

Dressed to resist

How to make your business crisis-proof



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Organizational resilience doesn't come about by chance. It has to be created. If resilience is defined as an organization's ability to change from within, before the need for change is imposed from without, then companies and their leaders need to be clear about the competencies this demands at personal, team, and organizational level, and about how these abilities can be developed and fostered in line with the specific needs of the organization.

THE WORLD loves a turnaround story. Recent favorites include Fiat, LEGO, and Philippine Airlines. We never seem to tire of tales about struggling enterprises becoming freshly profitable and viable. We might be wise, though, to spend a bit more time contemplating why so many once-thriving companies faltered in the first place. Could the turnarounds have been avoided? How? These are important questions. Protracted decline is both dangerous and costly. Shareholders, weary of tumult, want predictably strong and stable performance, with increasing emphasis on “stable.” While all businesses face challenges, and downturns are to a degree unavoidable, steps can be taken to steer clear of turnarounds. We believe companies can be intentional about resilience.

Intentional can be defined as “by design” or “according to a plan.” Not surprisingly, most business people believe in being intentional. They proactively optimize the variables in their control to increase their chances of success in the face of the countless, powerful variables they cannot control. Surprising as it may sound, resilience is more controllable than is widely supposed.

Resilience has two meanings. The first is “bouncing back and recovering from challenging events” – i.e., executing a turnaround. The other is “the capacity to endure and continue forward in the face of adversity” – i.e., avoiding setbacks that would require a turnaround. U.S. management guru Gary Hamel focused on the latter meaning when he defined resilience as the ability of a

company to reinvent its business models and strategies continuously and dynamically in response to changes in the operational environment. In other words, he sees resilience as an organization's ability to change from within, before the need for change is imposed from without. Success can lull your business into inertia, and inertia often puts the organization on a path to decline. Intentional resilience, then, means fixing what is not yet broken, thereby working to prevent decline and the need for a heroic turnaround.

The distinct personality of the business

Businesses, like individuals, can be thought of as having their own distinct personalities – their corporate cultures. Culture, in turn, is to a large extent shaped by a company's blend of competencies: the mix of capabilities and traits resident in individuals and teams across a business. Whether a culture is "good" or "bad" mostly depends on the situation facing the company. The culture should help carry the organization toward its goals, rather than hold it back. For example, if a company is pursuing very rapid growth, it would ideally have a culture that yields flexibility and speed. If, on the other hand, a company faces commoditization of its product, efficient execution and strong cost management may be key competencies.

In the same vein, when resilience is the goal, certain competencies are more valuable. Our data – based on thousands of appraisals across a full range of industries and geographies – shows that the following competencies are key to making your company resilient:

Strategic skills: This skill set includes the ability to see beyond what currently is to what soon may be. It also encompasses strong cognitive skills, such as the ability to accurately interpret events, identify important variables, and weigh options for meeting emerging challenges.

Flexibility/Change leadership: Leaders must be able to inspire enthusiasm, win the hearts and minds of employees, and align organizations behind new directions.

These leaders understand how to read different situations and vary their influencing styles to gain true commitment, and are able to instill an openness to change within their teams.

Personal resilience: While this quality is resident in individual executives, it is fundamental to the resilience of a company overall. Resilient companies have leaders who have truly "been there and done that," yet nonetheless remain open to what is new. It goes without saying that they also demonstrate rock-solid values and mental fortitude. Leaders with personal resilience not only cope with adversity, they relish it, consistently pushing the envelope with energy, creativity, and confidence.

Of course, many other qualities are also important, but these three stand out as most critical. Which of these competencies are relative strengths in your business? Which are weak? What actions might you take now, before your business is in crisis, to turn weaknesses into strengths?

A look through different lenses

To discover opportunities to make your business more resilient, it is important to look at your organization through several different lenses. You must understand the capabilities of key individuals, probe the dynamics of critical teams, and ultimately pull all of this information together to understand the competencies resident within your organization.

Individuals are of course the building blocks of teams and organizations. One might argue that without the right people in the right seats, resilience is impossible. This is especially true at senior levels. Your top leaders should demonstrate the ability to think strategically and have the experience and credibility to overcome the inertia associated with success, so they can drive proactive change. Part of being intentional about resilience, then, is determining which of your current and rising executives have the insight and fortitude to fix the business when it is not yet broken. Has experience taught your current and next-generation leaders



Landscape photography reinvented: with his camera, Berlin photographer André Wagner captures moments of awesome sensory impact that remain imprinted on the viewer's memory, as unforgettable as a painting by Caspar David Friedrich. His images render the intensity of nature's elemental forces tangible – forces to which this young photographer is intimately attuned, and which he dramatises with astute lighting to masterful effect.

the danger of complacency? Is their personal credibility sufficient to convince others to tackle change, even in the midst of success?

To reliably appraise individual capabilities, you must gather objective data. However, many competency-based assessments suffer from one of the following drawbacks:

- The competencies are too loosely defined, making the data subjective and impossible to compare across evaluations/evaluators.
- The process is overly academic, providing data that, while possibly accurate, cannot be usefully applied to business situations.

The decisions needed to build resilience are not trivial: It is important to base them on reasoned, objective analysis rather than on dueling opinions. We at Egon Zehnder International assess leaders using scaled competencies that are both objective and highly relevant to business, to enable fact-based conclusions about individuals' leadership capability and potential.

We've all seen that combining strong individuals does not guarantee a strong team. Similarly it takes more than a group of resilient people to ensure a resilient team. Teams have personalities and capabilities that can be much more – or much less – than the sum total of their individual members. Collectively, the team must have both the skill and the will to make the necessary changes, and to overcome the predictable resistance to such changes. As with individuals, this is more important for some teams than others. Within each organization, a few teams own vital processes (such as strategic planning or new product development) which are related to “looking forward,” and the resilience of these teams is especially important.

As with individuals, team competencies can be objectively identified and measured. What can you do to help your most crucial teams grow more resilient? Assessment at the team level provides the answers. Drawing from a wide range of internal and external team-focused research, Egon Zehnder International utilizes an assessment process to objectively gauge team competencies. A Team Effectiveness Review assesses traits such as:

Balance – How well does the team understand, value, and make use of its diversity of skills and strengths?

Alignment – To what degree do team members share in a larger purpose and focus their actions in its pursuit?

Perseverance – How likely is the team to hold together

and remain effective, even under severe stress? (the other definition of resilience)

Openness – How much does the team engage with the broader organization and the outside world?

Energy – How consistently does the team take initiative and maintain momentum in pursuit of ambitious goals?

Efficiency – How well does the team optimize its time and resources to achieve results?

Finally, to gauge resilience at the organization level, we not only pull together data gathered at the individual and team levels, we also examine how effectively a company's systems and processes – e.g., hiring, leadership development, decision-making – reinforce and support the key competencies associated with resilience. You might be surprised at the degree to which your systems currently reinforce the status quo and what worked in the past, at the expense of what must be done next to secure a successful future.

Fixing what is not yet broken

Taken together, assessment at the individual, team, and organizational levels can provide the full range of current, objective data required to be intentional about developing resilience. The insights gained through multi-level assessment can then guide efforts to build a culture highly skilled at fixing what is not yet broken, thus making the business more crisis-proof.

Many development/change plans are really just lists of lofty-sounding goals, coupled with generic solutions (“Get a coach. Take a course.”). In contrast, one should aim to build robust, situation-specific development plans that individuals and teams own, and that are tailored to what is objectively known about each leader and team. Important steps in intentionally developing resilience include:

Identify key individuals and teams. Not every leader or team is equally vital to developing organizational resilience. For your development efforts to be efficient, you must identify the key leverage points. We suggest you focus on individuals and teams who have the most impact on the organization's direction. It goes without saying that the senior leadership team must model what it means to be highly resilient, both individually and as a team.

Frame the context for development. To build-in resilience, it is important to be clear about why the company is investing in developing the processes, systems, and – at

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ground level – the competencies needed for organizational resilience. It is important to make resilience an explicitly valued attribute of your organizational culture.

Prioritize development opportunities. Use the results of rigorous and objective individual and team assessments to determine which gaps must be closed to increase resilience. Focus development on the specific goals that will yield the greatest tangible benefit.

Identify the root causes of gaps, not just the gap itself. Determine what underlies performance shortfalls so you can provide the optimum blend of experience, education, training, coaching, and mentoring for each individual and team.

Reach beyond superficial remedial actions. Commit to serious and substantive development solutions. Stress longer-term solutions, not quick fixes.

Focus company systems. Review systems and processes – especially your people systems – to ensure they are reinforcing your efforts. Hiring and promotion processes should screen current and potential top leaders against the resilience competencies. Ensure your organization's incentive systems reward those who innovate even in the midst of success.

No time to rest on your laurels

When assessing executives, teams, and organizations, we have on occasion seen clear examples of intentional resilience. For example, consider the IT leader in a mid-sized pharma company who successfully turned around his department and was getting rave reviews for the IT team's performance. Rather than rest on his laurels, this leader foresaw that the company's growth plans would soon demand a very different IT model and some very new capabilities. Against substantial internal resistance, he completely overhauled the way the company approached IT, making essential preparations for targeted growth. In our experience, leaders with this blend of insight and courage are rare.

Intentional resilience is rarer still at the company level, but it does happen. At Ford Motor Company,

CEO Allen Mulally initiated massive restructuring even though the business seemed not to be in acute crisis. While credit was cheap, he took out a substantial loan to fund restructuring and to introduce new product lines. The company consolidated platforms to standardize manufacturing and assembly worldwide, greatly reducing costs and streamlining design. In addition, Ford also began to aggressively develop hybrid technology, laying the foundation for a greener automobile marketplace. Some industry observers chastised Mulally for "lavish" borrowing and huge investments that did not appear to be urgently required. However, as is now clear, Ford's decision to adapt in advance of the crisis that has gripped the auto industry has yielded much better results than those achieved by US rivals GM and Chrysler. Although Ford is not without its challenges, it seems clear that their willingness to resist inertia served them well.

Intentional resilience demands qualities and actions that often cut against the grain of conventional wisdom and are far from the norm. Intentional resilience begins with company leadership that is able and willing to look around corners and anticipate, rather than merely react to, changing conditions. It requires the fortitude to invest in strong people systems and make hard decisions even when things are going well. But where there is a commitment to intentional resilience, the long-term benefits can be substantial.

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