THE LIQUID ORGANIZATION

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LIQUIDITY WILL DEFINE THE NEXT GENERATION COMPETITIVENESS

“Be like water making its way through cracks. Do not be assertive, but adjust to the object, and you shall find a way around or through it.” Bruce Lee

“Everyone has a plan until they get punched in the mouth.” Mike Tyson

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INTRODUCTION

As traditional industries face volatility, uncertainty, complexity, and ambiguity (VUCA), firms face disruptions, rapid shifts in environment and customer preferences, fast innovation cycles, accelerated regulatory changes, and information democratization. The COVID-19 pandemic is a recent example of dramatic disruption. In this environment, firms face two strategic imperatives: first, creating growth in stable industries and, second, addressing dramatic environmental changes. To address these imperatives, firms must increase their liquidity. A liquid organization has higher speed, greater flexibility, more scalability, and faster acceleration (and deacceleration) compared to others. It is ambidextrous to take advantage of existing competencies (exploitation) while simultaneously discovering and harnessing new opportunities (exploration). Liquid firms have higher growth and better financial and innovation outcomes.

Liquidity Refers to the Speed, Flexibility, Scalability, Acceleration, and Ambidexterity of an Organization

Our goal in writing this white paper is to provide executives with an in-depth understanding of liquidity and provide the impetus for them to start their journey towards increased liquidity. Towards this goal, we first discuss the characteristics of the liquid organization, demonstrating that liquidity positively affects firm performance. We then discuss the reasons for liquidity, specifically examining these in this age of disruptions, scale, and specialization. The material in the next section enhances our understanding of liquid organizations. We examine the history, alternative forms of

organizations, and characteristics of liquid organizations.

We then discuss the "Three-Rs" model (restructure, reskill, and rescale) and how the choice of strategy, people, and organizational form can increase liquidity. Organizations reorganize into team-based structures to increase the quality, speed, and innovativeness of delivery. In reskilling, firms increase their dynamic learning capabilities. Finally, rescaling allows firms to become more flexible and adaptable. The resulting more liquid organizations can address growth and changes in their environment more effectively.

The Choice of Strategy, People, and Organizational Form can Increase Liquidity

The successful transformation of firms and increasing personal liquidity are then discussed. We also discuss the post Covid-19 growth supercycle and demonstrate that countries and firms will need to increase liquidity. Finally, samples of our research are provided in the Appendix. Details on liquidity and our research are available at www.theliquidorganization.com.

2: THE LIQUID ORGANIZATION

Liquidity is becoming increasingly important for firms. Liquidity refers to the speed, flexibility, scalability, acceleration, and ambidexterity of an organization. Speed refers to how quickly firms plan and implement decisions. For some firms, speed refers to high-velocity decision-making. Flexibility refers to an organization's ability to sense, respond and pivot toward opportunities and away from threats. Scalability concerns an organization's ability to respond to expanding or contracting opportunities rapidly. Acceleration (and deacceleration) refers to how quickly an organization achieves high speed when new initiatives are introduced. That is, it concerns how rapidly initiatives move through the organization. Ambidexterity allows firms to simultaneously combine exploitation (more revenue from current customers and offerings) with exploration (seeking new customers and industries with new offerings).

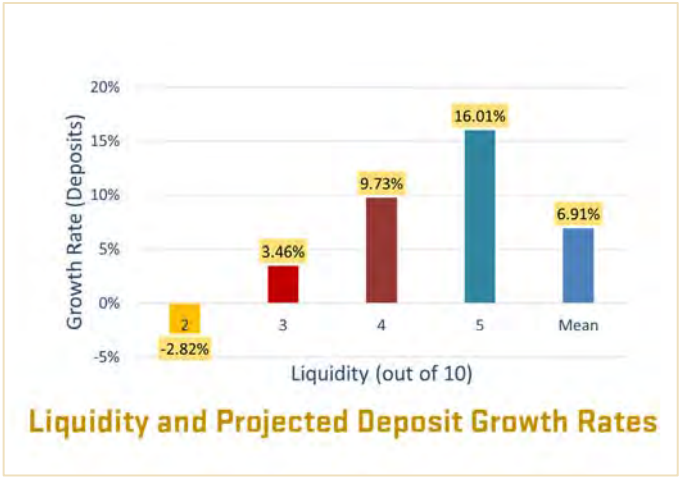
Organizations Need to Sense and Respond--Pivot Toward Opportunities, and Away from Threats

We provide examples from two industries—the small-scale electric-tram industry and the large-scale airline industry. The electric tram industry runs on specific tracks, requires a dedicated infrastructure, and has employees focused on a single firm (most cities have only one tram service). It is therefore considered a low-liquidity industry. In contrast, the airline industry is a good representative of one that is highly liquid. Airlines lease airplanes, check-in personnel, reservation systems, food services, and maintenance staff, enabling them to quickly and rapidly start and stop services in a city.

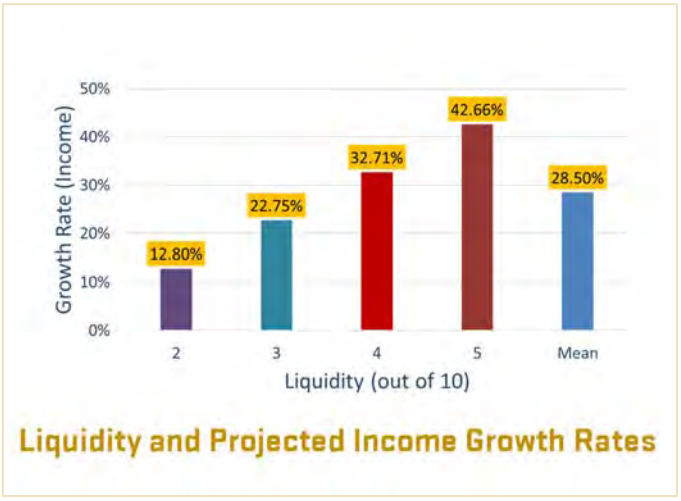
The Airline Industry is Highly Liquidity

OUTCOMES FROM ORGANIZATIONAL LIQUIDITY

Liquidity and Financial Performance. Our research finds that liquidity increases a firm's financial performance. In 2019, we partnered with GardaWorld to measure the liquidity of U.S. retail banks and understand the relationship between liquidity and growth. A bank with a liquidity score of 2 has a negative annual deposit growth rate (−2.82%), compared to a bank with a liquidity score of 5, whose annual deposit growth rate is 16.01% (the average growth rate is 6.91%). Our analysis also suggests that liquidity positively affects annual income growth; a bank with a liquidity score of 2 has an annual income growth rate of 12.8%, compared to a bank with a liquidity score of 5, whose annual income growth rate is 42.66% (the average growth rate is 28.5%).

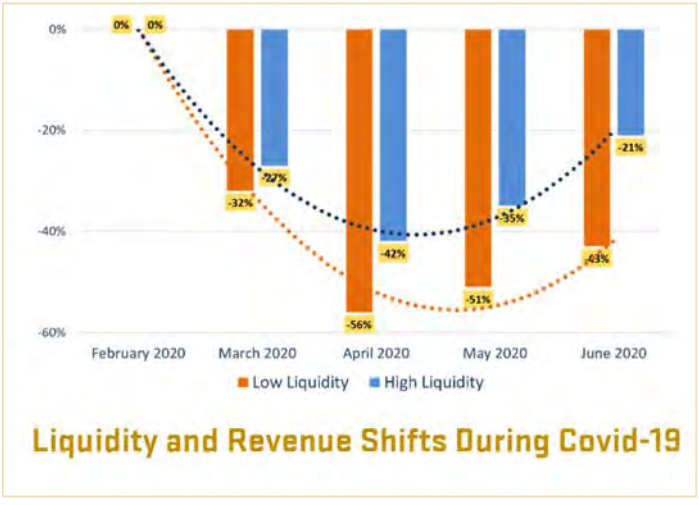


Liquidity and Projected Deposit Growth Rates



Liquidity and Projected Income Growth Rates

Liquidity and Financial Performance During COVID-19. We examine changes in revenue after the start of the COVID-19 pandemic by examining the revenue shifts in firms in our database. We find that,



Liquidity and Revenue Shifts During Covid-19

compared to low-liquidity firms, high-liquidity firms reacted to changes in the environment faster, and their revenues decreased less (−42% versus −56%) and increased at a higher rate. Revenue recovery was also higher in high liquidity firms (−21% versus −43%). In addition, the gap between the revenues of low- and high-liquidity firms increased during our period of study.

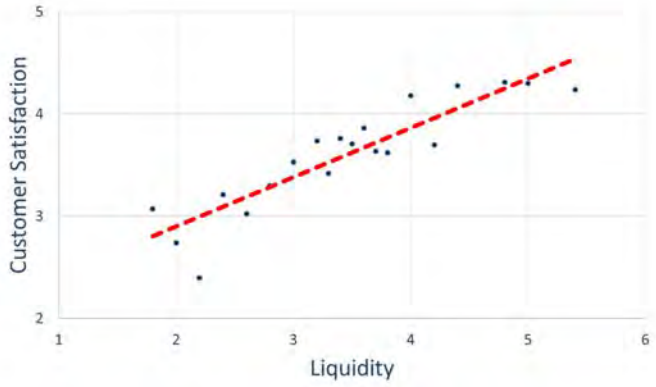
Liquidity and Resilience. Resilience is an organization's ability to withstand a major disruption, recover quickly, and adapt to the changing environment. In analyzing our research data, we were able to identify two dimensions that affected organizational success—the degree of disruption and resiliency. We found that hierarchical organizations are only successful when there is a limited need for resiliency and disruptions are limited and short-term. In contrast, quick strategic and tactical decision-making is very difficult within the complex structure of matrix organizations. Extensive academic research shows that matrix organizations are best in stable environments and unable to function in conditions of fast-changing demand.

Environment and Organizational Match

Entrepreneurial organizations are flexible and can address major and long-term disruptions but are not resilient; they do not have the resources (monetary resources, assets, or people) to sustain them during long-term disruptions. Liquid organizations are best suited to resilience and adaptability. Liquid organizations are resilient (due to scale) and can sustain and grow through major disruptions due to their speed, flexibility, and adaptability. In our research on the impact of COVID-19, we find the most successful and resilient firms were liquid.

Liquidity, Strategic Thinking, and Innovation. Our research finds that liquidity is positively associated with strategic thinking and innovation. Firms with high liquidity have an opportunity to differentiate their products and services by being more adaptable. We find that if firms are liquid, they can increase their customers' liquidity by providing liquid offerings. For example, CBRE has an offering called Hana that provides co-working facilities, including team suites, meeting rooms, and office spaces, which increases their customers' liquidity.

Liquidity and Customer Satisfaction. We collected data on the U.S. retail banking industry and study the liquidity of retail banks and customer satisfaction. We find a strong statistical relationship between liquidity and customer satisfaction. In the enclosed figure, each dot along the red trend line represents a bank. A bank with a liquidity score of 2 has a customer satisfaction rating of 2.91 (on a 5-point scale), and a bank with a liquidity score of 5 has a customer satisfaction rating of 4.31.



Liquidity and Customer Satisfaction

Liquidity and Customer Engagement. Engaged customers increase their purchase of products or services from firms, participate in partnering (innovating and co-creating offerings), provide word-of-mouth recommendations, and are willing to be a reference account. Also, engaged customers make people and resource investments in maintaining relationships and partnerships. Customers who are highly engaged, on average, provide 2.7-times the revenue of less engaged customers.

Highly Engaged Customers Provide 2.7-times the Revenue of Less Engaged Customers

Customer engagement requires firms to be more customer-centric and adapt to the needs of customers. In other words, firms need to be flexible, scalable, and quick to respond to customers. Speed, flexibility, and scalability also reflect the liquidity of firms. Our research also shows that customer engagement is positively correlated to liquidity. That is, firms with higher liquidity have higher customer engagement scores.

CONSEQUENCES OF NOT BEING LIQUID

The consequences of not being liquid have been severe for firms, and we provide some examples.

- **General Motors** was confronted by Japanese car manufacturers with a better-quality product; the U.S. market share declined from 40% in 1975 to 27% in 2000 to 17% in 2019.
- **RCA**, the largest television brand in the U.S. in the 1960s, suffered as a result of Sony's miniaturization technology and no longer functionally exists.
- **Sears**, the largest retailer in the world in the 1960s, was assailed by Walmart and Amazon and no longer functionally exists.
- **Nokia**, the world's largest mobile phone manufacturer (43% global market share in 2008), was attacked by Apple and no longer exists.

Navy and Liquidity–Littoral Combat Ship. The Navy that has traditionally demonstrated low liquidity levels has recognized its weakness in an era of non-state opponents. They have attempted to increase their liquidity with the littoral combat ship. Every aspect of the ship is built to increase liquidity. The ships are designed for fast, agile, and mission-focused deployment for near-shore environments and are also capable of open-ocean operation. The ship is modular, and the modules can be loaded for

The US Navy is Increasing its Liquidity by Deploying Littoral Combat Ships

hunting quiet submarines, sweeping mines, and interception of fast boats. Finally, and most importantly, the ship crew comprises forty hybrid sailors who have mastered a wide variety of skills and can adapt and learn quickly. The Navy has had growing pains and recognized and worked to improve its low liquidity. It has designed and ordered the second version of the littoral combat ship.

SUMMARY

In summary, firms must understand and increase liquidity. In this section, we defined liquidity and demonstrated its positive influence on organizational success and financial outcomes. Increasing liquidity is critical for firms to respond to changes in the industry. Liquidity positively affects growth and a firm's ability to address disruptions. It improves firm resilience and positively impacts strategic thinking and innovation, and improved customer satisfaction and engagement. A lack of liquidity leads to organizational failure, and we thus discuss the reason for increasing liquidity in the next section. We provide details on liquidity in a subsequent section.

Liquidity Positively Influences Firm Success and Financial Outcomes

3: WHY LIQUIDITY?

Our research suggests three reasons that explain the need for increased liquidity. First, we are entering an age of disruption, with the average life span of firms declining. Second, their scale allowed large firms to avoid competitive disruption, but easier access to capital has increased their vulnerability. Finally, the rise of specialists and specialization has slowed firms, resulting in their inability to address emerging opportunities. Increasing liquidity addresses each situation.

THE AGE OF DISRUPTIONS

We are in an era of unprecedented change and, our research suggests, an age of disruptions. As an example, research by Eugene Klerk and his colleagues at Credit Suisse found that the average age of firms in the S&P 500 has declined from an average of 60 years in 1958 to under 30 years in 1980 to under 20 years in 2012. There are two significant drivers of this change—global connectivity and digital technologies. The last two decades have seen a dramatic increase in the global connectivity of people and markets. Firms cater to global markets, have a global workforce, and a global supply chain. Global connectivity has increased economic opportunities, but at the same time, amplified and turned local issues into global ones. In this context, the world has recently faced health, financial, and security crises on an unprecedented scale. A recent example is the COVID-19 pandemic, during which both local and global

Average Age of an S&P 500 Firm

commerce came to a halt. Second, dramatic opportunities and threats are created by today's powerful digital technologies. Digital transformation emerges from new technologies: social, mobile, analytics, blockchain, machine learning and artificial intelligence, the cloud, and the "internet of things." The confluence of these technologies produces both opportunities for growth and disruption to existing businesses; it shifts how firms conduct business and accommodate what is dubbed "digital disruption." Global connectivity and digital disruptions lead to environmental and competitive disruptions that we discuss next.

Environmental Disruptions

Environmentally-driven disruptions arise due to economic, political, health, or social shifts that change an industry's operating principles. These disruptions are labeled as "non-linear" because they are unpredictable and do not follow a linear growth pattern over long time horizons.

Environmentally-driven Disruptions are Non-linear and Unpredictable

We highlight three categories of disruptions—health, regulation, and consumption, and cultural trends. Concerning health, we have seen a rapid spread of diseases such as COVID-19, Ebola, and SARS, crippling global markets for extended periods. In regulation, anti-money laundering (AML) and know-your-customer (KYC) regulations have affected the global banking and payment industry. Furthermore, 17% of U.S. electric energy in 2018 was generated from renewable sources as a result of environmental regulations, which have dramatically affected the coal and nuclear industries. Cultural and consumption trends toward organic, fresh, authentic, and local offerings have changed food retailing and the restaurant industry. This has been seen in the rise of organic stores like Whole Foods and local coffee suppliers like Panther Coffee in Miami.

Customers Prefer Organic, Fresh, Authentic, and Local Brands

Trends such as the millennial habit of carrying very little cash and distrust or dislike of traditional brand names have affected multiple industries such as the payment industry and traditional consumer-product marketers.

Competitive Disruptions

Competitive disruption primarily derives from traditional or emerging competition. Disruptions traditionally were low because firms were hindered by both scale of asset deployment and "speed to scale." For example, developing a distribution system required firms to invest both time and monetary resources, and increasing the distribution of a product was slow. However, as we emphasized earlier, digital technologies, coupled with easier financing, have increased the pace of competitive disruption.

Our research finds five types of competitor-driven disruptions (they can overlap): margin-based, specialist or generalist, knowledge-based, network-based, and convenience-based. The first two disruptions are typically through traditional routes, and digital technologies increasingly fuel the latter three types. The emerging competitor has the advantage of lower costs, higher velocity, and a focus on disintermediation. Digitization leads to lower variable costs by reducing the cost of the infrastructure required to manipulate information for the firm, suppliers, and customers. In addition, because digital firms are smaller, they have a higher speed or velocity than their more established competitors. Finally, most disruptive firms attempt to reduce friction in the system. Thus, these firms typically focus on disintermediation and lowering acquisition costs, leading to a disruption in the market.

Disruptions are Increasingly Driven by Digital Technologies

Margin-Based Disruptions. Margin-based disruptions are those involving firms providing the same service as competitors at a lower price. Traditional methods of

Firm are Creating Demand Before Sourcing

margin-based disruptions are supply-chain changes and disintermediation. In supply-chain changes, firms move from traditional manufacturing in large volumes to then selling the product themselves, to creating demand and then sourcing the product from others.

In disintermediation, firms attempt to remove a member of the value chain to reduce costs. The most typical form of disintermediation is to remove a distribution-channel member. Firms like Warby Parker, an online prescription-glasses provider, have disintermediated traditional optometrists and traditional prescription-glass retailers to reduce costs. Margin-based disruptions change the industry. For example, the money transfer industry was dramatically impacted by the introduction of internet/mobile-based account-to-account transfers. In 2017, the cost of sending money in the U.S. was as follows: banks, a rate of 11%; money transfer firms, a rate of 6.1%; and account-to-account transfers, a rate of 3.1% (see, e.g., Remitly).[1] This has led to a 32% decline in the cost of global money transfers over thirteen years (see enclosed figure).

Specialists versus Generalists. In a competitive market, generalists are constantly under attack from specialists. Generalists succeed by focusing on multiple customer groups and products or services. Specialists succeed by specializing in customers and/or

[1] "Fintech Startups Seek to Shake Up Money-Transfer Industry," *WSJ*, 12/20/2017, https://www.wsj.com/articles/fintech-startups-seek-to-shake-up-money-transfer-industry-1513679401.

products or services. Specialists typically concentrate on high-margin or high-volume customers, attempting to peel away the best customers from generalists. In banking, check-cashing services address the needs of a large number of very profitable customers. Similarly, McDonald's competitors constantly target its volume customers (e.g., Checkers & Rally's and Sonic) and its high-end customers (e.g., Five Guys Enterprises, Shake Shack). Specialist-firm effects are short-term. Revenue plateaus, and specialists, like generalists, are constrained by size. That is, small generalists and large specialists do not survive. The sample revenue of a specialist is presented in the enclosed figure.

Revenue Growth for Specialists

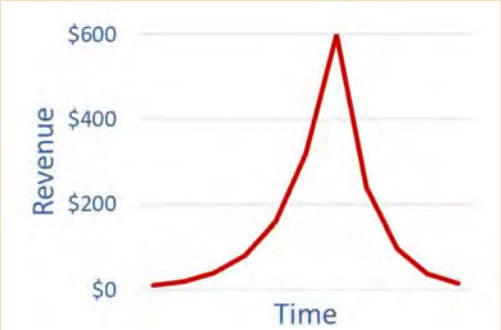
Knowledge-Based Disruptions. Knowledge-based disruptions are driven by enhanced customer knowledge and processes or offerings. Typical drivers of knowledge-based disruptions include technology (new products or services and patents); deep-learning-based platforms (machine learning, artificial intelligence); big-data-based learning; developing knowledge and protocol creation; and knowledge application from the emerging market to a traditional market (and vice versa). Examples of knowledge-based disruptions are the H&R Block service driven by IBM Watson, Google Nest thermostats, MinuteClinic by CVS, and Granular's farm-management software.

Revenue Growth for Traditional and Knowledge Based Firms

This revenue shift is demonstrated in the enclosed figure through specific industry analysis. As can be seen, the time to react is short, and two strategies succeed: develop

or adopt technology and/or access data.

Network-Based Disruptions. Network-based disruptions occur where increased numbers of people or participants improve the value to the customer of a good or service. These disruptions are distinct from scale effects, as the square number of users defines the network's value. Telephone service is regarded as the best illustration of network effects; more users increase the value of a telephone connection. Similarly, global payment systems, such as Visa, increase their value as more cardholders and merchants are added. In contrast, increased use of solar energy usage does not create network effects, just scale effects.



Revenue Growth and Decline for Network Based Firms

In China, Bank Networks were Attacked by Payment Networks

Networks decline when firms cannot increase the size of the network or when engagement decreases. That growth and decline graph is provided in the enclosed figure.

The primary offensive or defensive strategy of firms is using an existing network or creating a network to attack competitors. Other networks can successfully attack networks. A successful example is the assault on Venmo by banks (through Zelle). Similarly, Myspace was attacked by another more successful network—Facebook.

Convenience-Based Disruptions. Convenience-based disruptions involve easier-to-use products and services. There are three types of convenience-based disruptions: form, scale, and information-based. Form-based convenience focuses on the form factor, with the QR Codes used in mobile payments as an example. Scale-based convenience is the availability or accessibility of a large number of options, with Amazon

serving as a classic example. Finally, information-based disruption is when users have easier access to information, as seen in banking and airline apps. Convenience-based disruptions typically are short-term, with other firms quickly addressing the disruption by providing the same level of convenience, as shown in the enclosed figure.

Revenue Growth and Decline for Convenience Based Firms

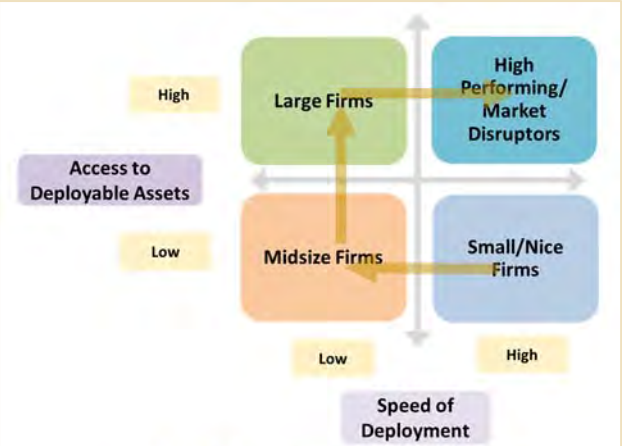
SCALE AND LIQUIDITY

Traditionally, scale allowed large firms to use their deployable assets to address any emerging competition and disruptions. Typical assets that a firm deploys include monetary resources, personnel, infrastructure, systems, and processes. We also examine the speed of asset deployment: how quickly a firm can deploy assets to implement a strategy. As firms increase in size, their deployable assets increase, but their speed declines due to processes (and controls), inertia, and entry and exit costs. We include here the resource deployment graph.

Traditional Markets–Resource Deployment

The growth path in traditional industries was quite simple and predictable. The focus was on achieving scale because speed requirements were low (most similar-sized firms within an industry have similar speeds), and scale increased deployable assets. Traditionally, high-performing firms were able to deploy assets at industry speeds. Examples of firms in the same industry with similar speeds are Coca-Cola and PepsiCo, or American Airlines and

Delta Air Lines. When an airline starts a basic economy fare, other airlines quickly copy it; similarly, when one airline puts lie-flat beds in business class, other airlines quickly follow.

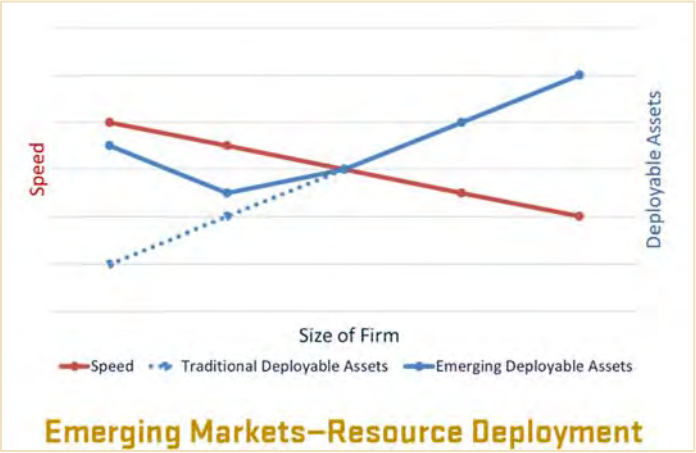


Traditional Growth Matrix

Since their focus was on developing scale, firms usually moved in a predictable manner: Small firms bulked up to become midsize businesses, which bulked up to become large businesses. Large firms that could deploy assets faster than their competitors became high-performing firms.

Disruptions Have Become Prominent Because of "Everything-as-a-service"

Disruptions in the marketplace have become more prominent due to the emergence of the "everything-as-a-service" approach. Note that many firms provide infrastructure, systems, and processes as a service. The most prominent examples of everything-as-a-service are in the information technology area, where firms can acquire hardware (e.g., Microsoft Azure), software (e.g., Salesforce.com), people (e.g., Accenture), distribution (e.g., Amazon.com), delivery (e.g., UPS), product design (e.g., Red Clay Consulting), or sales as a service. Also, with the rise of venture capital and private equity, firms can obtain financial support more easily based on their growth prospects.



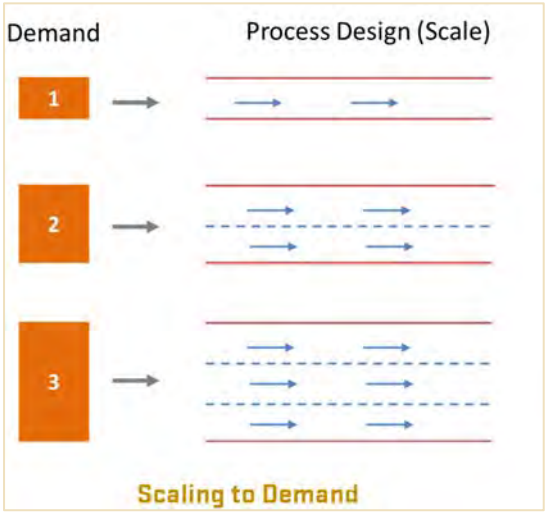
Emerging Markets–Resource Deployment

Smaller firms combine access to deployable assets with their traditional advantage of speed. In

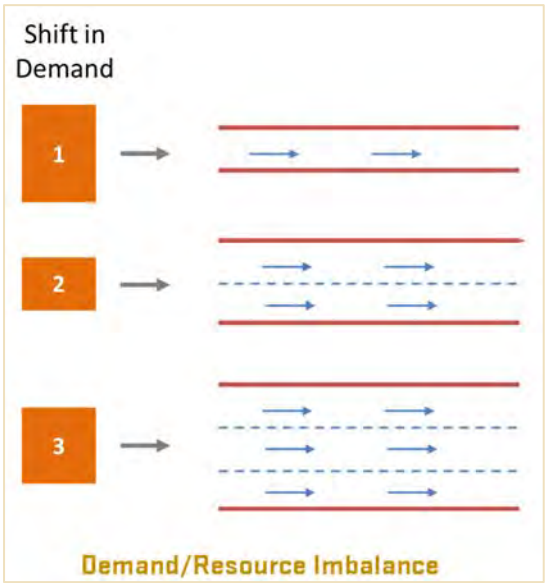
doing so, they acquire the ability to attack industries. This has led to the emergence of digital disruptors in most industries. Smaller firms have the highest speed, and with easier access to financing, they are most likely to be disruptors. Therefore, firms face increased competition from smaller firms as scale (and associated lack of speed) becomes a constraint rather than a benefit.

THE RISE OF SPECIALISTS AND THE REDUCTION OF LIQUIDITY

Firms design processes to maximize the throughput of those processes. We illustrate this by examining the design of processes by firms. To cater to demand, firms design processes with maximum speed to best suit customers. We illustrate in the enclosed figure a firm design process for three demand conditions using the analogy of roads.

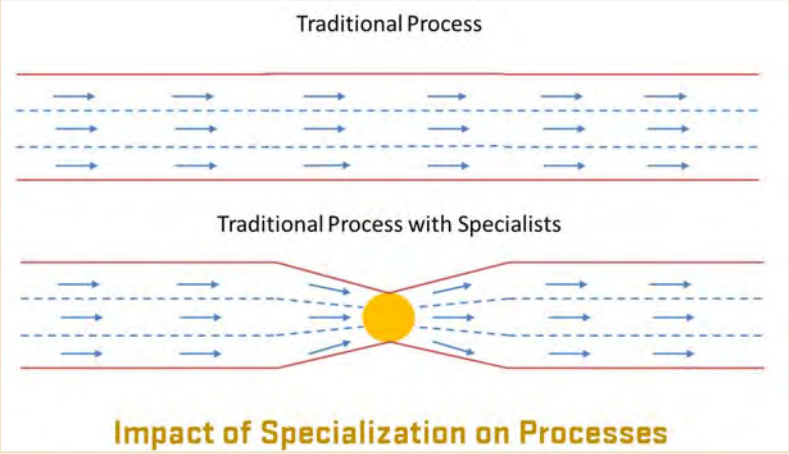


As environmental, competitive, and customer complexity increases, firms hire specialists and super-specialists with expertise in narrow areas (e.g., compliance, vertical markets) to address that complexity. Firms tend to include these experts in a large number of function-based processes. Contrary to this strategy's goal, however, firms become slower and less flexible as the number of specialists increases. Also, a specialist-based organizational design is only effective when markets and competition are stable. Changes in the environment make



the design ineffective and inefficient.

- Specialists, specifically vertical customer specialists, cannot be moved from one vertical market to another, leaving imbalances in processes. We demonstrate in the enclosed figure the imbalance when customer specialists are not flexible.



Impact of Specialization on Processes

- Specialization increases coordination costs. As more people are involved, more handoffs are needed, and more steps are required for any change, consuming both time and organizational resources. We demonstrate the effect of a single specialist on a firm's processes and suggest that multiple specialists dramatically reduce the speed of decision-making.
- Specialists are hired for their skills and tend to stay in their lane (remain experts in narrow areas) and not look for new learnings or increased innovation in processes.

Complexity and Complicatedness

Concerning the complexity of the environment, one of the consequences of complexity is complicatedness. Our focus of complexity is on the perceived difficulty of managing different objectives and distinct processes. Examples of complexity are the differing objectives of shareholders, compliance, ESG, and environmentally focused stakeholders (environment, labor). In their book *Six Simple Rules*, Yves Morieux and Peter Tollman report that firms had between four and seven non-contradictory performance imperatives in 1955, which increased to between 25 to 40 contradictory performance imperatives in 2015. Complicatedness refers to the difficulty in the coordination and

Increase in Complicatedness is Six Times the Increase in Complexity

management of objectives and performance. As the number of distinct objectives, functional areas, and product/markets increase, coordination needs increase, exponentially increasing an organization's complicatedness. Yves Morieux and Peter Tollman state that complexity increased six-fold between 1955 and 2015, but complicatedness has increased thirty-five-fold during this period. Complicatedness decreases the speed, flexibility, and adaptability of decision-making and reduces liquidity.

SUMMARY

In this section, we highlight the three reasons increased liquidity is needed. First, we are entering an age of disruption, with firms facing increased environmental and competitive disruptions. Second, scale, which traditionally allowed large firms to avoid competitive disruption, has made it more challenging to compete with nimble competitors. Third, the rise of vertical and functional specialists has slowed down firms' processes, resulting in an inability to address emerging opportunities or disruptions. Finally, complexity and complicatedness have increased, reducing speed, flexibility, and adaptability. Increasing liquidity, which we address in the next section, can be helpful in tackling each.

Liquidity Positively Influences Firm Success and Financial Outcomes

4: UNDERSTANDING LIQUID ORGANIZATIONS

In this section, we focus on understanding the liquid organization. We first address organizational forms with an emphasis on the history of organizational design. We then detail aspects of a liquid organization that focus on design and elements. We then address the strategic positioning and implications of liquid organizations.

THE HISTORY–HOW WE GOT HERE

Two business executives have had a significant influence on organizational design. The first, Frederick W. Taylor, mapped manufacturing processes into individual activities, conducted time-motion studies of manufacturing, created standard processes to reduce variance, and made manufacturing workers do specific tasks in a specific manner. Taylor authored a book*, The Principles of Scientific Management,* in 1909, which changed manufacturing and dramatically increased productivity. The principles created linear production lines in manufacturing and linear processes in offices. Processes were mapped, and specific processes were assigned to specific employees.

Frederick W. Taylor and Alfred P. Sloan Designed our Current Organizational Form

The second executive of interest here is Alfred P. Sloan, who created the hierarchical organization at General Motors. Sloan created a central planning organization tasked with the most critical functions (strategy, finance, and managerial policy) and delegated some decision-making authority to managers at the factory level. Managers focused on processes that would make the precise plans and policies of top management work. Information primarily flowed from the central organization to the lowest levels. Today, the matrix organization looks very much like

the organization that Alfred Sloan designed in the 1920s.

The primary focus of these strategies was on process control to increase efficiencies. However, the designs are only effective when markets and competition are stable, products are standardized, and there is a lack of disruptive technologies. Changes in the environments changed the fortune of large hierarchically organized firms.

The primary problem is that hierarchies focus on expertise and specialization. As discussed earlier, as people become more specialized, organizational liquidity declines, reducing a firm's ability to respond to environmental changes rapidly.

The Pull of Hierarchies

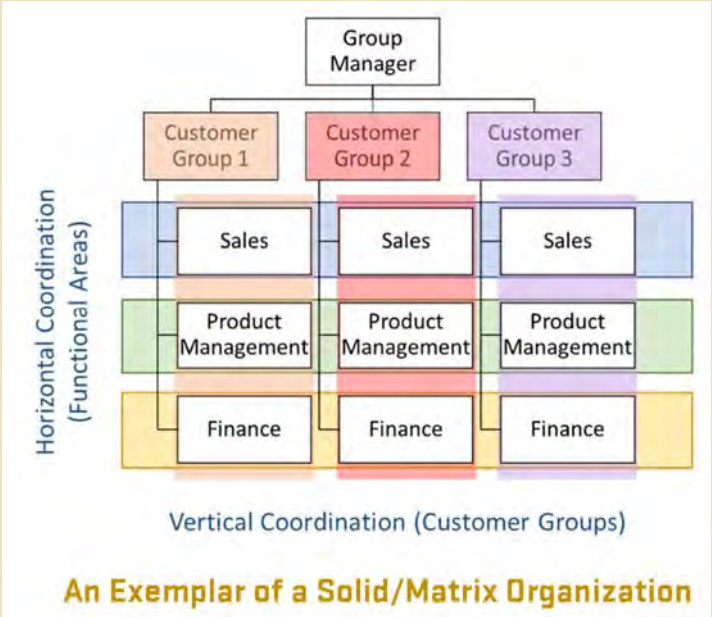
Research finds that hierarchies are natural, and there is a pull towards hierarchies for large firms. We find that in firms where increased liquidity was maintained, executives continuously had to fight the tendency to return to hierarchy. The constructal law developed by Adrian Bejan states that for a finite-size system to persist over time (to live), it must evolve to provide easier access to the imposed currents that flow through it. Bejan suggests a common shape that maximizes flow; this is the shape seen in trees, river deltas, blood vessels, road designs, and even simple objects such as heat sinks. Interestingly, hierarchical organizational structures have the same form as an upside-down tree. Hierarchical structures succeed in stable environments where the focus is on the efficiency of processes as size increases (scale). The implication is that hierarchical organizations are natural structures, and executives must continuously focus on adapting the organization for disruptions.

There is a Pull to Move Towards Hierarchies for Large Firms

UNDERSTANDING ORGANIZATIONAL FORMS

Before we present the liquid organization, we need to develop an understanding of

alternative organizational forms. We do so using the analogy of materials. The traditional hierarchical or matrix organization is solid—like molecules, people, and functions bond together to form rigid structures and processes, which decrease the speed of delivery. In addition, the matrix structure has interlocking horizontal and vertical configurations. An exemplar of a matrix (solid) organization is provided in the enclosed figure.

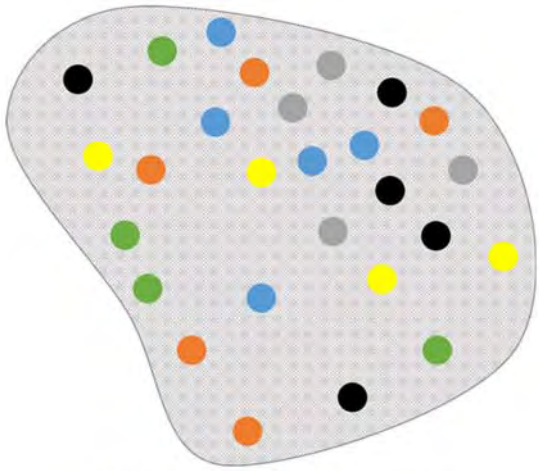


An Exemplar of a Solid/Matrix Organization

Different goals drive different functions (e.g., the sales function is revenue-driven, and the legal function focuses on risk reduction). The incompatibility of these goals increases negotiations, which reduces the speed and flexibility of firms. In addition, like solid materials, changing the shape of a solid firm (its structure and processes) requires significant energy in terms of people, time, and resources. People in solid organizations have structure but little autonomy (thus reducing innovation).

With increasing product and environmental complexity and disruptions, firms are increasingly focused on resilience. Brian Walker and David Salt suggest that Resilience is the capacity of a system to absorb disturbance and still retain its basic function and structure. Hierarchical and matrix structures are created to optimize complex systems, and unfortunately, by design, are not resilient. For example, the Delta Works in the Netherlands is a hierarchical series of dams, sluices, locks, dykes, levees, and storm surge barriers that protect it from flooding from the sea. It took 60 years and over $13 billion to construct. However, flooding came from rivers in 1993 and 1995. The Netherlands then took the opposite approach with rivers. They reduced the hierarchical

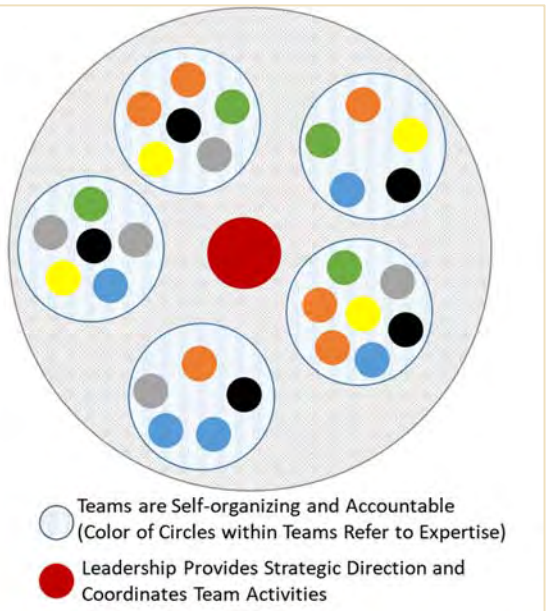
structures traditionally used to control river flooding and created space for the river floodwaters to stand and flow (known as "Room for the River"). The lack of a hierarchical design made the river flood plan more resilient.



An Exemplar of a Gaseous (Unstructured) Organization

In contrast to the solid organization, firms that are "gaseous" can fill any space but have no fixed structure. Like gas molecules, people can form any shape, move autonomously, and define their own roles. In this "unstructured" organizational form, or "holacracy," individuals define the role they play in the organization. This is depicted in the enclosed figure. There are no managerial structures in gaseous organizations, and individuals self-evaluate their performance. Furthermore, there is no coordination of strategy or purpose. Therefore, people in gaseous organizations have complete autonomy.

Our research suggests that to increase strategic speed and flexibility, firms should create a liquid organization. Like molecules in liquids, people can move around in a liquid organization, forming work relationships based on the firm's needs. Liquid organizations have autonomous, self-managed team structures, and the leadership provides direction and coordination (see enclosed figure).



An Exemplar of a Liquid Organization

The focus of liquid organizations is on speed and flexibility, as they can change shape or move in a specific direction by changing their effort. Therefore, employees have limited structure and increased autonomy, both features of a high-speed, flexible, and innovative organization.

Characteristics of a Liquid Organization. Because speed has become a key differentiator, traditional firms seek higher speeds to better compete in emerging environments. As stated earlier, the primary strategy for increasing speed is to design a liquid organization. The term liquidity is traditionally used to refer to the financial measure of the assets (typically cash) a firm can access and at what speed. From the financial-market perspective, liquidity is how quickly one can get in and out of an investment. In an organizational or strategic sense, it is measured as both the number of assets a firm can deploy and the speed at which it can do so. The strategic organizational philosophy of liquidity is centered around the principle of "everything-as-a-service." Under this philosophy, all functions are services, and to be flexible and scalable, organizations either insource or outsource those based on demand.

To Increase Speed and Strategic Flexibility, Firms Need to be More Liquid

Liquid Organization: Changing Firm Focus by Changing Team Focus

A change in effort in a liquid organization can change the firm's direction, as depicted in the enclosed figure. By changing the number of flexible teams working in an area, a firm can have an existing business focus, a balanced focus, or a new business focus. As

evident from the enclosed figure, the managerial emphasis (shown as a red circle) also shifts as teams move in a specific direction. The number of teams working in an area can also be altered every 3–4 months or quicker based on strategic needs.

As stated earlier, a liquid organization is built for speed. Therefore, increased liquidity in a large organization allows it to match the speed of smaller firms. With access to deployable assets, larger firms can more effectively compete in disruptive environments and attack disrupters. By becoming faster, more flexible, and scalable, larger firms become more competitive.

Liquidity Is Centered Around "Everything-As-A-Service"

We compare liquidity to organizational agility, a company's ability to capture business opportunities faster than their competition, flex, and respond quickly and nimbly to changing environments. In some ways, the definitions overlap, but organizational agility focuses on strategic positioning rather than implementation. Liquidity concerns strategy and implementation. Peter Weill from MIT studied agile firms and found that agile firms have 7% higher revenue growth and a 37% higher return on equity than other firms in their industry. Similarly, McKinsey found that organizational agility improves financial outcomes by 20–30%.[2]

Organizations and Liquidity

Organizations have differing levels of liquidity based on levels and functional areas. We focus on the element of levels and demonstrate that typically not all organization levels have the same liquidity. To demonstrate the difference in liquidity, we represent an organization as a circle where the core and periphery can be represented as inner and outer circles, respectively. We measure the liquidity at different organizational levels

[2] Source: http://ebusiness.mit.edu/ciosummit/weillslides.pdf; https://www.mckinsey.com/business-functions/organization/our-insights/enterprise-agility-buzz-or-business-impact

and find that very few organizations are entirely liquid or illiquid. We find that a few state government organizations were not liquid, and some small businesses were liquid. Traditional organizations demonstrate low liquidity. Although their periphery was designed to be liquid to meet customer needs, their core is generally not liquid. For example, traditional department stores are slow at strategic decision-making, but store managers have the speed and flexibility to meet customer needs. In contrast, digital-native firms have a very liquid core but provide less flexibility at the periphery.

Core and Periphery Liquidity

FOUR ELEMENTS OF LIQUIDITY

To define a liquid organization, our research established four elements as key: delivery, people, infrastructure, and geography.

Liquid Delivery refers to faster development and deployment of resources and technology—increasing the quality, speed, and innovativeness of delivery across the organization. Firms can increase liquid delivery by adopting team structures.

Liquid People refers to a workforce designed for flexibility in size, ability, and movement across functional, customer, and geographic boundaries. Liquid people allow firms to deploy them in areas of need. Dynamic learning, cross-training, and staff augmentation are strategies to enhance the

Liquid Delivery, People, Infrastructure and Geography Define Organizational Liquidity

liquidity of people.

Liquid Infrastructure refers to a firm's ability to scale up or down rapidly. It also refers to a firm's ability to focus its financial and managerial resources on strategic investments and innovation. Firms can increase their ability to scale by increasing the time executives spend on strategic thinking and innovation. Firms can also use on-demand resources such as functional expertise, cloud computing, flexible workspaces, and on-demand manufacturing, increasing or decreasing scale based on need.

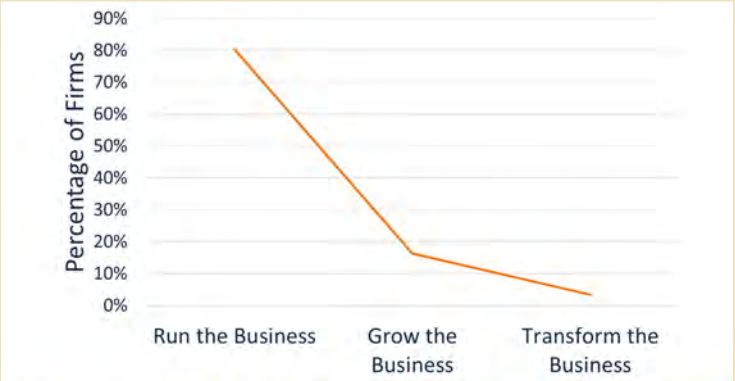
Liquid Geography refers to the ability of employees, suppliers, and customers to effectively and efficiently work from any location, bridging time and locational differences. Most firms have adopted liquid-geography technologies (virtual meetings), but human factors still need to be addressed. As we continue to better understand the emerging issues of liquid geography, we currently focus only on liquid delivery, liquid people, and liquid infrastructure.

STRATEGIC PERSPECTIVES

The imperative for firms is to grow. H. Igor Ansoff developed the Ansoff Growth Matrix in 1957, which provides a simple and valuable way to think about growth. On a two-by-two (2X2) matrix, with customers (new and existing) and products (new and existing) being the axis, Ansoff outlined four possible avenues for growth—market penetration, product development, market development, and diversification. One implication of the matrix is that it requires liquidity to implement strategies that focus both on existing and new business. This facet of liquidity, labeled as ambidexterity, is an organization's ability to simultaneously

combine exploitation (more revenues from current customers and offerings) with exploration (seeking new customers and industries with new offerings). Ambidexterity is particularly important for those firms that want to pursue multiple strategies under the same organizational form. Firms with low liquidity are not ambidextrous in liquidity terms and have a "run the business" approach. They mostly attempt to increase revenue by selling current products to current customers. The strategy focuses on being hyper lean (to reduce costs) and increasing service levels (to provide better services). Firms with medium liquidity attempt to grow their business by seeking new customers and creating new variants of existing products and services. This strategy focuses on adjacencies (customers, products, and services). Typical strategies include increasing speed, flexibility, and scalability; digitization that incorporates analytics, digital marketing, multi-channel communications, and personalization; and asset rationalization. Firms with high liquidity focus on transforming their business by developing new processes and procedures, and new business models and organizational forms. The transformation strategy involves active horizon scanning, emphasizing external relevance (e.g., to the customer, consumer, and financial markets); seeking network effects; using new technology; and developing new business and organizational models. Increased liquidity is required to transition from a "run the business" mindset to a "grow the business" or "transform the business" strategy. The characteristics of these strategies are provided in the enclosed figure.

In our study of over 300 firms in 2020, most were in the initial stages of liquidity. Over 80% of the firms are in a "run the business" phase, 17% are in a "grow the business" phase, and less than 3% of firms are in a "transform the business" phase. The data suggest that firms need to change their orientation at a faster pace.



Distribution of Firms Based on Liquidity/Strategy

Impact of Liquidity–Liquidity and Revenue Growth

The impact of liquidity on a business can be dramatic, as can be seen from the details of the relationship between liquidity and revenue growth in the U.S. retail banking industry. In this section, we provide a broader perspective. The revenue effect on businesses of different liquidity levels was calculated for firms in our database. Firms with low liquidity (an average score of 2) tend to just "run the business," which leads to a moderate increase in revenue in most businesses. Firms with medium liquidity (an average score of 5) focus on growing the business and are able to outgrow the market. Finally, firms with high liquidity (an average score of 7) transform the business and are able to increase their revenues at much higher levels than the market. Our research also observed that the time required to address liquidity gaps increases exponentially with increased liquidity.

Liquidity and Revenue Growth

UNDERSTANDING LIQUIDITY THROUGH MEASUREMENT

We increased our understanding of liquidity by measuring liquidity at the industry, firm, functional, geographic, and individual levels. Each is now discussed in turn.

Measurement of Industry Liquidity

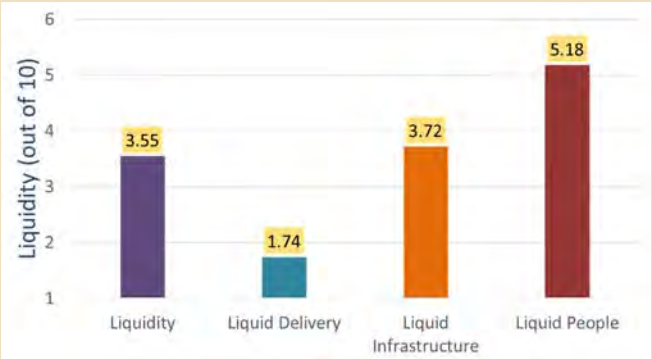
At the broadest level, we study industry-level liquidity. We have developed a proprietary methodology to determine organizational liquidity across the three elements: delivery, people, infrastructure. Using surveys and published data, we calculate liquidity on a scale of 1–10, where 1 suggests no liquidity and 10 suggests full liquidity. As an example, we present 2019 liquidity scores for a sector of the financial services industry. Interestingly, the disruptor's liquidity scores were dramatically higher than those across the industry, including those of the market-leading firm. In contrast, as expected, large firms that did not lead the market were non-liquid and vulnerable.

Liquidity Scores for a Sector of the Financial Services Industry

Type of Firm	Liquidity Score	Liquid Delivery	Liquid People	Liquid Infrastructure
Market Leader	5.2	6.3	4.2	5.1
Other Large Firms	3.9	3.8	3.2	4.7
Smaller Firms	6.3	7.2	5.1	6.7
Disruptor	7.2	7.9	6.1	7.6

We also study the impact of liquidity on firm performance in an industry. In 2019, we partnered with GardaWorld to measure U.S. retail banks' liquidity and understand the relationship between liquidity and growth. Our analysis suggested that U.S. retail banks are not liquid. On a 10-point scale, the liquidity scores of the banks we study ranged from 1.73 to 5.77, with a mean of 3.55. The liquidity scores of the elements are, liquid delivery (mean=1.74); liquid people (mean=5.18); and liquid infrastructure (mean=3.72). The distribution for the banks we study indicates 18.5% have liquidity scores of less than

3. A majority, 61.5%, have liquidity scores between 3 and 4, and 17% have liquidity scores between 4 and 5. The remaining 3% have liquidity scores above 5. The regulatory framework of the banking industry may be the reason for the industry's lower liquidity. As expected, our analysis finds that smaller banks are more liquid than larger banks. The gap was large, and the average liquidity score of a bank with less than $1 billion in deposits was 3.86, compared to an average liquidity score of 3.07 for banks with deposits above $100 billion.



Liquidity of U.S. Retail Banks

Liquidity and Financial Outcomes. In banking, our analysis suggests that liquidity positively affects annual deposit growth, and the correlation is 0.46, which is large and statistically significant. Our analysis also suggests that liquidity positively affects annual income growth; the correlation is 0.22, which is statistically significant. We provide detailed results in Chapter 2.

Measurement of Firm Liquidity

We also study firms' liquidity scores and compare their scores to the competition and the market, using the results to track each firm's competition and liquidity efforts. Such data is typically collected from both internal (e.g., employees) and external (e.g.,

Liquidity Scores for a Firm (2020)

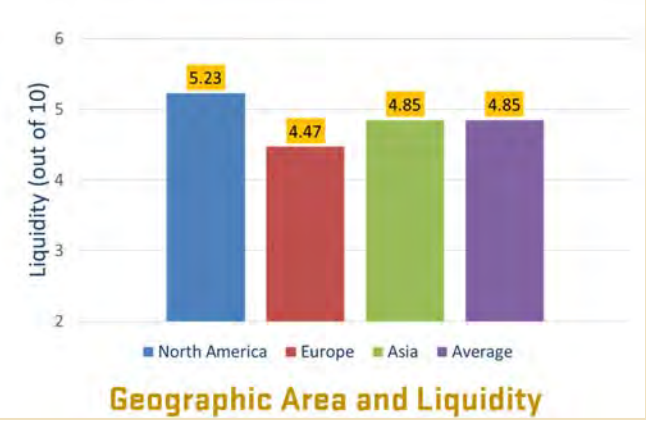
Comparison	Liquidity Score	Liquid Delivery	Liquid People	Liquid Infrastructure
Company	5.96	5.97	5.67	6.23
Industry (Range)	2.4—7.3	2.7—7.1	2.4—6.5	2.3—7.7
Best-in-Class (Range)	6.5—9.1	6.3—8.7	5.8—9.3	7.2—9.1
Percentile in Our Database	76	73	84	76

customers) constituents. In the example that we share from a services firm, the firm's composite liquidity score was 5.96. The liquid delivery score is 5.97, the liquid people score is 6.23, and the liquid infrastructure score is 5.67. In comparing the firm's liquidity scores to our database, the firm is in the 76th percentile of liquidity scores.

Measurement of Liquidity of Functional and Geographic Areas

We measure the liquidity of functional and geographic areas for tracking purposes. We use our database to examine the liquidity of customer service, finance, IT, marketing, sales, and supply-chain functions (enclosed figure). With average liquidity of 4.85, we find that customer service (5.97) had the highest liquidity and finance (3.86) the lowest. We also compare the liquidity of regions, namely, North America (5.23), Europe (4.47), and Asia (4.85), as the enclosed figure shows.

Functional Level Liquidity

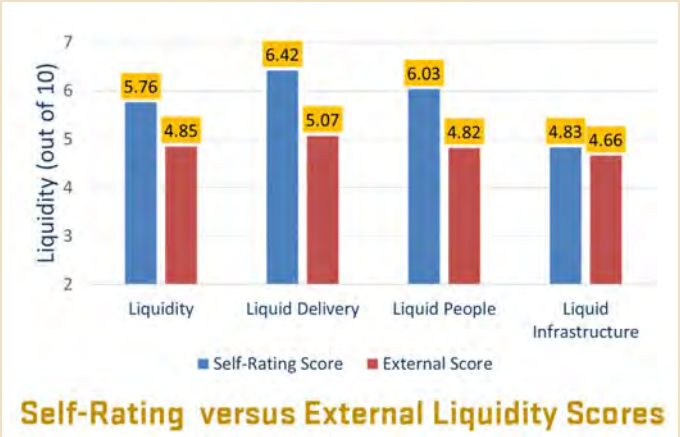


Geographic Area and Liquidity

Measurement of Personal Liquidity

We also measure personal liquidity, typically for senior executives. Using internal and external data to calculate liquidity, we find that the average liquidity is 5.77, ranging from 3.02 to 8.04. Liquid delivery averages 6.03 with a range from 3.21 to 8.17. Liquidity of people averages 5.86 in a range from 3.16 to 8.08, and liquidity of infrastructure averages 5.43 with a range of 2.93 to 7.93. Executives scored an average of 5.76 on a liquidity self-assessment compared to an external assessment score of 4.85. The highest

gap was 1.35 concerning liquid delivery (internal assessment 6.42 versus external assessment of 5.07).



Self-Rating versus External Liquidity Scores

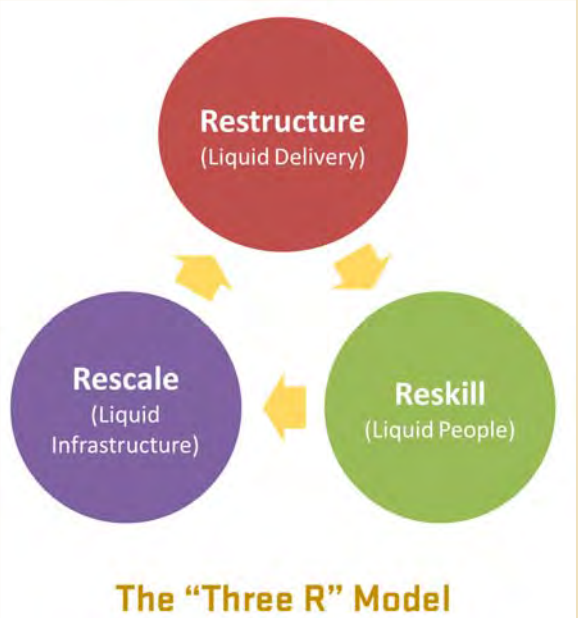
SUMMARY

In summary, to both create and effectively respond to disruptions, large firms must increase liquidity. This section discussed the forms of organizations (solid, gaseous, and liquid) and demonstrated that liquidity positively influences firm success and financial outcomes. Increasing liquidity is critical for firms to respond to changes in the industry. We also discuss our measurement of liquidity at the industry, firm, function, geographic, and individual levels. We thus discuss strategies for increasing liquidity in the following sections.

Liquidity Positively Influences Firm Success and Financial Outcomes

5: INCREASING THE LIQUIDITY OF ORGANIZATIONS

The previous section discussed liquidity and the critical need for it. This section discusses strategies to enhance the liquidity of organizations. Our research suggests that firms can increase their liquidity following the "Three-Rs" strategy—restructure, reskill, and rescale. Restructuring involves changing traditional matrix organizations into team-based structures to increase liquid delivery. Reskilling focuses on increasing the dynamic learning capability of organizations and their people to increase liquid people. Rescaling aims to transform the organization to become more adaptable and increase its liquid infrastructure. Each strategy is briefly discussed and details then considered in the next sections.



The "Three R" Model

Restructuring

Restructuring focuses on using teams within hierarchical and matrix structures to increase the liquidity of delivery and the quality of deliverables. We recommend that firms first create teams devoted to strategic initiatives and then increase the use of teams within their organization as a whole. Successful executives are also able to identify processes that take time or have high failure rates. They can then create teams to improve the

The "Three-Rs" Strategy Includes Restructure, Reskill, and Rescale

liquidity of these processes involving multiple stakeholders to accomplish change.

Reskilling

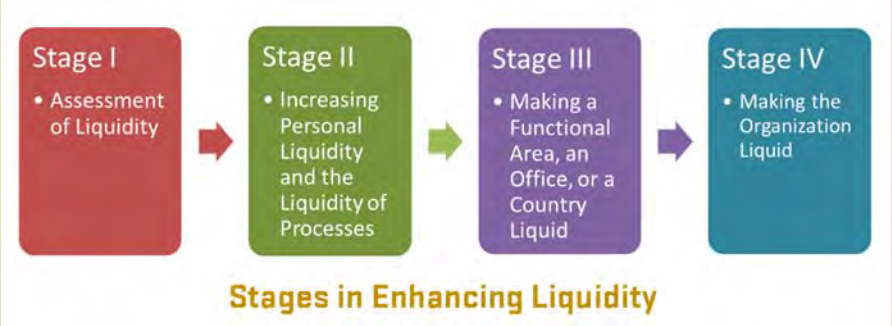
Reskilling focuses on liquid people and enhances people's liquidity so that they can perform multiple functional and customer-facing roles. The primary strategy is to increase executives' breadth of knowledge to enhance liquidity, collaboration, and innovation.

Rescaling

Rescaling focuses on liquid infrastructure. The strategy is to make the boundaries between internal and external organizations more porous and increase the time executives have available for more strategic thinking. Firms should increase teamwork with their suppliers to reduce the boundaries between them. Executives should release time for higher-level thinking by reducing the time taken up by routine work and increasing the time available for strategic thinking and innovation.

The Journey Towards Increased Liquidity

There are three stages in the journey firms make to enhance their liquidity: assess, decide and commit, and embed and scale. In the first stage, firms assess and recognize the need for increased liquidity. In the second stage, the leadership team decides and commits to increasing liquidity and then increases their personal liquidity and the liquidity of selected processes.



Stages in Enhancing Liquidity

Firms embed and scale in the third and final stage and make a functional area, an office,

a country, or the entire organization liquid.

SUMMARY

This section introduced the Three-Rs Model and briefly discussed each element—restructuring, reskilling, and rescaling. Each area is discussed in-depth in subsequent sections. The section also discussed the journey toward increased liquidity.

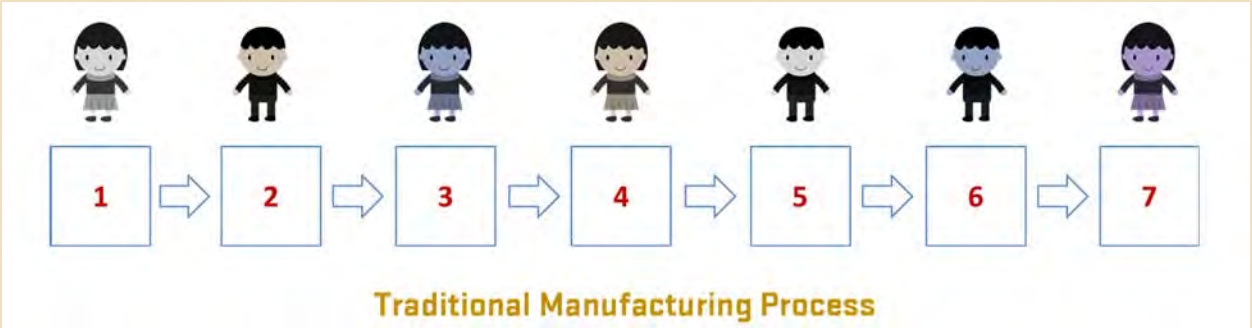
6: RESTRUCTURING TO INCREASE LIQUIDITY

The restructuring allows firms to increase liquid delivery—increasing the quality, speed, and innovativeness of delivery across the organization. Traditional hierarchical and matrix firms need to restructure to increase liquid delivery, which typically requires firms to increase the use of teams. This restructuring requires both philosophical and structural change. This section discusses the philosophy and design of a liquid organization.

Small firms are liquid because employees perform multiple functional tasks and can quickly shift from one task to another. As firms grow, they move from an entrepreneurial structure, in which employees do various tasks, toward a hierarchical or matrix structure, in which employees have deep expertise and predominantly make decisions in a single functional area. The structure also shifts from team-oriented decision-making to serial decision-making (one decision follows another in a planned manner). Serial decision-making emerged as a response to an increase in scale and complexity that required people with deep expertise in each area of the process. However, as discussed earlier, serial decision-making increases the time required to make decisions and reduces the firm's flexibility.

Small Firms Are Liquid Because Employees Perform Multiple Functional Tasks

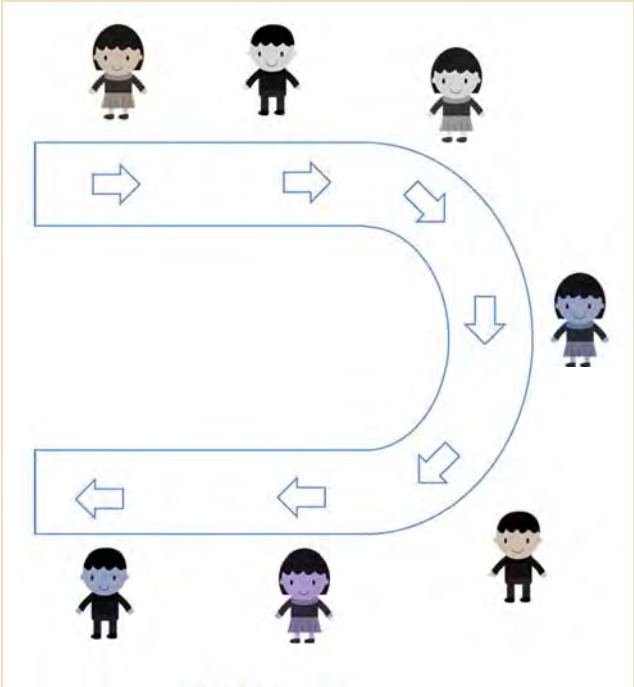
The manufacturing function was the first to be re-evaluated. In this process, each employee is an expert in an area (e.g., attaching doors in an automobile assembly line), and the assembly line is built by experts in each part of the process. A sample assembly line with seven processes, or stages, is presented in the enclosed figure.



Traditional Manufacturing Process

There are multiple issues with the traditional manufacturing process. It is very rigid and not easily changed (e.g., reversing steps). An employee within the process cannot be easily replaced; employee skills are too specific to allow individuals to change roles, and no single person is responsible for the overall output or quality.

Cell-manufacturing processes were created to increase flexibility, speed, and quality. In cell manufacturing, employees are typically arranged in a u-shape, and each employee has expertise in the areas before and after their assigned tasks. An employee's knowledge of multiple processes allows adjustments to be made in processes and people, enhancing speed and flexibility. In addition, employees in cell manufacturing are formed into teams. The team is responsible for both the quality and the output (employees step in to help other team members). The cell manufacturing design is presented in the enclosed figure.



Cell Manufacturing

In 1996, Bartholdi and Eisenstein designed a self-balancing system to further increase speed and flexibility. In this system, each employee carries work forward until the last

employee finishes and then walks back to take over their predecessor's work, who in turn steps back to complete more work until the first employee walks back to start a new item.

Changes in Organizational Structure. As discussed earlier, to increase liquidity, firms need to move from a function-focused form (matrix organization) to a hybrid structure, which involves teams. Teams increase the liquidity of an organization. Teams are small, autonomous, self-managed, multidisciplinary groups with end-to-end control of business tasks. Rather than individual employees being responsible for a sub-process, the entire team is responsible for the entire process. Teams are formed of experts in different sub-processes, and employees are encouraged to develop expertise in multiple areas. People move between teams to reduce entrenchment. The organization is also flattened as teams report to a smaller management group. In this structure, leaders take the role of general managers who focus on outputs rather than processes or functions. Managers are orchestrators of flexible and dynamic interactive teams that achieve the firm's goals. The shift in management is highlighted in the Table.

To Increase Liquidity, Firms Need to Move from a Matrix Organization to a Team-Based Organization

The introduction of self-managed teams has led to great results. In a 2016 *Harvard Business Review* article, Bernstein and his colleagues set out the success of this approach. With self-managed teams, a Volvo plant in Kalmar, Sweden, reduced defects

Shifts in Organizational Structure and Processes

Traditional	Liquid
Hierarchical Structure	Team Structure
Hire for Skills	Hire for Attitude, Train for Skills
Management Control of Employees	Autonomous and Self-Organizing Teams
Focus on Existing Products/Processes	Continuous Innovation
Evaluation Focused on Process	Evaluation Focused on Outcomes, Innovation, Learning, and Contribution to Team
Focus on Management of People	Focus on Coordination of Teams

Deploying Self-Managed Teams Leads to Great Results

by 90%, while FedEx cut service errors by 13%, C&S Wholesale Grocers gained a 60% cost advantage over competitors, and General Mills increased productivity by up to 40% in its plants.

Our research also suggests that executives prefer teams, and teams enhance strategic thinking, innovation, collaboration, and improved outcomes.

IMPLEMENTING TEAM STRUCTURES

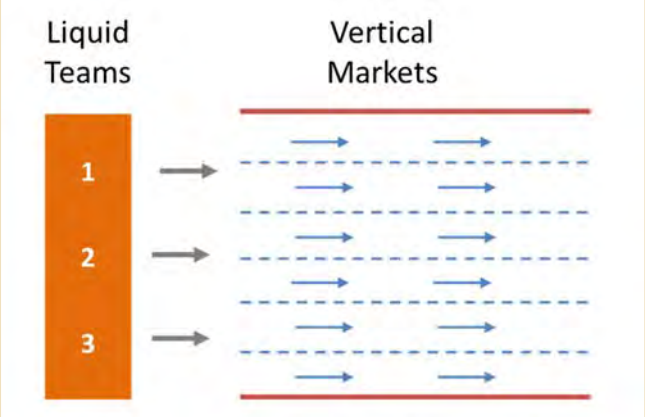
As stated earlier, firms need to implement dynamic team structures within hierarchical or matrix organizations. Our research suggests approaches to starting small on a long-term journey.

Starting Small

By starting small, firms can increase the use of teams in their organization. We suggest that executives start forming teams by pairing two people from different functional areas of markets ("verticals"). An example comes from a medical devices firm that made teams out of individuals from finance and supply chain functions. The teams introduced financial rigor into supply-chain processes and process improvements to finance processes. A high-technology firm with regional markets made each regional leader support another regional leader (as a backup), which required the regional leader to visit their counterpart 2–3 days a month. This helped the regional leaders focus on working as a team, learning from and supporting each other. As regional leaders started working in

different areas, they began bringing innovations from one area into another. If a regional leader was on vacation or left, the support leader could quickly take over with little interruption. We find that some firms have started organizing around customers for better teamwork between verticals, with some executives now asking their functional area leads to support their counterparts.

In Chapter 3, we discussed how market specialization reduces the speed and flexibility of firms. When firms utilize liquid teams, some of the traditional impediments to flexibility are diminished. As an example, we discussed how changes in vertical markets lead to overstaffing and understaffing. However, when liquid teams are deployed, teams can easily be tasked to not address specific vertical markets and address emerging markets, i.e., there are few vertical market boundaries. This organizational design allows firms to rapidly address changing market conditions with existing personnel. The emerging model is demonstrated in the figure.



Liquid Teams Can Rapidly Adapt to Markets

Long-term Strategy

We suggest that firms first create teams for strategic initiatives. Once an organization observes the success of teams, the number of teams and the firm's liquidity increase. For firms that want to increase the number of teams, we suggest the following actions:

1. Create small teams with between 6 and 9 people for strategic initiatives.
2. The team should include people from different functional areas and different levels of seniority. A C-suite or a very senior-level executive should be included on the team to ensure visibility and cooperation.
3. Clearly articulate the outcomes for the team and emphasize that the team needs to be self-managed and responsible for outcomes. The deadline for each outcome

should be detailed.

4. The teams need to be autonomous, and management's role is to support and coordinate teams. General Stanley McChrystal labels this team management style "Eyes on-Hands Off."
5. Rotate team heads every 3–6 months to ensure a team rather than a leader focus.
6. The firm's leadership group should receive periodic updates from the team and provide resources where needed.
7. Team or individual evaluations should be focused on outcomes, innovation, learning, and contributions to the team. Managers and team members need to recognize that people will move from clearly defined roles with clear lines of authority to loosely defined roles with evolving lines of authority. Managerial evaluation and support systems need to evolve.

Firms Need to Create Teams for Strategic Initiatives

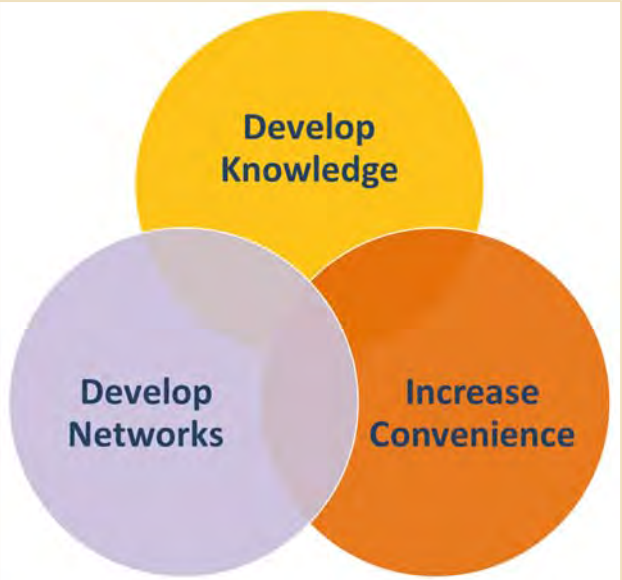
8. Create focus teams in areas where returns are higher. We found that the most successful dynamic teams are innovation teams, product-launch teams, sales teams, and "opening a new market" teams. As an example, the successful implementation of sales teams increases revenue by 23%.

Successful Strategic Teams Develop Knowledge, Develop Networks or Increase Convenience. We examine the outcomes of teams focused on strategic initiatives over the last two years, and the results are interesting. The largest proportion of teams with a "run the business" approach had flat growth outcomes (with an average growth of 2.89% annually). A smaller proportion of teams had a "grow the business" focus, and these teams saw linear growth (with an average growth of 16.73% annually). A small proportion of teams had a "transform the business" focus and observed exponential growth (with an average growth of 66.24% annually).

Teams Focused on "Transform the Business" Observed Exponential Growth

We also examine successful strategies that emerged from "transform the business" teams and find three focus areas—developing knowledge, developing networks, and/or

increasing convenience. Some teams focus on one area and realize that they need to develop expertise in other areas. For example, Uber initially focused on convenience but had to develop its knowledge and networks to succeed.



Three Strategic Focus Areas for Success

Developing knowledge involves understanding customers or processes better than competitors. Technology (new products and services or patents); deep-learning platforms (machine learning, artificial intelligence); big-data learning; and in-depth immersion are typical examples of knowledge development. As discussed earlier, examples of knowledge-based competition are the H&R Block service, driven by IBM Watson, Google Nest thermostats, the MinuteClinic by CVS, and Granular's farm management software.

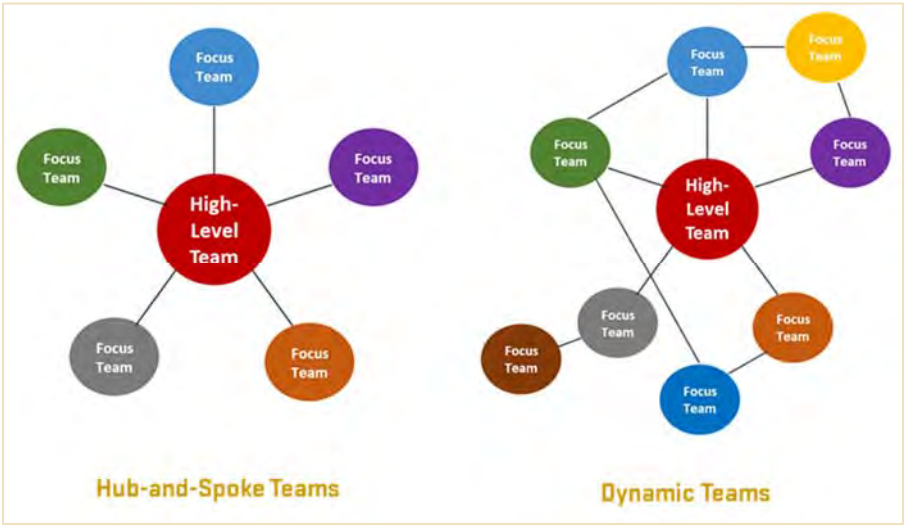
Developing networks involves developing platforms for people or firms to interact with other people or firms. For example, global payment systems, such as Visa, increase their value as more cardholders and merchants are added, increasing the interactions between cardholders and merchants. As stated earlier, we have observed strong network effects with firms such as Facebook, Twitter, Amazon, Match.com, UberPool, and Waze.

Teams Need to Focus on Developing Knowledge, Developing Networks, and Increasing Convenience

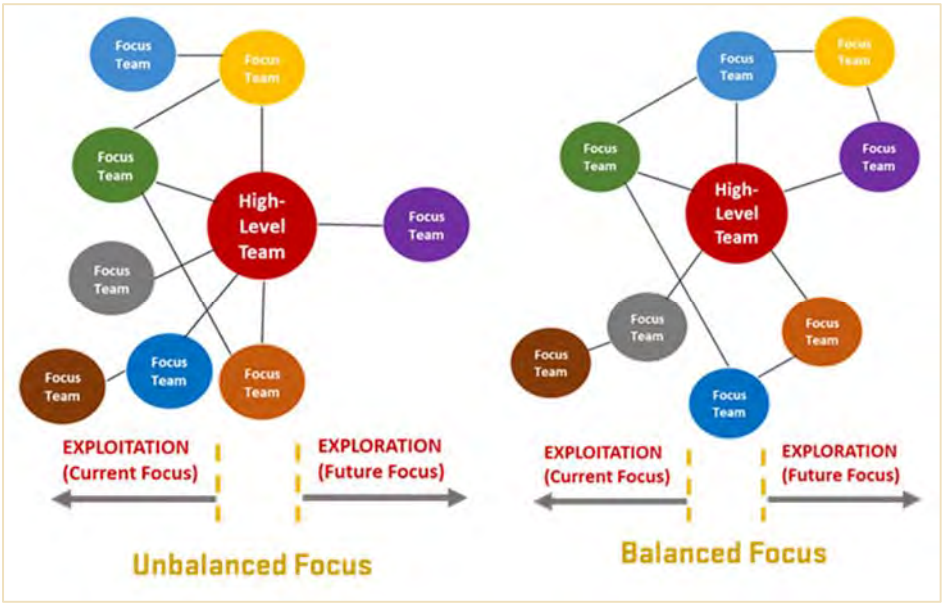
Increasing convenience focuses on easier-to-use products and services. There are three ways to increase convenience using form, scale, and information. Form-based convenience focuses on the form factor, with the QR Codes used in mobile payments as

an example. Scale-based convenience is the availability or accessibility of a large number of options, with Amazon serving as a classic example. Finally, information-based convenience occurs when users have easy access to information, as seen in the case of banking and airline apps.

Dynamic Teams



Both academic research and practice find that teams perform better than individuals alone. However, our research finds that high-liquidity firms use teams extensively and follow a definite pattern. They form focus teams to address specific issues, that is, hub-and-spoke teams. We find that firms with low liquidity frequently form committees rather than teams. Committees focus on representation from all areas, whereas teams are focused on people who can effectively address the key outcomes.



High-liquidity firms evolve to a higher level and convert their hub-and-spoke team system to a more dynamic team system. In this system, focus teams create new focus teams, and new links emerge between these teams. This interlinking of teams creates enormous synergies.

Firms also need to create balance to enhance growth. Even when firms create dynamic teams, some firms focus on existing products or services and customers (exploitation), with not enough focus on new products or services and customers (exploration). Firms with higher liquidity are more balanced in their approach, leading to better outcomes.

Dynamic Teams in the Military, Crew Management, and Manufacturing. Leaders recognized the limitations of hierarchical organizations in the context of changing environments and responded by developing dynamic teams. General Stanley McChrystal found that traditional hierarchical military structures could not respond to the decentralized structure of Al Qaeda. He created and saw success with a dynamic structure of teams (which he termed a "team of teams") with a central high-level team supported by several connected focus teams. NASA created dynamic teams to enhance speed, and they successfully landed a person on the moon in a short time.

In the 1970s, airline crews functioned as traditional hierarchical organizations, with the pilots being the head of a plane and providing instructions to the other crew members.

Airline Crashes Declined Dramatically When Dynamic Teams Were Introduced

Although planes were becoming safer, airline accident rates increased in the 1970s because of this hierarchical structure. For example, in 1978, United Airlines 173 crashed in Portland because the pilot spent too much time instructing the crew and did not notice that he was running out of fuel. Airlines instituted crew-management practices (dynamic teams) where the crew followed a team design with individual responsibilities and open communications. Airline accidents

have consistently declined in the last four decades. Similarly, in hospitals, dynamic teams based on such a crew-management system started appearing in emergency rooms, surgical centers, and hospitals. These moves enhanced outcomes and reduced errors.

The manufacturing sector was amongst the first to adopt dynamic teams. The impetus for change by U.S. manufacturers in the 1970s and 1980s were Japanese automobile and electronics manufacturers that provided less expensive but higher quality products.

Manufacturers in the U.S. Adopted the Dynamic Team Structures of Japan

U.S. manufacturers realized that their manufacturing organization was hierarchical and linear, whereas Japanese manufacturing was team-based. Unsurprisingly, by 1992 when Paul Osterman from MIT surveyed 694 U.S. manufacturers, 54.5% of firms had already created manufacturing teams.

SUMMARY

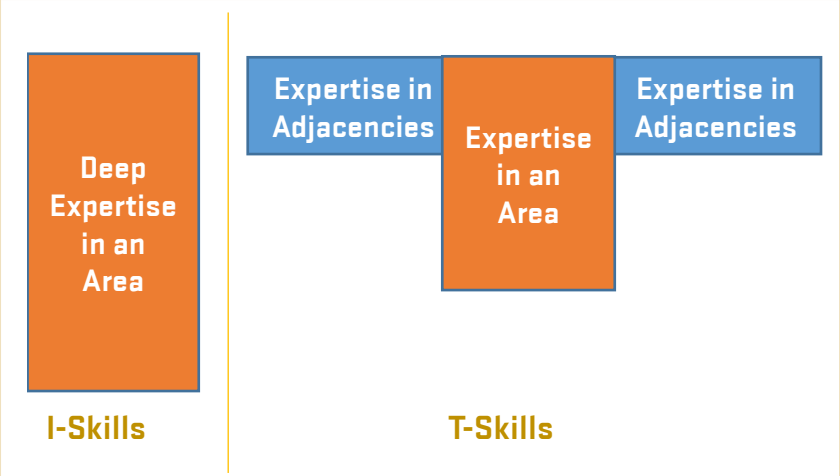
This section focused on restructuring to increase liquid delivery by adding teams to matrix organizations. The section started with examining how teams increase the speed, quality, and innovativeness of delivery. The characteristics of teams were then discussed. The section then explored implementing team structures. The discussion started with how to start small, followed by developing a long-term strategy. The section also had an in-depth discussion of strategic focus teams. Finally, the section discussed the evolution and importance of dynamic teams.

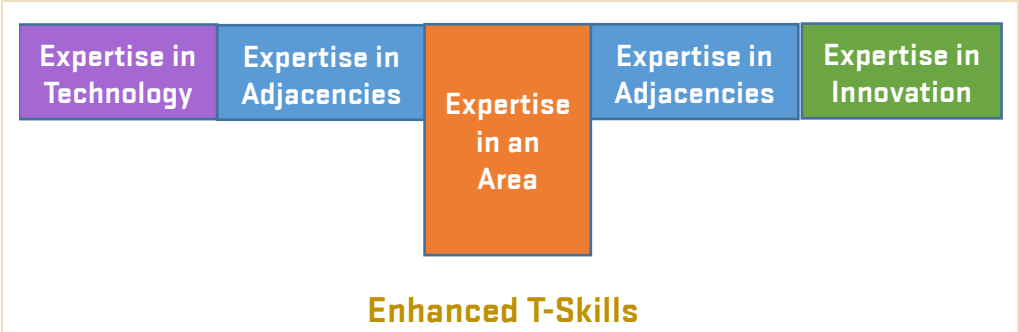
Team Structures Are Critical for Liquidity

7: RESKILLING TO INCREASE LIQUIDITY

Reskilling focuses on liquid people, a workforce designed for flexibility in size, ability, and movement across functional, customer, and geographic boundaries. Liquid people allow firms to deploy their human resources in areas of need. Dynamic learning, cross-training, and staff augmentation are strategies to enhance the liquidity of people. This includes learning new things, learning how to do new things, and leveraging new technology.

I-skills refer to deep expertise or specialization in the market or functional areas. Traditionally, employees have been hired for their I-skills. As stated in the previous section, effective teamwork entails individuals performing multiple tasks in multiple functional areas. Therefore, to effectively work in teams, people need to move from I-skills to T-skills. T-skills encompass I-skills but also include knowledge and skills in adjacent areas ("adjacencies"). For example, to enhance customer experience, salespeople may need to develop customer service and even supply-chain management expertise. Similarly, finance managers may develop supply-chain and customer-relationship management expertise to better serve internal and external customers.





Enhanced T-Skills

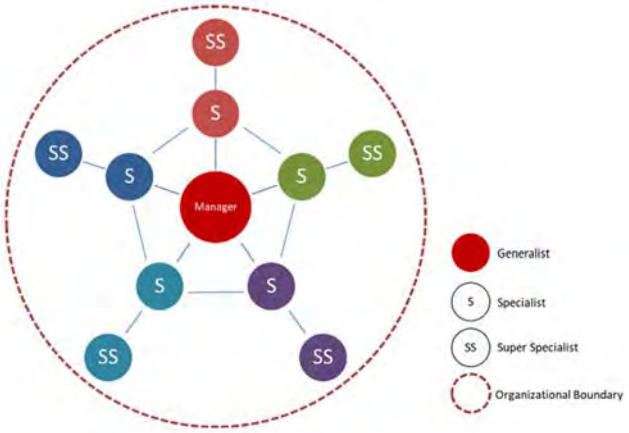
Considering the future and the "new normal," firms now focus on enhancing T-skills to address the need for enhanced innovation and digitization. Research suggests that employee skills will need to include knowledge of technology and the ability to innovate. We expect employee skills to evolve to enhanced T-skills.

Reskilling focuses on enhancing the skills of employees and is becoming a critical imperative for firms. In a January 2020 article in McKinsey Quarterly, Hancock and his colleagues suggest that 30–40% of workers in developed countries will need to be reskilled. Accenture, Amazon.com, JPMorgan, AT&T, and Walmart have pledged to spend billions of dollars on reskilling in response to this need. Finally, research supports the move toward the employment of generalists noted by David Epstein in his book, *Range*, as likely to triumph over specialists in the emerging world.

Organizations Will Need to Increase Their Dynamic Learning Capabilities

STAGES IN RESKILLING

An understanding of the stages in the reskilling evolution of organizations is important for firms. In the enclosed figure, we present a typical organization in which a manager who is a generalist supervises specialists. In a

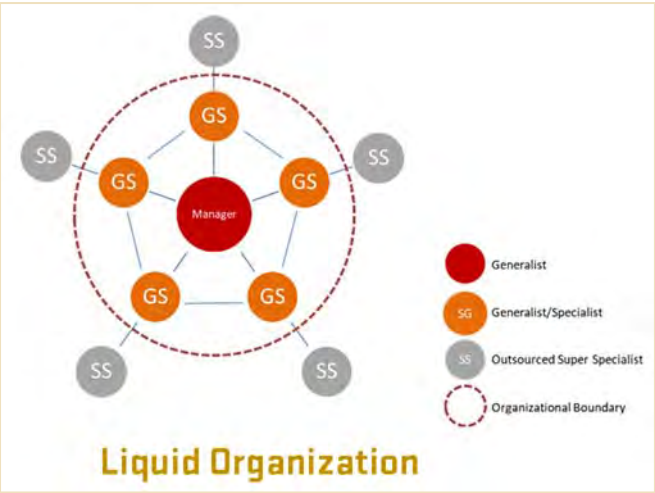


Traditional Organization

matrix organization, specialists have a dotted line responsibility to super-specialists, from whom they seek advice. As stated previously, firms typically train people in crystallized intelligence, enhancing their expertise in their area of specialization.

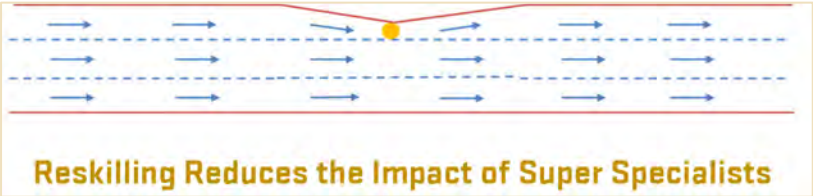
As executives become more liquid and demand more liquidity from their people, their direct reports focus on learning new functional areas. People enhance their learning orientation and become more focused on overall outcomes. The firm transitions to a more liquid organization in which people are still specialists but increasingly become generalists, as shown in the enclosed figure.

People continue to develop a deeper learning orientation and learn more functions and processes. As they do so, they shift from being a specialist first (and generalist second) to being a generalist first (and specialist second). In this organizational form, people are expected to perform 90% to 95% of the tasks of super-specialists, with 5% to 10% of super-specialists' tasks being outsourced. The firm transitions to a liquid organization where people can perform different tasks, as shown in the enclosed figure. The organization increases its speed, flexibility, and adaptability.



In Chapter 3, we discussed how functional super specialization reduces the speed and

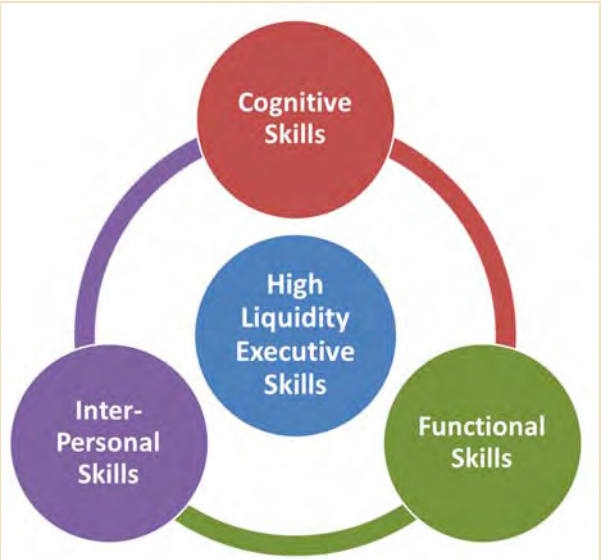
flexibility of firms. When firms reskill people, some of the traditional impediments are reduced. As an example, we discussed how super-specialists reduce the speed of organizations. When team members are skilled to perform 90% to 95% of the tasks of super-specialists, few processes require the intervention of a super-specialist. This organizational design allows firms, in most cases, to bypass the super-specialists, increasing the liquidity of the firm. The emerging model is demonstrated in the figure.



Reskilling Reduces the Impact of Super Specialists

EXECUTIVE SKILLS

A question that is frequently asked is what type of executive will flourish in a liquid organization. The focus here is on high-liquidity executive skills and the ability to reskill based on emerging needs. We examine current research and interviews with C-suite executives to find that executives will need to be liquid, and three skill categories are critical—cognitive, interpersonal, and functional. Cognitive skills are most important and include learning orientation, comfort with change, ambidexterity, and self-motivation. Interpersonal skills are next in importance and include leadership and effective communication, social and emotional intelligence, creativity, and critical thinking and problem-solving. Finally, functional skills include multifunctional expertise, design thinking, data analytics,



High Liquidity Executive Skills

and technology adaptability. Each is now discussed in turn.

Cognitive Skills

Cognitive skills are intrinsic skills, and three liquidity-oriented skills emerged as very important: learning orientation, comfort with change, and ambidexterity. Self-motivation is also an important cognitive skill. Each skill is discussed next:

- Learning orientation refers to executives' propensity for creating and using knowledge to enhance performance and create a competitive advantage. Executives with a learning orientation value the learning process and are interested in challenging activities.
- Executives who are comfortable with change see it as being inevitable and are optimistic about the future. In other words, these executives embrace change and are not resistant to changes in their environment or their professional lives.
- Ambidexterity allows executives to work on seemingly incompatible goals, such as increasing revenues from existing customers (exploitation) and seeking new customers (exploration). Ambidextrous executives are multitaskers who can handle contradictions and refine and renew their knowledge, skills, and expertise.
- Self-motivation drives executives to continue to work in an area even in the face of setbacks, take up opportunities, and show commitment to what they want to achieve.

Interpersonal Skills

Interpersonal skills are both intrinsic and learned and concern an executive's ability to lead and work in teams. Four liquidity skills emerge as important—leadership and effective communication, social and emotional intelligence, creativity, critical thinking, and problem-solving. Each is discussed next:

- Executives with leadership and effective communication skills can lead teams through dramatically changing environments, are skilled in questioning, have focused listening skills, and are excellent communicators.

- In relation to leadership skills, social and emotional intelligence is an executive's ability to be aware of their own and others' feelings and use that awareness to function. These executives are self-aware, self-managed, socially aware, and have excellent social skills.
- Creative executives can perceive the environment in new and distinct manners, uncover hidden patterns, make connections between seemingly unrelated occurrences, and generate unique solutions.
- Executives with critical thinking and problem-solving skills analyze situations, identify patterns, formulate arguments, and solve problems. The essential skills are effective reasoning, a bias for decision-making, and a focus on problem-solving.

Functional Skills

Functional skills are learned skills, and four skills were identified: multi-functional expertise, design thinking, data analytics, and technology adaptability. Each is discussed next:

- Multifunctional expertise concerns executives' skills in multiple functional areas. Executives need to have skills in multiple areas rather than deep skills in one area.
- Design-thinking executives focus on developing new and innovative solutions. Design thinking is an iterative process that includes understanding the user, challenging assumptions, redefining problems, and identifying alternative strategies and solutions. It is a solution-based approach to solving problems.
- Executives with data-analytics skills focus on analyzing the market and firm data and derive strategies to enhance firm performance. With large amounts of data being generated, executives that can use data to make smart decisions will prevail.
- Technology adaptiveness focuses on executives' ability to adopt technology rapidly. With the emerging "new distance," technology adoption rates need to increase, and executives need to lead the way.

LEARNING ORIENTATION

In this section, we focus on learning orientation, which is critical in enhancing personal liquidity. To better understand learning orientation, we first focus on the research on intelligence.

Intelligence and Learning Orientation

We have two types of intelligence—fluid and crystallized. Fluid intelligence is associated with abstract reasoning, which applies general rules or principles to decision-making. It is the capacity to reason and solve novel problems independent of any knowledge from the past. Fluid intelligence allows executives to reason and solve problems in novel contexts (e.g., the COVID-19 pandemic). Crystallized intelligence is learning from doing a task repetitively and is associated with specialization. As we learn and gain experience, we develop more complex knowledge structures. Knowledge structures represent organized knowledge and allow executives to interpret situations quickly and take action. For example, within five minutes of meeting a customer, high-performing salespeople can accurately predict the best sales strategy to use and the probability of concluding a sale. Similarly, production experts can quickly identify manufacturing bottlenecks by doing a quick walk-through of a facility.

Executive Have Two Types of Intelligence–Fluid and Crystallized

As executives increase expertise, their crystallized intelligence increases, and more elaborate knowledge structures are created. They function very effectively in stable environments. However, complex knowledge structures reduce the ability to "think outside the box." Therefore, an increase in crystallized intelligence in executives is associated with a decline in fluid intelligence. With the expected economic, industry, and customer turbulence of the new normal, executives need to develop fluid intelligence to develop innovative and novel strategies.

Specialization Ability "Think Outside the Box"

Polymaths. A method to increase fluid intelligence is to have a wide range of knowledge or learning, i.e., be a polymath. Polymaths include Aristotle, Archimedes, Michelangelo, Leonardo da Vinci, Marie Curie, Isaac Newton, and a large proportion of noble prize

winners. Polymaths in business include Bill Gates, Steve Jobs, Warren Buffett, Larry Page, and Jeff Bezos. The common factor is that polymaths practice deliberate learning.

Polymaths Have a Wide Range of Knowledge or Learning

Deliberate learning is the design and implementation of activities of learning. One of the earliest practitioners of deliberate learning was Benjamin Franklin, who spent an hour a day on deliberate learning. To "prosecute the present study," as he put it, he focused on learning, reflecting, or experimenting in an area distinct from his work.

Our research suggests that executives with a learning orientation value the learning process, are interested in challenging activities, seek mastery over a task, and use the information to enhance problem-solving skills. Firms that have a higher proportion of learning orientation executives are also more liquid.

Learning Orientation Includes Curiosity and Proactive Learning

Our research also suggests that learning orientation has two factors—curiosity and proactive learning. Curiosity is regarded as a passion for information and exploration. Proactive learners take the initiative and enjoy learning and attaining mastery at tasks.

Curiosity. Curiosity is becoming a very important attribute, as research has shown that successful CEOs and senior executives are curious. Curiosity is important in stable environments but critical in shifting environments. Three of the more critical habits of curious executives are that they:

- Pay close attention to questioning and listening: Curious executives ask questions and listen more than they talk. They respect all employees, question assumptions, and listen intently. For example, most curious executives typically ask younger executives, "what decision would you make?"
- Consult with individuals both within and outside the organization. Curious executives have a group of individuals that they use to bounce ideas. They network and create this group from individuals within and outside their organization.
- Are curious about a lot of things (not just business). Curious executives have

hobbies (e.g., woodworking) and knowledge in non-business areas (e.g., wars, history, philately). The break from work, and the focus on other activities, increases their time for exploration.

Most Successful CEOs are Curious

The good news is that executives can be trained to be more curious. Training programs to enhance curiosity focus on questioning and listening skills, creating a core group of advisors, and providing skills in non-business areas.

Proactive Learning. High-performing executives also engage in pro-active or deliberate learning. There are three aspects of proactive learning—learning new things, learning how to do new things, and learning by leveraging technology. Each is discussed next:

- Proactive learners are continually learning new things. For example, a high-performing executive in finance read books, attended marketing classes, and sat in marketing meetings. An executive in the legal area decided that she wanted to better understand the firm's customers and accompanied salespeople one day a week. Executives that are proactive learners do not focus only on business. A high-performing executive learned how to coach his daughter's swimming team by reading, studying film, and talking with other coaches.
- Proactive learners are continually learning how to do new things. We worked with an executive who learned how to do woodworking and designed and created furniture for her house. We find that a significant proportion of liquid executives are interested in cooking and learning new cooking techniques.
- The final area for proactive learning is leveraging technology. Active adoption of technology is highly correlated with proactive learning.

SUMMARY

This section focused on reskilling—increasing the liquidity of people. The section started with people skills and how executives can move from I-skills to enhanced T-skills. Stages in reskilling an organization were then discussed. We then discussed the executive skills required for a liquid organization, focusing on cognitive, interpersonal, and functional skills. The section concluded with an in-depth examination of learning orientation.

8: RESCALING TO INCREASE LIQUIDITY

Rescaling focuses on liquid infrastructure, which refers to a firm's ability to scale up rapidly or scale down. It also refers to a firm's ability to focus its financial and managerial resources on strategic investments and innovation. Firms can increase their ability to scale by increasing the time executives spend on strategic thinking and innovation. Firms can also use on-demand resources such as functional expertise, cloud computing, flexible workspaces, and on-demand manufacturing, increasing or decreasing scale based on need.

Rescaling Allows Firms to Rapidly Scale Up or Down

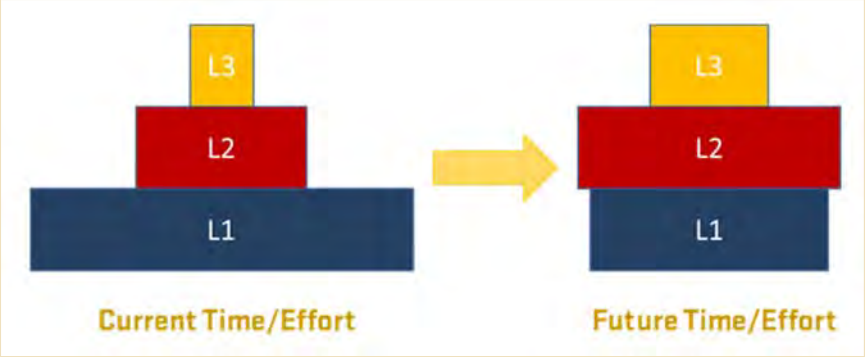
Primarily, rescaling is centered around the idea of "everything-as-a-service" and is based on demand, aiming to make the organization flexible and scalable. A liquid infrastructure can be enhanced when the finance, supply chain, and human resource functions continuously perform make-or-buy analyses, based not only on financial outcomes but also on intellectual property, speed, flexibility, and scalability considerations. The rescaling strategy insources industry expertise and generalists and outsources basic processes and functional specialists.

At a narrower level, firms can rescale by shifting the effort of executives from routine tasks to innovation and strategic thinking, enhancing the firm's strategic flexibility. Also, firms can allocate budgets to enhance strategic flexibility. Strategic flexibility enhances liquid infrastructure and therefore enhances liquidity. Each is discussed next.

Firms Can Rescale by Shifting the Effort of Executives

TIME AND EFFORT SHIFTS

The major shift in firms rescaling to become liquid is evident from the time people spend on tasks. We divide tasks into three categories. Level 1 tasks (L1) are routine tasks requiring low-level thinking (e.g., approval loops). Level 2 tasks (L2) are routine tasks that require medium-level thinking (e.g., providing inputs for a plan, advice, or mentoring). Finally, Level 3 tasks (L3) are non-routine tasks requiring deep-thinking (e.g., improving processes, providing innovative solutions, and strategizing).



In our research, we have found that, on average, the majority of executives spend their time on L1 tasks, with L3 tasks receiving less than 5% of their time (less than 2 hours a week). In high liquidity organizations, executives spend 18% of their time on L3 tasks (more than 7 hours a week).

For executives to become more liquid, they need to shift the time they spend on routine tasks. Organizations need to automate or outsource Level 1 tasks to increase time for Level 2 and Level 3 tasks. This shift allows employees to have more time for deep thinking and be more flexible, innovative, and strategic while providing high-quality deliverables at higher speeds.

Firms Can Rescale by Shifting the Effort of Executives

Taking Time for Deep Thinking. The traditional method for increasing deep thinking is to schedule a specific time to do so each week. Some executives use their commute while others reserve a specific time during the week (example: 9:00 am to 11:00 am

every Friday) for deep-thinking. Some firms have also created a specific time when no meetings are scheduled, and executives are expected to immerse in deep thinking. In support, in a 2009 article in *Harvard Business Review*, researchers Leslie Perlow and Jessica Porter find that employees taking predictable time off increases deep thinking and encourages cross-training and teamwork.

Executives Need to Set Up Time for Deep Thinking

In his book, *Deep Work*, Cal Newport suggests that distraction-free time to work pushes cognitive capabilities and creates new values and improved skills. He provides the example of Bill Gates, who took a week off every year in an isolated area to work on deep thinking. In 1995, Gates worked on and wrote about the impact of the Internet and changed the direction of Microsoft and computing. Newport suggests that time off can be rhythmic (i.e., specific time on specific days) or bimodal (i.e., time off for a substantial period). Finally, some researchers have suggested a more drastic strategy to increase deep thinking—reducing work hours. Dr. Pang, in his book, *Shorter: Work Better, Smarter, and Less*, and Bruce Daisley, in his book, *Eat, Sleep, Work, Repeat*, find that shorter work hours increase outputs and Level 3 thinking.

Time-off can be Rhythmic or Bimodal

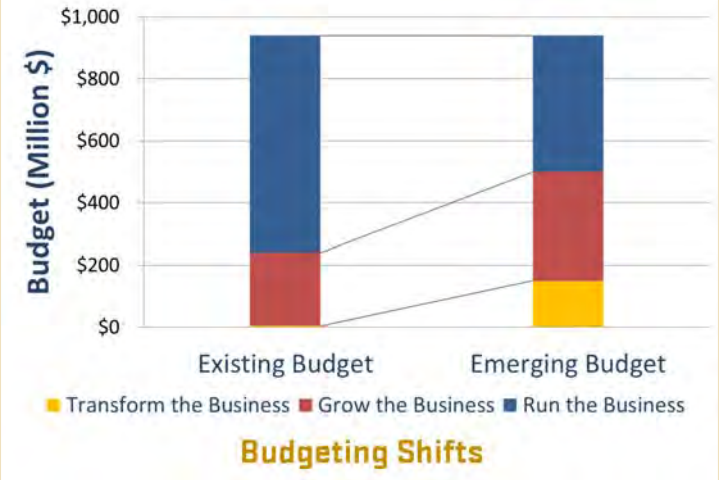
Deep Thinking as a Visual Task. Visual communications are regarded as better than written communications for understanding concepts. For example, Leonardo da Vinci's drawings of the human body, flying machines, and military vehicles are examples of how complex concepts can be better understood through a visual representation. Similarly, when manufacturers such as Boeing use suppliers from different countries, they have found visuals to be the best form of communication.

Visual thinking promotes deep thinking, and creating a simple visual of a strategy or a problem enhances executives' understanding. We suggest that executives become visual thinkers to increase deep thinking. We also suggest translating strategies and problems into visuals for a deeper understanding and better communication. For some executives, visual thinking may take effort. Only 15% of executives find it easy to think visually, 60% can think visually with some effort, but 25% may need extensive practice before they can think visually about strategies or problems.

Creating Visuals Enhance Deep Thinking

BUDGETING AND PROJECTS

Another significant shift in firms with high liquidity is in relation to the budgeting process. Typically, firms use 75–80% of their budget to run the business and 20% to grow the business. In contrast, high liquidity firms have moved toward the 50/35/15 rule: 50% of the budget is focused on running the business, 35% on growing the business, and 15% is flexible and can, therefore, be allocated to experimentation—or transforming the business (see enclosed figure). The significant shift lies in reducing the "run the business" budget from 80% to 50% through enhanced efficiencies and using "everything-as-a-service" providers. Projects stemming from the 15% budget are few and typically last 6–12 months.



SUMMARY

This section focused on rescaling—increasing liquid infrastructure. The section started with focusing on how firms should treat their processes according to the principle of "everything-as-a-service." The section then discussed that firms could rescale by changing executives' effort from routine tasks to innovation and strategic thinking, focusing on deep thinking. Finally, the section discussed how firms could rescale by allocating budgets to enhance strategic flexibility.

Rescaling Enhances Liquid Infrastructure

9: SUCCESSFUL TRANSFORMATION TO A LIQUID ORGANIZATION

This section focuses on the planning and implementation to become a liquid organization. We focus on factors that lead to the successful transformation of organizations since research has determined that the majority of transformation activities fail. Change management is critical, and in a *McKinsey Quarterly* article in 2006, LaClair and Rao report finding that firms with effective change management captured 143% of the value they expected, compared to firms without effective change management, which only captured 35% of the value they expected.

START FROM THE TOP

Successful liquid organization transformation always starts from the top. If top management is not convinced and committed to creating a liquid organization, the transformation does not succeed. The senior leadership team needs to embrace and make efforts to increase their liquidity. They need to develop teams to tackle critical issues and encourage the organization to embrace liquidity. As expected, measurement and monitoring are also very important.

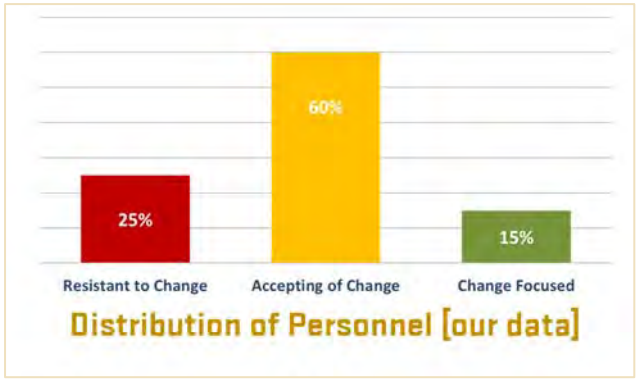
Senior Leadership Commitment is Required to Increase Liquidity

If senior leadership is committed to liquidity, we found that three factors are primarily responsible for success or failure. The first is understanding and communicating strategic imperatives and strategies whereby organizational leaders create buy-in for the transformational strategy and a sense of urgency. The second is executing the strategy, whereby leaders create and execute detailed implementation plans. The third

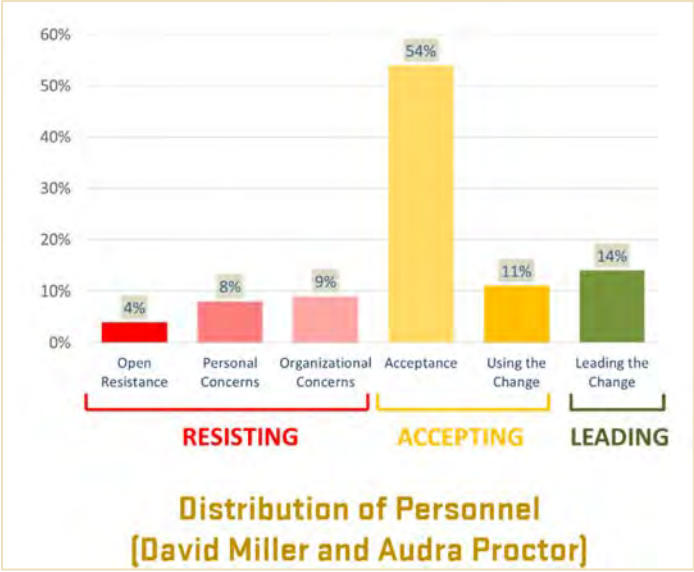
factor is enhancing employee engagement, whereby leaders attempt to ensure that all employees take ownership and feel influential in their firm's success. Our results comparing successful and unsuccessful transformations in relation to the three factors are presented in the enclosed figure. In both successful and unsuccessful transformations, leaders are able to effectively communicate the strategies.

Firms that succeed in transformation have an execution discipline that is not observed in unsuccessful transformations. However, the most important factor for successful transformations is employee engagement—if leaders are unable to create and maintain high employee engagement, transformations fail.

Bringing Change. For a firm to be liquid, every employee must also be liquid and engaged. However, our research found that only 15% of firm employees are eager for change, whereas 60% accept change, and 25% are resistant to change, as the enclosed figure shows. In their book, *Enterprise Change Management: How to Prepare Your Organization for Continuous Change*, researchers David Miller and Audra Proctor find a similar ratio of 21% of employees resisting, 65% of employees accepting or using the change, and 14% of employees owning the change. Firms should reward employees who lead the change, encourage employees who accept the change, and "offboard with sensitivity" employees who resist the change.



There are tested methods for converting more quickly to a liquid organization:



Distribution of Personnel (David Miller and Audra Proctor)

- Recruit for and encourage high-value behaviors—collaboration, curiosity, flexibility, teamwork, dynamic learning capabilities, and willingness to take chances.
- Create a strong vision of the direction and goals. The focus must be on outcomes rather than the journey. Firms need to communicate at all levels frequently.
- Train employees in adjacencies, innovation, and technology.
- Provide employees time for ideation and experimentation. Liquid firms typically offer 5–15% of an employee's time for these activities.
- Identify change-oriented employees or evangelists who will take charge and instill excitement in coworkers.

The functional areas of manufacturing, supply chains, and information technology have moved in this direction, but more organizational functions need to adopt these changes.

Stages in Change. We observe three stages of change. In the first stage, people understand and get excited about the change, and there are muted objections to the change. In the second phase, when actual implementation starts, there is tremendous push-back by the organization and by embedded interests. If the successful transition to liquidity fails, it is at this stage. The only successful pushback comes from top leaders in the firm. If firms conquer the second stage, they enter the third stage of successful liquidity transformation. In our conversation with executives, we use the Star Wars analogy—stage one is "A New Hope," stage two is "The Empire Strikes Back," and stage three is "Return of the Jedi."

There Will be Pushback to Increased Liquidity

SUMMARY

This section focused on the successful transformation of firms towards enhanced liquidity. We discussed how top management's involvement is critical, and they need to be convinced and committed to increased liquidity for successful transformation. Also, we discussed how communications are critical for successful transformation. Finally, the section states that 15% of people will embrace liquidity, and 25% will be resistant to liquidity.

Employee Engagement Is Critical for Successful Transformation

10: INCREASING PERSONAL LIQUIDITY

As organizations become more liquid, the central question each person needs to ask themselves is, "How liquid am I?" An organization cannot be liquid unless all of its people are liquid. There are three focus areas for individuals. The first is liquid delivery (focusing on the quality, speed, and innovativeness of delivery). For this, people should ask their internal and external customers to assess their delivery. Most managers are surprised by their customers' ratings. The second is liquid people (focused on learning). For this, each person should ask, "Am I willing to perform adjacent tasks and learn new areas?" The third is liquid infrastructure (focusing on scale and adaptation). For this, people should ask, "Do I have time to do more for my firm?" To answer this question, people could review their calendar and emails and detail the tasks they are doing to determine the proportion of time spent on Level 1 tasks (routine tasks requiring low-level thinking), Level 2 tasks (routine tasks requiring medium-level thinking), and Level 3 non-routine tasks (tasks requiring high-level thinking). Executives typically underestimate the number of Level 1 tasks and overestimate the number of Level 3 tasks they perform. People need to be aware of this bias in the measurement process—rarely do executives spend more than 10% of their time on Level 3 tasks.

Each Person Needs to Ask "How Liquid Am I?"

The "Three-Rs" model can enhance personal liquidity. First, people need to restructure to increase speed and continuously improve, innovate, and enhance processes to deliver high-quality and innovative outcomes at higher speeds. They should identify processes that take time or have high failure rates. They should then work to improve the processes, obtain feedback from key stakeholders, and develop implementation

plans.

Second, people need to reskill to increase knowledge, develop a learning orientation, commit to discovering new materials, and develop new vertical or functional knowledge. This commitment must come from the individual rather than the organization. People need to develop their own personal strategies and implementation plans.

Personal Liquidity Can Be Increased by Restructuring, Reskilling, and Rescaling

Finally, people need to rescale to increase adaptability, develop strategies to reduce the time spent on routine work, and increase the time for strategic thinking and innovation. To achieve this, Level 1 and 2 tasks must first be identified. Implementation plans must then be developed to reduce the time spent on these tasks and provide time for Level 3 tasks. The best technique to increase the amount of effort spent on Level 3 tasks is to block time for Level 3 tasks, e.g., Fridays from 8:00 am to 10:00 am. Details on measuring and enhancing personal liquidity are presented in the Appendix.

Personal Liquidity Increases Personal Performance. We teamed with a Global 500 firm that provided data on the personal liquidity of executives, their performance in 2018, 2019, and 2020, and their mobility in 2019 and 2020. Our measures of personal liquidity are speed, quality, and innovativeness of delivery; we expected and found personal liquidity to be associated with performance. However, an interesting facet was that low-liquidity executives' performance declined over time, medium-liquidity executives' performance remained flat, and the high-liquidity

Personal Liquidity and Performance

executives' performance increased. The findings suggest that increasing personal liquidity has a smaller short-term and a larger long-term effect on performance.

We also examined the mobility of executives. The executive could move to another function or market (lateral movement) or be promoted (vertical movement). In 2019, personal liquidity was related to mobility—increased personal liquidity was associated with increased mobility. The results from 2020 were more dramatic. Whereas the mobility of low-liquidity and medium-liquidity executives was flat, the mobility of the high-liquidity executives tripled (from 5.66% to 16.98%). The findings suggest that in times of disruptions (Covid-19 pandemic), executives with higher liquidity are asked to undertake more challenging roles.

SUMMARY

We suggest that to better compete in emerging environments, executives' personal liquidity should be an organizational impetus. This section discusses personal liquidity and suggests that personal liquidity can be through restructuring, reskilling, and rescaling. We also find that personal liquidity enhances performance and mobility. The Appendix provides more details.

11: LOOKING AHEAD TO THE NEXT GROWTH SUPERCYCLE

PROSPERING IN THE POST COVID-19 SUPERCYCLE: THE LIQUIDITY OF COUNTRIES AND FIRMS

In this section, we discuss growth and competitiveness in the emerging post-Covid-19 supercycle. Today, we are in a similar position to the post-World War II supercycle, when certain countries and firms grew exponentially and other countries and firms showed limited or even declining growth. We suggest that the liquidity of a country or a firm will define its future growth.

Post World War II Supercycle Growth—The Focus on Scale

The supercycle growth of countries post World War II was both expected and surprising. By 1990, USA was the largest economy, but Japan and Germany, countries destroyed during World War II, were the second and third largest economies. UK had a larger economy than Japan and Germany in 1950, but slipped behind them by 1990. Our research shows that the common focus of these countries was on scale. During World War II, the USA had developed manufacturing scale that it coupled with mass marketing and mass distribution (supermarkets and department stores). Germany and Japan had limited infrastructure and were able to develop new industrial policies, and these policies labeled export-driven or producer, focused on scale. These countries created industrial policies that focused on a few industries where they could create scale and effectively compete in world markets. Firms that became global competitors also

focused on scale. Examples are General Motors, Whirlpool, Caterpillar; US Steel, and RCA from USA; Volkswagen, Siemens, and Thyssen Krupp from Germany; and Panasonic, Sony, Toyota, and Komatsu from Japan.

Post Covid-10 Supercycle Growth—The Focus on Liquidity and Speed

The Covid-19 pandemic has been regarded as the most severe disruption since World War II, and we are expecting a supercycle growth period. The conditions for a supercycle growth period are emerging as saving rates have exploded in the USA (34% in April 2020; 21% in January 2021), asset prices are high, and demand far outstrips supply in multiple industries such as commodities, housing, automobiles, clothing, appliances, and even services. While the post World War II growth was driven by scale, we suggest that post-Covid-19 growth will come from speed and liquidity, and certain countries and firms will grow exponentially, and other countries will show limited or even declining growth.

Country Growth

As we get ready for a supercycle growth period, we are already witnessing differences in growth rates across countries. Countries that made quick decisions and were flexible are growing faster than countries that were slow and rigid. According to IMF, USA will be the only country in G7 that will have positive real GDP growth of 2.68% in 2020-21, compared to 2019. In contrast, Japan will have a -1.66%, Germany will have a -1.48%, France will have a -2.88%, and UK will have a -5.23% growth rate during the same period.

A proxy of a country's liquidity is the ease of doing business score (www.doingbusiness.org), as it measures the speed, flexibility, and scalability of a

country. We find that ease of doing business scores of G7 countries are correlated with their growth rates. In addition, we find that the liquidity scores of executives in a country are associated with the country's 2020-21 growth rates.

There is data that supports increased liquidity in the USA. Census reports that 4.4 million new businesses were created in 2020 in the USA, which is at least double what we have observed in the last 20 years. The new businesses created in 2020 in the USA are higher than new businesses created in all other G7 countries combined. USA also demonstrated a higher learning orientation (a facet of liquidity), and Udemy, an online course provider, finds that 38% of workers took some additional training during 2020, up from only 14% in 2019.

Firm Growth

In our database of firms, we observed that high liquidity firms had a revenue growth rate of 19.83% in 2020-21, compared to 2019. In contrast, low liquidity firms had a negative growth rate of -0.63%. Some of these effects were due to the differential growth rates of industries. However, even within industries, we saw a similar effect—high liquidity firms had substantially higher growth rates than low liquidity firms. The dramatic effect of liquidity was observed in the pharma industry, where none of the larger firms, except J&J, could develop, test, and market a Covid-19 vaccine.

We observed that higher liquidity firms have higher levels of digitalization and have geographic liquidity. Digitalization is the use of digital technologies to create and implement strategies through digital structures and digital processes. If firms are not "digital native," firms typically undertake a digital transformation journey to increase liquidity.

Liquid Geography. Liquid geography refers to the ability of employees, suppliers, and customers to effectively and efficiently work from any location, bridging time and

locational differences. There are two areas of liquid geography that we saw were important. First, in higher-performing firms, creative teams and executives that need to collaborate within and outside the function worked from the office. Second, successful firms have quickly reduced the distance between the firm and their customers. For example, customers in the post-Covid-19 era want products in an alternate form than visiting retail stores. Therefore, successful retailers have increased curbside pickup and delivery, even when health concerns are less relevant. Similarly, successful business-to-business firms have created communication platforms that provide comprehensive and customized information to their customers in the manner that the customer would prefer.

Example of Liquid Geography—Delivery-first Restaurants. Restaurants cater to both providing food and an area for social gatherings. Therefore, traditional restaurants were located in prime high-traffic locations with large seating for customers. Since social gatherings were not possible during the Covid-19 pandemic, National Restaurant Association reports that 17% of restaurants in the USA closed by the end of November 2020. Interestingly, to cater to food needs, we have seen a rise of delivery-first restaurants in the USA. These restaurants opened during the peak of the Covid-19 crisis and primarily cater to delivery. The delivery-first restaurants are located in less desirable locations, have a smaller dining room, focus on social media, adjust prices for delivery, and create a liquid staff. Needless to say, while traditional restaurants are struggling, delivery-first restaurants are prospering.

SUMMARY

We find that we are in a growth supercycle, and countries and firms that display higher levels of liquidity will grow exponentially. In contrast, countries and firms that display lower levels of liquidity will have negligible or negative growth. Countries should

increase the speed and flexibility of their processes to increase liquidity. Their liquidity is reflected in the ease of doing business. Firms should work to increase their liquidity and the liquidity of their executives. A common strategy to increase firm liquidity is through digitalization. Finally, firms should work to increase liquid geography. First, firms need to increase work from the office for executives in creative or collaborative tasks. Second, firms need to reduce the distance between the firm and the customer.

12: CONCLUSION

As environmental changes and disruptive forces like COVID-19 continue to threaten industries, firms must evolve toward a higher form of organization—a liquid one. A liquid organization has higher speed, greater flexibility, more scalability, and faster acceleration. It is ambidextrous in that it can take advantage of existing competencies (exploitation) while simultaneously discovering and harnessing new opportunities (exploration). The employees of a liquid firm are also ambidextrous, as they can work in multiple functional areas. Thus, we provide strategies for increasing liquidity because it affects firm growth. Using the "Three-Rs" model (restructure, reskill, and rescale), we suggest that the choice of strategy, people, and organizational form can increase liquidity. Organizations restructure using team-based structures to increase the quality, speed, and innovativeness of delivery. In reskilling, firms increase their dynamic learning capabilities. Finally, rescaling firms transform to become more flexible and adaptable. The resultant liquid organization allows the firm to more effectively address changes in its environment. We finally highlight how increasing personal liquidity helps increase organizational liquidity. We also discuss the post Covid-19 growth supercycle and demonstrate that countries and firms will need to increase liquidity. We provide some of our research in the Appendix, and more details are available at www.theliquidorganization.com.

All Firms Will Need to Be More Liquid

Appendix

Increasing Personal Liquidity Worksheet

Section 1: Measurement—How Liquid am I?

This section provides a method to measure personal liquid delivery, liquid infrastructure, and liquid people.

LIQUID DELIVERY

Measurement: Ask external and internal customers to assess how you deliver solutions and services (quality, speed, and innovativeness).

Broad Steps:

1. Identify who you work with both internally and externally (our focus is more internal). Go through emails and approval loops.
2. Send out an online survey to customers to measure the quality, speed, and innovativeness of your delivery of solutions and services. Use an online portal such as Survey Monkey (www.surveymonkey.com) to ensure confidentiality. A sample invitation letter, survey questions, and scoring instructions are provided in Section 3.
3. After collecting data, analyze the results—what are you doing right and wrong, and what areas need improvement?

LIQUID PEOPLE

Measurement: Are you willing to develop dynamic learning capabilities?

Broad Steps: There are three aspects of dynamic learning—learning new things, learning how to do new things, and learning by leveraging technology. Detail what you have done in the past and are currently doing to learn new functional areas and increasing customer knowledge.

LIQUID INFRASTRUCTURE

Measurement: Do you have time to do more for your firm?

Broad Steps:
Review your calendar and emails, and detail the tasks you are doing. What proportion of your time are you spending on?
LEVEL 1 TASKS (L1)—Routine Tasks Requiring Low-Level Thinking (e.g., Approval Loops): XX%
LEVEL 2 TASKS (L2)—Routine Tasks Requiring Medium-Level Thinking (e.g., Providing Inputs for a Plan, Advice, or Mentoring): XX%
LEVEL 3 TASKS (L3)—Non-Routine Tasks Requiring High-Level Thinking (e.g., Improving Processes, Providing Innovative Solutions, and Strategizing): XX%

Section 2: Improvement—How Do I Increase My Personal Liquidity?

In this section, we discuss the improvement of personal liquid delivery, infrastructure, and people.

RESTRUCTURE TO INCREASE LIQUID DELIVERY

Goal: Continuously improve, innovate, and restructure processes to deliver high-quality and innovative outcomes at higher speeds.

Broad Steps:

1. Develop Plans to Increase Liquid Delivery Ratings.
   a. Be specific with timelines.
   b. Measure liquid delivery in six months.

2. Improve Processes
   a. Identify two processes you are involved in that take time or have high failure rates.
   b. How would you improve the process for quality, speed, and innovativeness?
   c. Test your model with key stakeholders.
   d. Detail your final strategy and implementation plans—be specific with timelines.

RESKILL TO INCREASE LIQUID PEOPLE (KNOWLEDGE AND SKILLS)

Goal: Develop a learning orientation and commit to discovering new materials and developing new functional knowledge.

Broad Steps:

1. What would you recommend for yourself in terms of learning other functional areas (e.g., digital marketing); learning non-functional areas (e.g., programming language); and learning about customers (e.g., vertical customer segments)?
2. Detail your strategy and implementation plans—be specific with timelines.

RESCALE TO INCREASE LIQUID INFRASTRUCTURE (INCREASE DEE THINKING)

Goal: Develop strategies to reduce the time required to do routine work. Increase time for strategic thinking and innovation.

Broad Steps:

1. How will you create time for Level 3 (L3) tasks?
2. What Level 1 (L1) tasks will you reduce?
3. How will you reduce the Level 1 (L1) tasks?
4. Detail your final strategy and implementation plans—be specific with timelines.

Section 3: Invitation and Measures

INVITATION

Dear XX,

I am reaching out to you with the goal of improving my performance. Please assist me by providing your candid and open feedback in a survey aimed at helping me identify my development opportunities. The survey takes less than five minutes to complete and is anonymous, so I cannot identify who filled out the questionnaire. You can access the survey by clicking on the link or copying and pasting the URL below into your internet browser:

Thank you very much for your assistance.

Yours sincerely,

MEASURES/SCORING EACH QUESTION

Measures

Two sets of measures are provided here (one absolute/real and one comparative). You can choose either or both.

Scoring

For each question, give a score to each answer:

Score of 1: Worst among my colleagues/underperform by a wide margin
Score of 2: Below average among my colleagues/underperform
Score of 3: Average among my colleagues/perform as expected
Score of 4: Above average among my colleagues/overperform
Score of 5: Best among my colleagues/overperform by a wide margin

For each question, calculate the mean/average. For example, if your eight respondents gave you scores of 2, 3, 2, 5, 4, 3, 4, and 5, your average score is (2+3+2+5+4+3+4+5)/8 = 3.5.

The mean/average on each question is your score on the question and will serve as a benchmark.

MEASURE SET 1 (ABSOLUTE/REAL)

Please evaluate my performance by selecting the most appropriate description.

A. Regarding the QUALITY of solutions and services delivered to you, do you feel that I:
   1 Underperform by a wide margin
   2 Underperform
   3 Perform as expected
   4 Overperform
   5 Overperform by a wide margin

B. Regarding the SPEED of solutions and services delivered to you, do you feel that I:
   1 Underperform by a wide margin
   2 Underperform
   3 Perform as expected
   4 Overperform
   5 Overperform by a wide margin

C. Regarding the INNOVATIVENESS of solutions and services delivered to you, do you feel that I:
   1 Underperform by a wide margin
   2 Underperform
   3 Perform as expected
   4 Overperform
   5 Overperform by a wide margin

Please provide any relevant comments you may have on my performance:

MEASURE SET 2 (COMPARATIVE)

Please evaluate my performance by selecting the most appropriate description.

A. How would you evaluate the QUALITY of solutions and services delivered to you?
   1 Worst among my colleagues
   2 Below average among my colleagues
   3 Average among my colleagues
   4 Above average among my colleagues
   5 Best among my colleagues

B. How would you evaluate the SPEED of solutions and services delivered to you?
   1 Worst among my colleagues
   2 Below average among my colleagues
   3 Average among my colleagues
   4 Above average among my colleagues
   5 Best among my colleagues

C. How would you evaluate the INNOVATIVENESS of solutions and services delivered to you?
   1 Worst among my colleagues
   2 Below average among my colleagues
   3 Average among my colleagues
   4 Above average among my colleagues
   5 Best among my colleagues

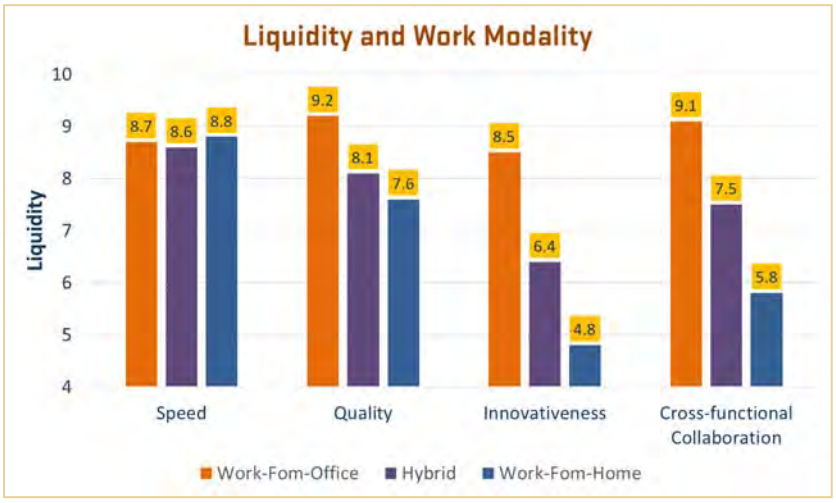
Please provide any relevant comments you may have on my performance:

Our Research and Thinking

Liquidity and Work Modality

As organizations prepare for the new normal, work modality (in-office, hybrid, work-from-home) is increasingly becoming a key decision area. We worked with a global firm launching three new products in the first and second quarters of 2021 in forty-four geographies. Executives either worked from the office, worked from the office and home (hybrid), or worked from home. The senior product teams evaluated each launch strategy on four liquidity elements on a 10-point scale—speed, quality, innovation, and cross-functional collaboration.

Our Findings



Our measures of liquidity are speed, quality, innovation, and cross-functional collaboration. We found that the speed was equivalent across categories as all geographies met the deadlines. We found that the quality was rated highest in work-from-office and lowest in work-from-home. The same pattern was observed in innovation and cross-functional collaboration, but the gap was more significant.

Our study suggests that collaboration within functional and across functional areas decreases when executives work from home. The finding that working from the office enhances collaboration may be driven by the effort organizations expended on creating collaborative environments in the office. As executives learn to better work from home and technologies improve, some gaps may be reduced.

Our Recommendations

We found that quality, innovation, and collaboration outcomes are currently better when executives work from the office than when they work from home. We recommend:

1. In the current environment, executives need to work from the office when collaboration within and outside the functional area is critical (or even important). Additionally, creative teams also need to work-from-office.
2. In the current environment, if tasks require minimal interaction with other colleagues, executives can work from home.
3. Hybrid work modality mitigates some of the collaboration issues with work-from-home, but not all the issues.
4. In the long-term, if firms want to have their executives effectively work from home, they need to deploy better collaboration processes and/or collaboration tools and technologies.

In summary, our results suggest that work modality affects liquidity, and the most successful work modality when collaboration and innovativeness are needed is work-from-office.

Our Research and Thinking

Creating the Liquid Salesforce

Our research suggests that organizations can enhance their liquidity by increasing the liquidity of their functional areas. Firms need to add team structures, increase functional liquidity (increase the functions that each person performs), increase scale liquidity (train people to work in multiple functions and verticals), and increase technology liquidity (increase people's technological adaptability). In the next section, we provide an example of increasing functional liquidity and detail the creation of a liquid salesforce.

THE LIQUID SALESFORCE

We suggest that the critical aspect of an efficient and effective salesforce is liquidity, such that the salesforce can rapidly shift efforts and resources where they are needed. Our research has demonstrated that four issues have reduced salesforce liquidity: non-use of teams, function specialization, lack of strategic scaling of the sales function, and lack of technology adoption. Therefore, firms need to focus on four areas of change to make the salesforce more liquid—develop sales teams, and increase their functional, scale, and technology liquidity. Each area is now discussed next.

The Liquid Salesforce

Sales Teams

Traditionally the focus of a sales organization is on the individual salesperson who interacts with customers. The customer-salesperson interaction is opaque to the firm, and firms lose customer-level knowledge when a salesperson leaves. In contrast, teams are knowledge-integrating enablers, and teamwork allows shared and mobilizing knowledge. Sales teams focus on one or multiple customers and have salespeople from one or multiple verticals. The liquid salesforce concept focuses on "one-team," where all team members work with each other to satisfy customers' needs and achieve sales goals. Team members monitor each other's behavior to ensure the best outcomes and moving individual salespeople into teams increases sales performance by 17%. Also, in sales teams, when a salesperson leaves, the team retains customer-level knowledge. Finally, teams are more liquid than individual salespeople, an essential criterion for success as firms address the disruption that is the "new normal."

Our research suggests that firms should develop teams and create policies for team-

selling that include design, management, and evaluation. Sales team members should be more learning-oriented and be continuously reskilled.

Functional Liquidity

Salespeople traditionally performed all sales functions, but salespeople were asked to reduce some of the steps that they performed in the interest of efficiency and effectiveness. The selling steps that have been outsourced are follow-up (through customer service representatives who also sell to existing customers), prospecting, pre-approach and approach (through marketing or a special department), and design of offerings (through sales enablement). When demand shifts, salespeople who specialize in specific steps of the selling process cannot pivot to other selling process steps, i.e., salespeople lack functional liquidity. The need for functional liquidity is more critical in times of disruption, as new sales opportunities become scarcer, but opportunities to enhance customer partnerships occur. To increase functional liquidity, salespeople should be reskilled in selling and be involved in all sales activities. Salespeople with functional liquidity can pivot their focus, particularly in the face of disruptive circumstances or in times of shifting demand.

Scale Liquidity

Some salesperson functions have been outsourced to other firms (e.g., prospecting and customer service), and salespeople are increasingly specialized in verticals. When disruptions require a shift in effort, the relevant expertise or intellectual property no longer exists within the sales organization. To increase scale liquidity, firms must reduce the boundary between verticals and insourced and outsourced talent. First, salespeople should be encouraged to move between verticals. This enhances salespeople's learning orientation and allows salespeople to be more liquid. Second, if specific sales processes are outsourced, our research suggests that salespeople must be deeply involved in outsourced activities; that is, they must be treated as part of the team. Reducing the boundary within and outside the firm allows the salesforce to scale sales activities in response to demand shifts, as seen in current circumstances.

Technology Liquidity

Research suggests that salespeople are resistant to technology. When salespeople do not adopt technology, they limit their ability to sell to technology-forward customers. The use of technology is more critical in times of disruption when in-person meetings and travel may not be possible. In the "new normal," salespeople can continue to interact with customers if they use customers' preferred technology. Training in such technology is critical, and firms need to ensure that all their salespeople are technology-liquid.

In summary, firms need to gravitate towards developing a "liquid salesforce" by developing sales teams and increasing functional, scale, and technology liquidity.

Our Research and Thinking

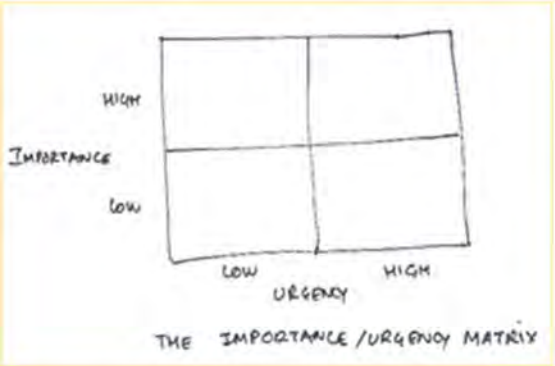
Increasing Breadth of Knowledge by Microlearning

We recommend that executives start learning another functional area or another vertical market. However, these types of learning are complex and take time and effort. We get feedback that executives would like to start simply before scaling up. Microlearning projects are simple and quick to implement but allow for reflection and experimentation. Microlearning projects allow executives to increase their breadth of knowledge. Also, microlearning projects have been shown to increase happiness.

Work-Related Microlearning

The executives that we work with have identified some work-related microlearning projects. Each activity takes little time and allows reflection and experimentation. There are short courses, YouTube videos, and articles on each topic.

1. **Make your inbox more intelligent.** Use "rules" and "insights" to sort your emails automatically. Experiment with changes, reflect on those changes, and experiment with additional changes.
2. **Create a survey on Survey Monkey (www.surveymonkey.com—the basic plan is free).** You can measure your liquidity by surveying your colleagues or customers (the survey is available on our website). You can also survey your friends for their food preferences and allergies for a dinner party. Experiment, reflect and develop new surveys.
3. **Create a 2 X 2 matrix.** Create a two-by-two matrix to understand or explain a concept. For example, use the most traditional matrix—Importance (High/Low) and Urgency (High/Low) as axes, plot the different strategies in one of the four boxes. Reflect and create new two-by-two matrices. As you become more conversant with two-by-two matrixes, you will start using them in evaluating, planning, and communicating your strategy.



4. **Draw your customer journey.** Describe your customer journey by hand-drawing the journey. Make sure that you capture the stages and have feedback loops. Share the drawing with your colleagues and revise it based on the feedback.

Nonwork-Related Microlearning

We have worked with researchers to identify some nonwork-related microlearning. Each activity takes little time, allows reflection and experimentation, and there are short courses, YouTube videos, and articles on each topic.

1. **Learn to Cook Scrambled Eggs.** With just five ingredients (eggs, fat (butter and/or oil), salt and pepper), scrambled eggs are easy to make but hard to make well. Experiment with changes, reflect on changes, and experiment with more changes. The best results for me were to whip the whites and yolks separately, use a mixture of butter and olive oil as the fat, use a pepper mill for fresh ground pepper, and cook the eggs at a low temperature. Finally, I have found that sprinkling fresh cut chives (the sixth ingredient) makes the scrambled eggs taste dramatically better.
2. **Create a picture/diagram to explain.** Create diagrams to explain how something works. As an example, how does a microwave work? Similarly, how do you grow tomatoes from seeds? Typically, you will need to draw three to five panels to describe the phenomena. At first, the drawings will be crude but will improve over time.
3. **Draw a Bicycle.** A bicycle is hard to draw, but many websites and YouTube videos can get you started. Once you learn how to draw a bicycle, try drawing a car. Drawing objects enhances learning.
4. **Create a video conferencing background for virtual family meetings**. Take pictures and adjust the lighting to make the background look like your backyard or any room. Use a lamp or selfie light for lighting, and experiment with different backgrounds. Once you learn, create your office background for your work calls.

OUR RECOMMENDATIONS

We recommend that executives increase their breadth of knowledge to enhance liquidity and decision-making. Specifically, we recommend:

1. Start small and pick one work-related and one nonwork-related microlearning project.
2. To enhance learning, ensure that you reflect and experiment. Keep track of your progress and see how your output has evolved.
3. After micro-projects, move toward learning new functions and new markets.

In summary, our results suggest that executives need to start microlearning to increase the breadth of their learning. The most successful executives consistently increase their breadth of knowledge.

ABOUT THE AUTHOR

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Dr. Arun Sharma is a professor at Miami Herbert Business School, University of Miami, and has been recognized as being in the top 1% of marketing professors. He has also served as the school's vice dean of graduate business programs and executive education and chairman of the Department of Marketing.

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Sharma has considerable industry experience in the following areas: disruption, liquidity, customer and industry trends, enhancing access, addressing heterogeneous markets (e.g., developing and developed markets within a country), market movements, developing innovation-driven firms, and country strategies. Sharma has served as a consultant to several corporations, including Accenture, Agilent Technologies, American Express, AT&T, Audi, AutoNation, Arthrex, AstraZeneca, Burger King, Boston Scientific, Citrix, Coca-Cola, Conagra, Ericcson, Exxon, Goodyear, HP, IBM, Macy's, MasterCard, Medtronic (Covidien), Motorola, Novartis, PayPal (Xoom), Procter & Gamble, RCCL, Sandoz, Siemens, Sprint, Visa International, Walmart, Western Union, and Zimmer.

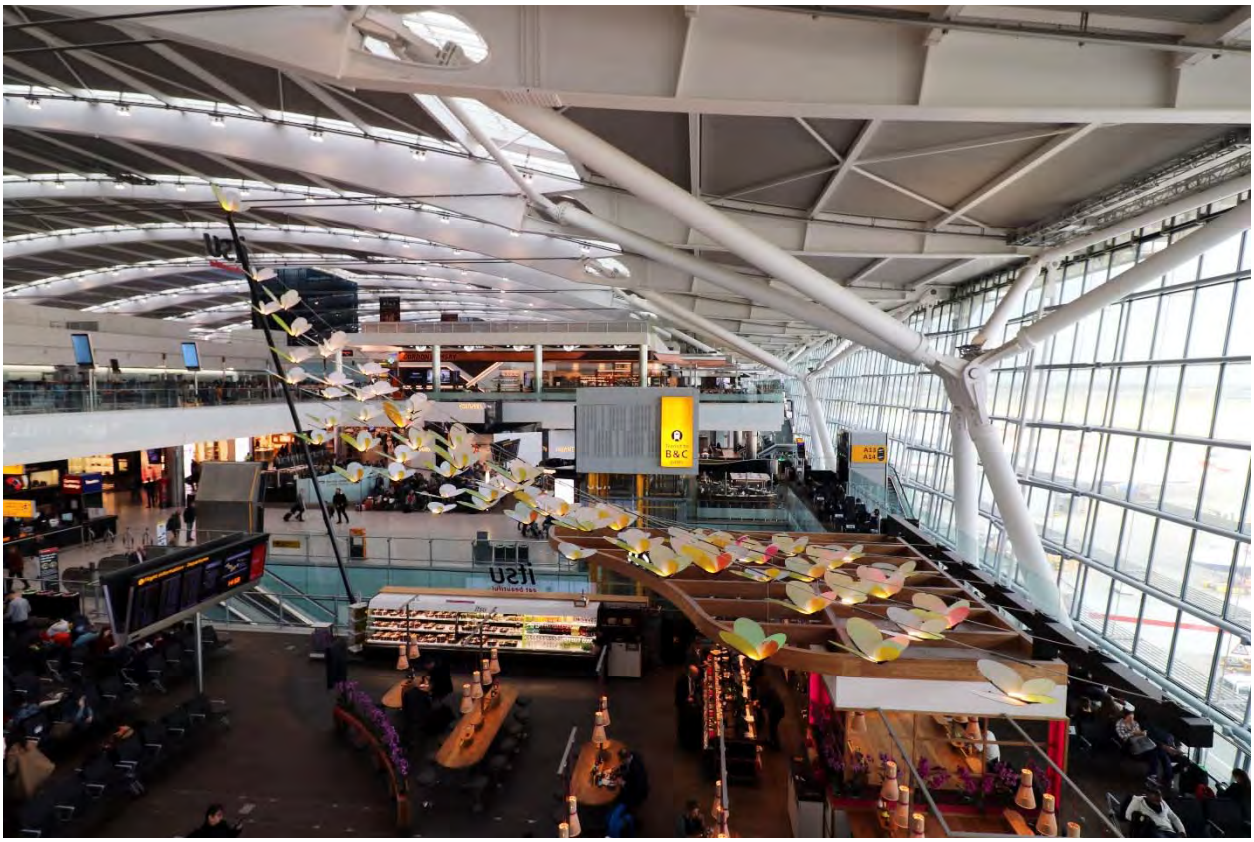
Sharma received his Ph.D. in marketing from the University of Illinois at Urbana-Champaign, an MBA from the Indian Institute of Management, Calcutta, and a bachelor of science in engineering degree. Before joining the academic world, he worked for three years in a high-technology service firm where he handled product management and sales management responsibilities. Arun can be contacted by email at arun@theliquidorganization.com and by telephone at 305.284.1770.

Liquidity in the Food Service Industry: The Rise of Food Trucks

Food Trucks allow chefs & restaurants to move to where demand exists or emerges, i.e., increase liquidity.

WHITE PAPER

FACING THE FUTURE: CREATING THE LIQUID ORGANIZATION



As airlines have become more liquid, so have airports, with on-demand services

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