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Culture and strategic leadership: Part II

Along with leadership, strategic and organizational changes must be made for a company to reinvent itself.

In last month's Business Corner column we discussed the shift in business value over time and the need for the organization to reinvent itself and its culture. We submitted that many times an organization must change leadership in order to effectively change the company culture and set the organization up for adaptive change. However, strategic and organizational changes must also be made along with the leadership.

To say that the future is difficult to see is old hat, but true. To predict that sometime between now and 2017 your organization will be assaulted to its core by change in your business environment and, therefore, forced to make unparalleled changes itself, is accurate. Your business will have two choices:

• Acclimatize or fade;
• Reinvent itself or agonize through the reorganization and restructuring process.

History indicates that the latter is more likely than the former since few organizations are adaptable enough to change ahead of future trend curves.

Companies with outdated business models are strewn across our business highways that were once blue-chip Wall Street darlings. In the auto sector GM and Chrysler are prime examples. In retail, Sears and K-Mart are good examples of industry icons with past success that have failed to reinvent themselves in tempo with the "curve."

Certainly the business environment has changed but the most notable change is change itself. We have witnessed over the past ten years remarkable changes in economic power (China); communications (webinars, on-line meetings, tweeting, blogs); and climate (degradation) to name a few. However, the most disruptive dynamic is the acceleration of the velocity of change.

The organization that will make it through this rapid change tempo will be the one that has the capacity for adaption. As mentioned, some very large and historically successful companies have demonstrated that they did not have sufficient capacity to adapt to change. Therefore, the question you must ask yourself is: "Are we changing as fast as the world is?"

Too many executives are content with periodically tweaking their products and services while thinking their strategies, business models, competencies and core values are perpetual. To grasp success, as a business culture, while the future conditions change at warp speeds before us, we must not make the mistake of judging the temporary as timeless. Today, almost everything is temporary.

Management research regarding change says that most all deep change in a business entails large shifts in a company's business model, or core job, and is brought about through turnarounds with a new CEO at the helm. What is true is the contrary. A deep and comprehensive change is crisis-led, problematic and sporadic. It is accomplished through a top-to-bottom waterfall of tightly scripted messages, events, goals and actions. Sadly, it is rarely opportunity-led, continuous and a product of the organization's built-in capacity to learn and adapt.

The goal then is to build an organization capable of continual, trauma-free renewal. The challenge is to make an organization that is automatic, spontaneous and reflexive to the business environment it wishes to participate within and is capable of continuous self-renewal in the absence of crisis.

There are many factors influencing strategic sluggishness. However, three pose a particularly grave threat to timely renewal:

• The propensity of management teams to reject or disregard the need for a strategy reboot;
• A scarcity of convincing alternatives to the status quo, which often leads to strategic paralysis; and

• Allocation rigidities that make it difficult to redeploy talent and capital behind new initiates.

REJECT OR DISREGARD THE NEED FOR A STRATEGY REBOOT

Every business that is successfull can in time become unsuccessfull. What is perplexing is how often the "C-Suite" occupants are surprised when it becomes "UN." This belated recognition of dramatically changed circumstances virtually guarantees that the work of renewal will be significantly delayed.

It is therefore expected that as one moves up the hierarchy where exponentially, one finds increased applied abstract thinking presiding, the propensity to disclaim disconcerting facts increases. The most prevalent reason for this mind-set is the fact that corporate leaders are often not close enough to the bleeding edge of change to sense for themselves the growing risks to a long-respected business model.

A SCARCITY OF CONVINCING ALTERNATIVES

To escape the economically-challenged organizational collapsing 'black hole' phenomenon, a company needs a compelling set of new strategic options. In other words, exciting alternatives to the status quo. The problem is few companies have a disciplined process for generating hundreds of new strategic options, yet that's what it takes to fuel renewal. Don't forget the unwritten but nevertheless accurate Innovation Law:

• For every 1,000 oddball ideas, 100 will be worth examining further. Out of the 100, no more than 10 will merit a significant investmet while only two to three will ultimately produce a roll-over prize.

Few managers, however, seem eager to acknowledge the inescapable arithmetic of the Innovation Law.

ALLOCATION RIGIDITIES

Legacy programs are too often funded year after year while new initiatives go begging for scraps. Too often companies forfeit the future by investing in "what is" at the expense of "what could be." There are a couple of elements in today's organizations that frustrate the timely redeployment of resources in medium- and large-scale organizations:

• A manager's power correlates directly with the resources managed or controlled. Therefore, the loss of resources equals the loss of status and influence; and

• Personal success turns solely on the performance of one's own unit or project. Therefore, a natural resistance to reallocation of their capital and talent is built-in.

The tendency to overfund the status quo is exacerbated by two additional factors:

• In most companies there is a monopoly of new ideas. Typically, a lower level employee with a new idea has only one avenue to go for funding and that is up the chain of command. If the embryonic project doesn't agree with the boss's near-term priorities, it's dead; and

• The resource-allocation process is typically biased against new ideas since it demands a level of certainty about volumes, costs, timelines and profits that simply cannot be satisfied when an idea is truly new.

CONCLUSIONS

A clear-cut conclusion that evolves from this set of described conditions is the fact that no matter how large or small the organization, ideas for innovation must be allowed to surface in real time and into an efficient evaluation system; the "C-Suite" must become far less abstract and more involved; innovation incentives must be practical and appeal to all levels of the organization; incentives for asset managers to give up some asset control and collaborate where new ideas are forthcoming that will sustain the company's longevity.

This is not easy. It's a cultural issue that requires careful analysis, patience as contrasted against rate-of-change, the right leaders, transparency and trust, and long-term top to bottom commitment. ***CW***