

Strategies for turbulent times

By Iain McCormick

Bad news travels fast in turbulent times. And as London's *Financial Times* newspaper wrote recently, today's nervous investors are especially quick off the mark.

Examples of quick-fire investor reactions, from Facebook at the extreme to Mainfreight's 9.2 percent share price slump earlier this year, are everywhere. The Mainfreight market reaction showed that even highly regarded companies don't need to do much wrong to lose market credibility.

So what can boards do to develop turbulence-proof strategies? Author Michael Cusumano uses his book *Staying Power: Six Enduring Principles for Managing Strategy and Innovation in an Uncertain World*, to argue that organisations often place too much emphasis on efficiency and insufficient on flexibility and agility. Boards can, he says, help reduce the impact of turbulence by ensuring a balance between short-term efficiency and profitability and longer-term flexibility and agility.

Organisations should pursue their company goals while quickly adapting to changes in market demand, competition and technology. Firms should also exploit product or process innovation and new business opportunities. Cusumano also argues that, rather than requiring a trade-off, agile systems can reinforce efficiency and quality and facilitate innovation.

Organisational agility requires change to become institutionalised – a daily occurrence – according to authors Mike Woodcock and Dave Francis in their book *Developing Agile Organisations: Theory and Interventions*. Boards should require management to adapt frequently, especially to new or unpredicted challenges. Directors should demand that turbulence in the external environment is matched by an equal flexibility in systems and processes.

Woodcock and Francis identify seven key practices essential to organisational agility.

Perceptive decisiveness Agile boards must make decisive decisions that commit the business to moving fast. These decisions may require 'judgement calls' because the available information and foresights into likely decision consequences are both incomplete.

Two-brained problem solving Many decisions must be based on logic that is enriched by intuition and emotion. Woodcock and Francis call this 'two-brained' problem solving. It combines both rational and intuitive approaches.

Diversity & teaming Agility requires diverse board membership. Diversity provides the range of views that can lead to intuitive foresight. Agile boards choose members to ensure a series of combinations: industry experience with radical thinking; compliance with strategy; pull with push marketing; capability building with profitability.

Strategy retreats allow directors to gel as a team and think through multiple scenarios and agile responses. Today's board members typically belong to multiple groups. They must have the skills to quickly construct and deconstruct multiple teams.

Leading change Agile boards champion change. This requires a range of distinct skills for leading both in periods of incremental change and transformational change. In times of incremental change the board acts as a catalyst, avoiding complacency and encouraging management to find a myriad of ways to make progressive improvements. In times of turbulence the agile board needs to exercise visioning, creative planning, and championing culture change.

Partnering Agile boards build strategic alliances with suppliers, contractors, customers and other stakeholders. Partnering works best when responsibility is equally shared. Alliance contracting is working well in New

Zealand's large-scale infrastructure developments. Boards must be able to critically assess potential partners and provide vision, support and leadership.

Intrapreneuring Agile boards need to hire chief executives who can generate teams of business builders and champions of new innovative products and services. Agile boards promote innovation management, building businesses, advocacy and smart risk assessment. Innovation must be a widely held organisational capability that draws on the experience of operational and central services functions.

Dynamic learning & unlearning Directors need open, nimble minds that are not tied to old habits, practices and ways. Boards must work closely with management and learn the lessons that come from turbulent times. New skills must be developed and old skills unlearned. Director evaluation plays a critical role in this area. Directors need frequent critical but constructive feedback on their contribution to the board and the organisation. They need to have a clear idea of where and how they add value. Agile companies need to learn differently – the authors call it 'dynamic learning'. It is not just about acquiring new knowledge and skills but about simultaneous unlearning.

Agility is essential in a turbulent market environment. Building agile enterprises requires board leadership. Boards comprising diverse membership need to think and act decisively, using both rational and intuitive skills. They should form and re-form effective governance teams quickly, champion change, foster alliances and partnering, embrace innovation and dynamically learn and unlearn. It's an exciting governance challenge. ●



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