



How Will Disruption Affect Strategy at Board Level?

Boards and top teams are ultimately responsible for the long-term success of their organisation. It requires using strategy to redefine an organisation's competitive place and optimise the value contribution to stakeholders. It involves co-creating and thinking ahead.

During the last three years, leaders across the UK whether business, government or the professions have been under tremendous strain as well as having to operate in an environment that is more complex and disruptive. From Brexit and economic concerns to budget constraints and rise in violent crime – the evidence shows that at least 71% are currently in the throes of constant disruption whether from new technologies or new government policies.

What we do know is that disruption is inescapable and 'playing safe' or battening down the hatches and ignoring these forces is a risky strategy. When large organisations put a halt on everything it impacts on smaller companies and can result in a recession affecting everyone. So exploring research across the world from the World Economic Forum, consultancy firms such as Accenture and universities we can see which sectors have been affected and what strategies are required. While present and past strategies served well in the past, they are not sufficient through the present persistent disruption that is part of today's world.

The most disrupted are energy, retail, life sciences and consumer goods and services. We are all feeling the consequences of these but there is a wider picture. The challenge is knowing what is the best strategy to put in place to deal with the constant disruption that is not going to disappear. Accenture did a worldwide survey of 10,000 companies and found four different categories according to the impact of disruption. For each a different strategy is required. We have summarised them here with our own examples.

Category 1 are those most vulnerable who have weaknesses that are likely to impact the business. These include travel, automotive, energy, utilities, capital markets, industrial machinery and equipment, natural resources and some banking. The most effective action for these is to scale new ideas with partners who can provide access to both the technology and talent that is required. We are in fact seeing more of these partnerships occurring. An example is an automotive company partnering with a technology company who can provide the batteries for electric cars. Another example is an energy company partnering with advisers in sustainable resources to offer green energy alongside their usual source so customers feel they are doing something towards changing global warming and in doing so, becoming more attractive to more customers.

Category 2 are those described as volatile where past strengths and cultures become their weaknesses. These include retail, transport, insurance, consumer goods and services. What is

required here is innovation and creative thinking. Those who are flourishing are offering innovative 'experiences' or products driven by customers. The action required is to create an innovative or digital laboratory where individuals can co-create or innovate the established business. For example, IBM's Research Division has successfully reinvented itself time and time again by reconfiguring its core strategy to transform research ideas into businesses with new products for the marketplace. Or retail outlets that provide an 'experience' for customers that goes beyond selling products and in doing so create loyalty from both employees and customers.

Category 3 are those described as durable or resilient who experiment with new ideas. These include health and life sciences and successful strategies here include bolstering innovation investments to bring new ideas to market fast and make them commercially successful. An example of this is Life Sciences Scotland where joint industry, enterprise of agencies and government form strategy teams to develop, drive and deliver the life science Strategy in Scotland creating jobs and wealth. It works because senior people from companies such as GSK work with Scottish Ministers with clear purpose to achieve goals that everyone benefits from.

Category 4 is known as viable and includes communications and media, high technology and software platforms. The action required is to embrace new technology from both inside and outside their industry. For example, most PR companies today spend much time exploiting social media while still analysing printed media for opportunities for clients. An example of media embracing technology is the success of the Huffington Post which is still popular today and read by decision makers.

Understanding where your organisation is and the strategy to action is only part of the work of top teams. Our work on board performance and work with leaders across the world has created leaders who can work with disruption and complexity because it goes beyond executive development that business schools offer for senior executives. Boards and top teams should operate differently but the reality is many are seriously lagging behind. Therefore we also have an article based on the development of the C-Suite for such times we are in today.

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