



LEADERSHIP

# Nimble Leadership

by [Deborah Ancona](#), [Elaine Backman](#), and [Kate Isaacs](#)

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**N**obody has really *recommended* command-and-control leadership for a long time. But no fully formed alternative has emerged, either. That's partly because high-level executives are ambivalent about changing their own behavior. They know perfectly well that their companies need to become more innovative—and they suspect it won't happen unless they're willing to push power, decision making, and resource allocation lower in the organization. But they're terrified that the business will fall into chaos if they loosen the reins.

In our research at MIT we've sought to understand how that tension gets resolved in organizations with a strong track record of continuous innovation. Most studies of leadership in fast-changing, uncertain environments have focused either on traditional bureaucracies attempting to become more agile or on very young, entrepreneurial companies. We took a different tack, looking in depth at two organizations that have been around a long time—and therefore have frequently adjusted to changing conditions—and have also maintained an entrepreneurial spirit and a first-class innovation capability: PARC, Xerox's famous R&D company in Silicon Valley, and W.L. Gore & Associates, the privately held materials science company.

During several rounds of qualitative data collection and follow-up interviews from 2009 to 2011 (with updates in 2019), we found many processes and behaviors commonly associated with agile organizations: multidisciplinary teams, a spirit of experimentation, and so forth. But we saw less familiar patterns of leadership, too.

First, we identified three distinct types of leaders. *Entrepreneurial leaders*, typically concentrated at lower levels of an organization, create value for customers with new products and services; collectively, they move the organization into unexplored territory. *Enabling leaders*, in the middle of the organization, make sure the entrepreneurs have the resources and information they need. And *architecting leaders*, near the top, keep an eye on the whole game board, monitoring culture, high-level strategy, and structure.

The mechanisms that enable self-management also balance freedom and control.

Second, both PARC and Gore integrate cultural norms—many dating back to their earliest days—that support innovation and resilience. The most important of these might be a shared belief that “leadership” should rest with whoever is best positioned to exercise it,

regardless of title.

The three leadership roles, along with the cultural norms, have allowed the two organizations to become self-managing to a surprising degree. Many employees define and choose their own work assignments. New products and services are dreamed up not by high-level strategists or “innovators” housed in a separate incubator but by teams of employees who are free to walk away if a project loses steam. Early-stage funding goes to the projects that attract staffing; as success escalates, more resources flow in. And because lots of small bets are being made and employees are choosing which ones to back—that is, which project teams to join—the companies themselves become collective prediction markets that pool talent around good ideas and drain it from bad ones.

And here’s the real beauty of the system: The mechanisms that enable self-management also balance freedom and control. The companies function efficiently and exploit new opportunities quickly even as they minimize bureaucratic rules.

Let’s look first at the three types of leaders and the cultural norms they embody.

## **Entrepreneurial Leaders**

Much more is expected of frontline leaders at PARC and Gore than of similar employees in more-bureaucratic settings. Entrepreneurial leaders “sense and seize” growth opportunities, lobby for early-stage resources, pull colleagues in with their vision for moving forward, and fully exploit the opportunities that pan out. Most of those we observed exhibited three qualities.

### **Self-confidence and a willingness to act.**

These leaders believe in themselves. They experiment, and they’re resilient in the face of failure. An engineer at Gore, for example, became interested in a better way to seal fleecy material using the company’s proprietary waterproof-membrane technology—something that had baffled specialists. He got hold of some sheep-shearing tools and spent months

in his spare time trying various methods to shave fleece, until he finally arrived at a solution. He and colleagues then found a machine that could duplicate the method but do the job faster and better. At that point the project would normally have gone to a different team for development, but the engineer advocated to stay with it in a leadership role, believing he grasped the potential for exploitation better than anyone else could.

### **A strategic mindset.**

Entrepreneurial leaders understand the goals of their organization, business unit, and team at a very deep level. When they take action, they do so to advance those goals.

Many projects happen because a group gets interested in an opportunity.

Often that deep understanding exists because the organization has formulated and communicated simple rules of operation. An engineer at Gore told us, “It’s got to be novel, and we make sure the product does what it says it does. And we need to make sure that the revenue will be big enough—a \$500,000 opportunity isn’t going to get a lot of effort out of us.” Even low-level technicians at PARC can talk with sophistication about its business model: the markets the company wants to serve, the percentage split between commercial and government contracts, the expected financial returns, and the available resources.

Entrepreneurial leaders build on this high-level understanding of corporate goals with regular ground-level exposure to customers’ needs. Through external outreach they sense new opportunities and refine product ideas. One told us, “We have a lot of people who explore the changing needs of real users....here are the trends, here is where things are shifting.”

Many of these leaders have so fully absorbed their organization's strategic goals that they are adept at deciding which investments of time meet multiple goals. A senior leader at PARC told us his people aim for "triple word scores" (a phrase borrowed from Scrabble): opportunities that contribute to success on at least three strategic fronts. One team, he said, aimed to "publish, get government funding, produce commercial outcomes, and create synergies with the rest of the organization"—all from one initiative.

Absorbing cultural norms—"how we do things here"—is as much a part of developing a strategic mindset as is understanding the business model. At Gore the expectation is that every innovation will build on the company's core materials technology, and business dealings must be fair to all stakeholders. At PARC "good taste" is a mantra, and technologies are expected to be best-in-class.

### **An ability to attract others.**

Leaders at PARC and Gore aren't handed followers; they must earn them. Many new product-development projects aren't started at the behest of a high-level manager; they happen because an individual or a group gets interested in an opportunity, does some digging, and figures out whether it's worth further investment. At that point the initiators must be able to pull people (and financial resources) onto a team. That takes persuasiveness, confidence, and (often) a good product-innovation track record.

Once volunteers have formed a team, the entrepreneurial leader initially takes the reins—but that doesn't mean people follow blindly. Both firms we studied are committed to collective decision making. This was instilled at PARC in its early days. The first head of its computer lab, for instance, famously "never made technical decisions; the group as a whole did." A manager at Gore said, "People in this culture will often push back and say, 'I don't agree with that, and here's why I think it won't work.'" A good team leader, he added, might respond, "OK, that's interesting, and it's new information." So entrepreneurial leaders need to be confident enough to pull people in but open to changing course if presented with an evidence-based argument. (On some teams

decisions require a consensus; on others the leader makes the call once the pros and cons have been discussed.) People join and leave teams in a somewhat organic fashion dictated by the project's needs and their own interests.

Taken together, these qualities—self-confidence, a strategic mindset, and the ability to attract others—allow new product-development ideas that are aligned with strategic goals to emerge and grow in a free-flowing, bottom-up fashion. And those qualities thrive in part because of three long-standing cultural touchstones. The first is *job autonomy*. Gore and to a lesser extent PARC were created with the idea that employees would have significant choice in their work assignments and teams. The freedom to shift work commitments enables the rapid, voluntary redeployment of people to new projects as needs arise.

The second touchstone is *the practice of making many small bets and providing just-in-time resources*. It's impossible to know which ideas will work out, so many bets are needed. At both organizations a collective review process is in place to determine which ideas will move forward, ensuring that the best ones are chosen and that funds are provided without a long wait for senior team approval. The third touchstone is *stepping-up and stepping-down leadership*. Both companies embrace the idea that everyone, not just those in formal positions of power, can lead. A manager at Gore told us that all new product development participants need “a willingness to know when they should be leading”—which implies also being able to discern when they should be following. The process demands humility, respect, and putting the success of the team and the company above one's own achievements.

## Enabling Leaders

Leaders who have more experience than their entrepreneurial colleagues (and are often above them in the flattened hierarchy) focus on helping project leaders develop as individuals, navigate organizational hurdles, connect with others, and stay in touch with larger business shifts. Certain skills are key.

## Coaching and development.

Enabling leaders often act more like coaches or mentors than a traditional boss would (and they might not be the formal manager of the person they are coaching). They tend to ask questions rather than offer explicit direction. One sales manager described his relationship with a coach this way: “He was a manufacturing guy. He didn’t know anything about sales, but somehow—in half an hour I’d come away with a sense of ‘now I get it’....He’d get me to the right questions. It was never ‘I think you should go left’ but ‘Do you think you should go right or left?’” The enabling leaders we spoke with had learned not to jump in to solve problems for entrepreneurial leaders. One told us, “The temptation is to say, ‘OK, I’ll fix it; I’ll call that person for you.’ But when you do that, you’re enabling dependence.”

A key part of coaching is helping teams navigate the product development process—and in that context, an enabling leader may become a more active problem solver. (Often these leaders have started out on project teams and have a deep understanding of the issues that can arise.) When a team at Gore needed to get colleagues excited about a project, an enabling leader helped members think through how to position the opportunity. He got them onto the agenda of a divisional team leadership meeting and coached them on their presentation, the questions to anticipate, and what angle was most likely to galvanize the group.

### **The Downsides of Nimble Leadership**

This system of management is a powerful driver of innovation and reinvention, but it isn’t for the faint of heart, for several reasons:

**It’s really complicated.**

These leaders also help people think about their own development, matching the needs of the business with employees’ needs for increasingly complex roles. This can be a fairly straightforward task, owing to the nature of self-organizing teams: If someone has attracted followers and done a bang-up job on a challenging project, he or she will

These organizations have lots of moving parts. That many of those parts are self-managing doesn't make coordinating them any easier; in some ways it makes coordination harder. And leaders have to believe the system will work; otherwise it's tempting to hang on to bureaucratic controls.

**Change at these companies (ironically) can be hard to pull off.**

Because people at PARC and Gore are used to consultative, crowdsourced decision making, they sometimes balk at changes they perceive as having been imposed on them. Other times they might be frustrated with the slow pace of change.

**The system doesn't suit everyone.**

Even some very talented people aren't comfortable with the degree of autonomy these organizations allow; they'd rather be given clear direction and specific goals. (Both PARC and Gore spend a great deal of time during the hiring process exploring cultural fit.)

be sought-after for new initiatives and broader tasks. For other workers, enabling leaders offer feedback on how to improve.

**Connecting.**

While coaching supports entrepreneurial leaders in their individual growth, connecting helps them experience "creative collisions." Enabling leaders typically have a broader view than do team leaders of what's happening around and outside the organization, so they can see opportunities to create value and can spot "structural holes" that need to be filled. In some cases they connect entrepreneurs to end users; in others they provide connections to similar or complementary projects within the firm. They also ensure that various functional groups—marketing, sales, and regulatory specialists, for example—know what the other functions are up to. Connectors tend to travel to broaden their already-wide networks and link people across functional and geographic borders. One manager described a superconnector in the product development space. "We have one guy seeing all the product concepts...and he's constantly gauging them all," he told us.

"He can say, 'There's a guy in Arizona, one in Tapania, and one in France, all thinking the same way....Let's have them all sit in a room and work together.'"

## Communicating.

We noted above that even lower-level people at PARC and Gore have a sophisticated understanding of their firm's business model. Enabling leaders put a great deal of energy into keeping that understanding up-to-date by sharing information about emerging opportunities and changes in the external environment.

The simplest form this communication takes is making sure one part of the organization knows what the other parts are doing (and that it all adds up to something coherent). That's especially important—and challenging—when regional priorities don't perfectly align with global goals. One enabling leader told us, “Twice a year we meet with the divisions and say, ‘Here's what we'll do, here's how you'll benefit, here are the projects we're working on for you. Are we missing something? What are your business problems? We're you, and you're us.’”

Enabling leaders also keep an eye on maintaining the organization's values in new business contexts. This works best when they fold communication into a business conversation rather than present it as a blanket directive. One project leader at Gore said that a manager reviewing a royalty agreement under development with a supplier immediately wanted to know, “Is it fair to them?” That simple question reinforced one of Gore's core values: that the company won't prosper over the long term if its partners don't.

Two additional cultural touchstones support enabling leaders' work. First, PARC and Gore have traditionally valued *rapid access to information and high levels of connectivity* throughout their firms. Gore tries to keep plant size to a human-community scale of fewer than 300 people to maximize face-to-face interaction and information exchange. With changes in technology and the rise of global teams, new IT and communication tools also foster interaction. The firm asks most employees to spend much of their first six months building networks across the organization. And PARC was the first company in the world in which all employees were electronically connected.

Whether employees volunteer for a project is a big factor in whether it's funded.

Second, both firms use *vision, values, and simple rules as decision guardrails*, as the Gore manager's concern about fairness to suppliers illustrates. We've noticed that often these decision guardrails support growth, innovation, and cultural values—and we've been fascinated to see that they also provide a mechanism for managing risk. Everyone at Gore knows the “Don't poke holes below the waterline” principle: If something makes them uncomfortable, employees have an obligation to stop the conversation and say, “I think this is a risk for the company”—and the group then consults with knowledge experts about the issue. (If you damage a ship below the waterline, it sinks.)

## Architecting Leaders

Senior leaders focus most of their attention on big-picture issues that require changes in organizational culture, structure, and resources.

Sometimes the game board needs to change because of shifts in ownership or governance structure. In a 2002 Xerox restructuring, for instance, PARC (which had been a division of Xerox) became a stand-alone subsidiary and consequently needed to diversify the types of businesses it was in. Survival required new commercial clients, more government work, and the seeding of start-ups, and the message went out from on high. At other times the game board needs to change because of shifts in the external environment for which internal groups are unprepared. None of Gore's subunits had a broad enough view to see the value of having manufacturing facilities in Asia, but the top team determined that they would be in the company's best interests and redirected resources accordingly.

Architecting leaders not only respond to external threats and opportunities but also serve as caretakers of internal operations. As such they might amplify a move that originated from below, as when Gore's leadership expanded on a push toward greater sustainability that had been championed by enabling and entrepreneurial leaders. They might fill holes no local unit had perceived. They might find ways to make the company more effective or efficient, as when senior leaders at PARC initiated a drive to hire PhDs who were great scientists with entrepreneurial interests.

Senior leaders at Gore were worried about declining success rates for new product development efforts, so they introduced the “real/win/worth” process to help entrepreneurial leaders, in consultation with functional leaders, decide whether to pursue opportunities. This involved three simple but profound questions:

- Are the product and the market real?
- Can the product and the company win in the market?
- Is the investment worth it, and does it make strategic sense?

Finally, changes might be called for because individual groups are making decisions that are sensible locally but are suboptimal for the company as a whole. For example, groups are often interested in developing their own computer, HR, and financial systems—but experience shows that decentralizing those functions hinders coordination and collaboration across the firm.

If big changes are in order, senior managers may need to make top-down decisions, which of course flies in the face of collective decision making. When that happens, leaders need to spend time explaining—and listening. Even so, some employees will resist the change, while others wish senior leaders would just “rip the Band-Aid off” and move decisively ahead. Facing such inflection points, architectural leaders probably won't succeed unless they have an excellent personal reputation within the firm—and the company has an equally good reputation with external stakeholders.

## How Satya Nadella Is Reinventing Microsoft's Culture

When 22-year veteran Satya Nadella became CEO of Microsoft, in 2014, the company needed a serious reboot. The stock price had stalled, product development was lagging, and employees were more focused on competing than collaborating. This was not what one would call a nimble organization. The firm needed to get out of mobile phone telephony and invest heavily in cloud computing—but for that to succeed, the culture would have to be rebuilt from the ground up. Nadella's efforts to that end bear many hallmarks of the organizational form we studied at PARC and Gore, echoing the cultural touchstones, coaching style of leadership, and continuous learning we observed at those organizations. (Herminia Ibarra, Aneeta Rattan, and Anna Johnston described Microsoft's cultural changes in a recent London Business School case study.)

Nadella used a single overarching metaphor to guide those changes: Carol Dweck's concept that a growth mindset, rather than a fixed one, is key to developing a dynamic, learning-focused culture. (He told a *Wall Street Journal* reporter that his wife "forced" him to read Dweck's *Mindset: The New Psychology of*

## A Whole Greater Than the Sum of Its Parts

The cultural touchstones we've discussed support all three types of leadership, and together they create a system that's adaptive and self-reinforcing. Because employees have so much autonomy, talented people are always available to start and join new projects. Because power is distributed throughout the organization, people are free to push forward good project ideas. Because people get early leadership training and build strong networks, they learn to engage the right people. The creative collisions facilitated by connecting far-flung people and communicating shared goals transform siloed projects into synergistic collaborations. The collective allocation of resources on an as-needed basis means that promising projects get the support they need. And the emphasis on explicit, widely shared values and simple rules ensures that investment decisions are aligned with organizational priorities.

Three aspects of the system are worth highlighting.

### **Distributed leadership.**



BRIAN SMALE/MICROSOFT VIA GETTY IMAGES

*Success.*) With help from a “culture cabinet,” he announced the pillars of the new strategic direction: customer obsession, diversity and inclusion, and the idea, captured in the phrase “one Microsoft,” that everyone needed to pull in the same direction.

Nadella introduced multiple changes to how decisions were made, performance was evaluated, and leaders were expected to behave. First he built a new senior team—one he could trust to both raise tough questions and function cohesively once a decision was reached. He chose members for technical competence, of course, but was just as interested in whether they were empathetic and respectful to employees at all levels. He wanted to change how company leaders conversed with and guided people. His predecessors, Bill Gates and Steve Ballmer, had engaged in “precision questioning”—the sometimes-aggressive dismantling of other people’s arguments, which

At both PARC and Gore a remarkable number of employees refer to themselves as leaders; the culture expects them to. As a result, the companies have a cadre of ready-to-go leaders, and the reins really do pass from one set of hands to another easily, as the situation requires.

The different types of leaders interact with one another all the time, of course, and their tasks are certainly not 100% distinct. (We could have included sections on “strategic mindset” and “communication” under any of the types, for instance.) We don’t believe one person can fill all three leadership functions simultaneously, but the roles are more fluid than we’ve made them sound. A natural-born enabling leader will connect, communicate, and coach, whatever his title or hierarchical position, just as a brilliant entrepreneurial leader will keep coming up with new product ideas while she’s running the company. We saw several enabling leaders initiate and manage large-scale change campaigns that might more predictably have been handled by architecting leaders.

### **The power of the many.**

conveyed impatience with imperfection and could create an atmosphere of outright hostility. Nadella, who says he learned empathy as the parent of a special-needs child, wanted to convey curiosity instead and proceeded on the assumption that he could learn from whoever was speaking. He expected other leaders to do the same.

Stacked rankings, which required that 10% of employees receive a “poor” performance rating, had pretty much killed collaboration at the company, Nadella thought. He substituted continuous coaching and gave local managers more control over compensation.

He also urged leaders to model growth-mindset behaviors—which means admitting when they make mistakes. He has played role-model-in-chief in this regard, too. During a conference on women in computing, he advised a questioner to be patient and have “faith that the system will actually give you the right raises.” Not surprisingly, women did not find this advice helpful, and they made their objections very clear. Rather than stand his ground or wait for the noise to die down, Nadella told employees he’d given a completely wrong answer and learned a valuable lesson.

Academics use the word “emergence” to describe a process whereby order at the system level arises from individual interactions at lower levels of aggregation. We saw that play out at PARC and Gore. As we described above, the volunteers who show up for a new product development team (or don’t) are a big factor in whether the project is funded—and if more people vote “yes” by joining the team later on, resources continue to flow in. Time will tell whether this form of crowdsourced strategy combined with architecting leadership works better than decisions handed down by the CEO, but the track record so far is good. And with many people reading the environment, talking with customers, and acting on what they see, the whole organization is nimble and able to move in new directions.

### **Processes that balance freedom and control.**

When we speak with leaders about this kind of system, most agree intellectually that power, decision making, and resource allocation should be distributed. But making that happen is another matter. Their great fear is that the organization will fall into chaos. But PARC and Gore show that it’s

Changing Microsoft's culture hasn't been easy, and the process isn't complete. But the company's performance since 2014 has been extraordinary—and senior leaders believe that changing the culture was the key to changing the company's fortunes.

possible to build processes that, taken together, can maintain order better than any bureaucratic regulations while also supporting innovation. We've described those processes throughout this article, but let's look explicitly at some of the ways in which they help maintain order.

- Because individuals need to be persuaded to join a project, their feedback and misgivings are incorporated early in the development process, and talent is drained away from less-promising projects.
- Because enabling leaders devote much time and energy to discussions about new information, nobody's strategic mindset becomes inflexible.
- Because cultural values and simple rules relating to the business model are part of everyday conversations and decision processes, people don't go off in myriad directions.
- The collective vetting ensures that investment decisions aren't determined by a leader's pet projects.
- Because projects begin with small bets and are reinvested in iteratively, one bad bet won't bring down the entire operation.

## CONCLUSION

The leadership roles, cultural norms, and system-level checks we've described give these organizations a leg up with employees that's difficult to define but quite tangible nonetheless. On each visit to Gore we heard about some new, usually unexpected area of interest—and recent explorations have included everything from insulated cables that enable reliable Wi-Fi on airplanes to footwear technology that provides warmth without bulk. Remarkable energy and joie de vivre pervade both PARC and Gore. Companies that need to improve their new-product hit rate—and boost employee engagement—should take note.

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