the most critical business outcomes and top organizational priorities to survive are increasing sales and customer loyalty. The key driver is “people”. That includes great leaders and high-performing teams.

Therefore, we no longer really know if we are capable to lead our organizations in the conventional way. At best, we can prepare to have the situational awareness, the flexibility, and leadership capabilities required to quickly understand and adapt (fast enough) to changing conditions.

In today’s ever-changing business landscape, adaptability and focus have become paramount for companies striving to thrive amidst uncertainty. The 4 Disciplines of Execution (4DX) is a proven framework that empowers organizations to achieve exceptional results by enhancing their agility and sharpening their focus. Let’s delve into how 4DX can help companies navigate the unpredictable world while staying on course to achieve their most critical priorities.

An agile organization is quick and resilient when responding to changes in the marketplace, environment, or the organization itself. These organizations build leaders who create strategic inclusive cultures where team members feel seen, valued, inspired, and choose to contribute their best.

1. Clarity of Goals and Objectives

At the heart of the 4 Disciplines of Execution lies the principle of setting clear and measurable goals, commonly referred to as “WIGs” or Wildly Important Goals. In an unpredictable world, organizations need a compass to guide their actions. By defining precisely what matters most and ensuring everyone in the company understands and is aligned with these objectives, you create a shared vision that keeps everyone moving in the same direction, even in turbulent times.

2. Acting on the Lead Measures

In a world full of variables, it’s essential to identify the critical few actions (lead measures) that will have the most significant impact on achieving your WIGs. These lead measures are proactive, predictive indicators that, when addressed, drive progress toward your goals..

3. Keeping a Compelling Scoreboard

In the face of uncertainty, maintaining motivation and accountability can be challenging. A compelling scoreboard, which visually displays your progress toward achieving your WIGs, can help keep teams engaged and aligned.

4. Creating a Cadence of Accountability

Consistent execution can be elusive. However, the 4th discipline, the Cadence of Accountability, provides a structured rhythm for checking in on progress and making necessary adjustments. Regular meetings ensure that teams are focused on their lead measures, using the scoreboard as a reference point. This ongoing commitment to accountability helps organizations stay agile by fostering a culture of adaptability and continuous improvement.



Business Results Capabilities

FranklinCovey provides solutions based on 35+ years of research and refinement to help leaders develop strategic focus and executional rigor.

Our unique approach includes an execution system that's been refined through more than 4,000 engagements. It includes a methodology and powerful technology that supports and reinforces the right kind of behavior change. A single metric—the Execution Performance Score (XPS)—lets you track progress in real time across your whole organization.

We help you identify strategic goals, apply everyone's collective energy toward these goals, and track progress in real time. Our solutions drive a unified, relentless focus and action around your most important goals so you can turn sporadic performance into a system of reliable results.

To learn more about establishing a cadence of accountability, executing on strategy, and achieving lasting changes in human behavior, contact us.

FranklinCovey provides leadership development solutions that will transform your business and change the way you and your teams work together. Our world-class learning solutions—delivered Live-Online, On Demand, or Live In-Person—are designed to build exceptional leadership skills at every level of your organization.

To learn more, email us at info@franklincoveyme.com, or visit www.franklincoveyme.com.

About the author:

Sherif Selim is the co-author of the 4 Disciplines of Execution (4DX) Arabic Edition and the Execution Regional Practice Leader advising executives and organizations on implementing the 4 Disciplines of Execution (4DX) methodology; to help them execute their strategies and achieve business results in the mid of operational challenges.

