

# Entrepreneurs Need an Agile Mindset and Agile Slack

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In 2001, Zara (INDITEX) noticed that black t-shirts had disappeared from its store shelves after the Twin Towers attack and rushed to replenish them. How was Zara able to meet this unplanned demand? As part of its strategy, Zara closely monitors trends and keeps some production and capital resources free, in case a new need suddenly arises to which it must respond rapidly.

Zara is a company that combines agile mindset and agile slack in its fast fashion strategy. Other players in the industry, which often rely on subcontracted production in huge textile factories in the Far East, have struggled to generate a similar agile response. Our [research into this topic](https://www.sciencedirect.com/science/article/abs/pii/S0969593122000646) (<https://www.sciencedirect.com/science/article/abs/pii/S0969593122000646>) shows that an agile mindset helps companies view change as an opportunity rather than a threat; and agile slack helps them deploy resources quickly to respond to those opportunities.

## A world of uncertainty and change

Increasingly, managers and scholars are realizing that agility, the ability to respond quickly, is an essential managerial capability. Agility is necessary for many organizations to survive in our VUCA world (volatility, uncertainty, complexity, and ambiguity). International business has a high degree of uncertainty and sometimes dramatic change, which require firms to depart from a mindset based on their experiences and current plans. Therefore, agility is especially essential for firms that operate in culturally different countries.

We confirmed this after we surveyed 179 senior managers at internationally active strategic business units (SBUs) in Israel, with annual revenue of \$84 million, 47% of it from international sales. Among the participants, 24% were CEOs and SBU managers, 24% were marketing and sales directors, 20% were operation directors, 6% were business development directors, and 4% were finance directors; the remaining 22% held other positions.

Their feedback told us that an agile mindset and agile slack helped them implement strategy effectively. This is important as executives are starting to see effective implementation as a competitive advantage and as a crucial capability that lets them translate strategy into action. Importantly, in a world where all players can now easily access the same information, being able to deploy a marketing strategy quickly can be a differentiator.

## Fight Inertia With an Agile Mindset

While agility has become a buzz word, it might be narrowly seen only as “action component.” Agile thinking and behavior may have a broader role. Our research found that intangible resources such as mindsets are important assets for firms. Mindset can be understood as a cognitive understanding and interpretation of the environment, informing the priorities for resource allocation and beliefs concerning the basic thinking of an organization. Mindset plays an important role from a managerial perspective, as managerial ideologies determine how firms act. In fact, before firms can respond and adapt to changes, they need to have a mindset in which *changes are viewed as opportunities rather than threats*.

However, most managers adopt a particular mindset along with a set of certain decision-making rules based on experience, which can lead to inertia if they remain hostage to current thinking and plans. To fight such inertia, managers can develop an agile mindset, a “soft resource” that challenges the status quo and resists adherence to the familiar. Agile mindset is a resource that drives a firm to seek out and introduce new management methods and approaches by *encouraging the organization’s members to be alert to new and innovative ways of doing things*. An agile mindset keeps employees watchful and leads management to reward those who suggest new approaches. It is a sense that while change is not necessarily good, it is better to err on the side of encouraging change rather than stifling it.



## Question Everything

Can you think of an entrepreneur who has an agile mindset, someone who constantly seeks to introduce new methods, policies, and strategies? Who is constantly looking for new and better organizational policies? Who promotes and rewards innovation and unconventional thinking? Who constantly updates the company's system and is enthusiastic about change? There is no doubt that the name Elon Musk jumps into your mind. Walter Isaacson describes Musk's "algorithm" in his recent biography about the Tesla founder. As a step-by-step process, the algorithm requires employees to question every aspect of a given process. Some aspects of the algorithm reflect an agile mindset, such as "question every requirement."

Finally, the importance of an agile mindset is in line with Peter Drucker's notion that firms need to see change as the norm: Always search for change, respond to it and exploit it as an opportunity.

## Why invest in Agile Slack?

Our research showed that agile mindset alone might not be enough, as firms need to have resources to deal with changes. An organization that has an agile mindset but no free resources to use when needed is like a car that can accelerate but cannot turn the steering wheel in the desired direction at the right time. It is quite easy to say that an organization needs to change, but it is much more difficult to act when no resources are available to use quickly. Therefore, firms need agile resources that will complement their agile mindset.

Agile slack is defined as uncommitted and unutilized resources -- beyond what is needed for business requirements -- that can be quickly deployed for new strategic purposes and initiatives. For example, Dr. Yaron Bar-Lavie, the chairman of the Israeli Association for Intensive Care, told us that agile slack is the bread and butter of intensive care departments in Israeli hospitals, which aim to maintain an occupancy of 85% in the department while about 15% of the beds and staff are reserved for responding quickly to emergency situations. Working with 100% efficiency, with no free resources to use immediately, can delay responses to the market and competition shifts.

Our study showed that agile slack can be counterintuitive, since efficiency is not the answer to implementing new strategies. Specifically, we saw that the impact of an agile mindset is mediated through agile

slack resources and effective marketing strategy. In that sense, agile slack resources, which can be deployed at short notice, complement a firm's agile mindset and help it translate strategy into real action.

Executives need to get past the thinking that setting aside slack resources is wasteful. In fact, they are critical tools that help the firm implement new strategic initiatives quickly and effectively. It is not enough to talk about the will and need to be agile; companies must "walk the talk" and build in advance resources that can be used at short notice. We argue that success in international markets depends to a certain degree on the backbone or mindset reflected by agile resources. Accordingly, executives should think of an agile mindset as a *prerequisite* for effective strategy implementation, as it pushes firms to a higher level of organizational preparedness that enables them to effectively implement their strategies in international markets.

## Prefer acting and failing over failing to act

We recommend that managers invest in training, building and measuring their firm's agile mindset. They can start by using our (2022) scale to measure the level of agile mindsets among departments. Respondents should look at the five statements below and indicate the extent to which each statement describes their firm/SBU/department (7 = strongly agree and 1 = strongly disagree). The higher average result of these 5 items, the higher the level of the agile mindset:

1. *The organizational culture of this SBU encourages the introduction of new and/or different management methods, policies and strategies.*
2. *People in this SBU are constantly on the lookout for new and better management methods, policies, and strategies.*
3. *This SBU actively encourages and rewards innovative and/or unconventional approaches to management.*
4. *Our SBU policies, systems, and management methods are continually being updated.*
5. *There is enthusiasm for change among the managers of this SBU.*

To increase their agile mindsets level, firms can collaborate with expert institutions to help their managers learn the basic attitudes that come with

agility, the mindset of an agile leader, and the cultural qualities of an agile organization.

Importantly, managers should keep in mind that new methods and ways of doing things bring uncertainty and risks. Firms striving for an agile mindset will need to tolerate failure and view it as inevitable to the exploration process. Therefore, managers should signal that they prefer acting and failing over failing to act.

## Takeaways

In summary, our research suggests that managers should:

- Encourage the use of new methods and strategies.
- Reward unconventional and innovative approaches.
- Measure the level of the organization's agile mindset.
- Pay special attention to holding uncommitted resources that can be used quickly for new strategic initiatives.

This study confirms the importance of an agile mindset as the starting point for moving the agility needle of a firm. To overcome organizational inertia and operate effectively in a VUCA environment, firms should encourage an agile mindset that promotes a willingness to change their thinking. However, agile mindset is not enough. This study's results also indicate that an agile mindset should be accompanied by agile slack resources. This conclusion is significant because it goes against conventional wisdom that greater efficiency leads to better firm outcomes. Sometimes less efficiency and more agile slack can lead to better performance. In sum, agility is more than a capability.

## Explore the Research

Asseraf, Yoel, and Gnizy, Itzhak. *"Translating strategy into action: The importance of an agile mindset and agile slack in international business."* (<https://www.sciencedirect.com/science/article/abs/pii/S0969593122000646>) *International Business Review* 31.6 (2022): 102036.