

Brief

For those too busy:

The latest research, thinking
& news on growth pace and delivery
from around the world

Leading for speed

It looks like there will be no return to 'long-term stability'

We live in an increasingly fast-moving world. There is strong evidence that, over the long-term, turbulence is increasing. Following the banking-led recession we are seeing ongoing unpredictability. There can be no return to long-term 'stability'. For all these reasons being agile, responsive - and just plain faster – has become much more important to success.

We looked at a range of recent published material for the secret of successful organisational speed. This included looking at work by consultancies AT Kearney and McKinsey, by Ram Charan – including an interview with Jack Welch - and publications from Harvard. There were some clear common themes, summarized here.

Strategic speed has become a top priority for leaders, as well as operational speed

A McKinsey survey found that 90% of leaders ranked organisational agility as both critical to success and growing in importance, with 86% saying the same of speed. The benefits of this speed and agility are described as: higher revenues, greater customer satisfaction, increased market share, and faster time to market.

Time-based competition was a defining idea of the 1980s and 90s. As a result most industries have accelerated their operational processes. Operational speed was a radical introduction (at least for the US and European companies that copied their Japanese counterparts), but left many aspects of business untouched.

The need now - where the gap still exists - is on strategic speed. Senior executives still work the same old way and have not adapted their decision-making and working practices.

Two types of strategic speed

The research identifies two strategic approaches to organisational speed:

- 1. *Switching resources between existing opportunities:*** This is the capability to shift resources (ie cash, talent, attention) from one area of business to another. Clarity about sources of growth can be the biggest driver of organic growth in the long-term, but depends on agile allocation decisions between existing resources. This in turn requires the intent, planning and process for considering and deciding on flexible switching across projects, units, markets and departments in a timely and effective way.

2. Switching resources into new opportunities: Business opportunities are not distributed evenly over time. There are steady flows of modest opportunities and ideas, occasional medium-sized ones and every now and then a really big one. Switching resources and energy quickly and appropriately differentiates the successful firms. This requires leadership teams to keep a strategic and timely eye on the horizon, on opportunities, and be willing to sacrifice agreed resources and priorities in favour of a new, significant one.

Both of these circumstances require executive teams, when it matters, to potentially sacrifice individual resource for improved collective achievement. This means a strong team ethic, a clear common purpose and strong decision processes.

The barriers to speed

So what are the barriers to speed? According to a McKinsey survey of leaders these are the biggest ones:

Organisational barriers

<i>Overly centralised, slow or complex decision-making</i>	50%
Poor co-ordination and control of multiple initiatives	26%
Inconsistent communication of targets	26%
Boundaries that impede free flow of information	25%
Unclear accountabilities	24%

Behavioural barriers

Employees lacking sense of purpose, motivation	33%
Tendency to refer decisions upwards	31%
Company politics consuming time and energy	28%
Too much analysis before decision-making	26%
Failure to hold individuals accountable	24%

As this shows, half of all respondents highlighted overly centralised, slow or complex decision-making as the greatest barrier to organisational speed and agility.

When asked to pick just a single obstacle, more than twice as many leaders indicated this as any other problem.

Six ways to lead for speed

The research indicates six common keys to success:

- 1. *Make simplification a goal in its own right:*** put it in the framework for strategy, set specific targets for simplification and performance incentives to support simplification that apply to every function and unit in the business. Challenge colleagues who do not ensure at least some simplification in their own areas every year.
- 2. *Speed up decision-making and related processes:*** push decisions down where possible. Above all create or clarify decision rights and decision points – making sure that everyone understands the overall approach to decision rights. Create clear roles and accountability. Streamline processes, and reduce duplication.
- 3. *Ensure faster feedback:*** as Jack Welch said, "I operate on a very simple belief about business. If there are six of us in a room and we all get the same facts, in most cases the six of us will reach roughly the same conclusion. And once we all accept that conclusion, we can force our energy into it and put it into action. The problem is, we don't get the same information. We each get different pieces." Make the fast sharing of key data and evidence the norm.
- 4. *Forge clearer links between strategy and individual performance goals:*** creating a clear line of sight to strategy, not just for leaders, but for all employees, has great potential to fuel growth, pace and delivery. This harnesses everyone in making immediate decisions that support the common purpose and direction of travel. Frequently this is not the case and the opportunity is lost.
- 5. *Simplify organisation design:*** well intended responses to new business challenges, year after year (from globalisation, to new technologies, new regulations and so on), can lead to layers of extra complexity as new initiatives get laid on top without the infrastructure old ones being removed. Reduce those layers and increase the spans of control. Simplify accountabilities, and consolidate similar teams and tasks.
- 6. *Simplify your personal impact as a leader:*** why should anyone else do what you won't?
 - *Stop redundant, duplicating or conflicting projects.* The evidence is that fast, agile, high growth businesses do not focus on more than three or four initiatives at any one time
 - *Reduce communication overload.* Reinforcement and repetition of key points is a good thing. Tidal waves of emails from HQ across the world just creates noise, complexity and cynicism.

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- *Manage meetings well* (the number, quality, length, attendance) – they are unique opportunities to galvanise.
- *Stop death-by-PowerPoint*. Instead, use your influence as leader to celebrate focused, well summarised presentations, reports, emails and documents.

Agility and absorption

The ability to respond fast does not only depend on agility. It can also be helped by the ability to absorb changes in the market and external environment without being damaged. A good example is to compare General Motors and Toyota. Over time, both had developed deals with their workforce and unions which provided significant guarantees of security of employment.

- In GM's case this led to high fixed costs and an inability to respond to economic cycles. It also made it less agile and less able to absorb problems. The bank-led recession was a final blow to a once proud business and it had to be reborn, painfully, via Chapter 11 and by selling or closing some of its biggest assets and brands.
- Toyota, on the other hand, in return for the 'deal' with employees, embedded highly flexible work rules, variable job assignments, high levels of employee involvement and investment in continuing process improvement which give it agility and absorption capacity. It has continually kept ahead of the curve. It weathered the recent recession and was able to respond very quickly to reduce costs, and continue to keep producing and developing its strengths (such as green hybrid cars). It returned to previous levels of performance under its own steam.

Toyota used its size fast and flexibly to thrive. GM was killed by its size, with an inability to absorb with respond fast.

Sources

Sources used for this article include: Ashkenas: *Simplicity-minded management* (Harvard Business Review); Meyer: *The second generation of speed* (Harvard Business Review), Tichy & Charan: *Speed, simplicity, self-confidence: An interview with Jack Welch* (Harvard Business Review), Sull: *How to thrive in turbulent markets* (Harvard Business Review); *Breakaway speed!* (AT Kearney); *Building a nimble organization* (McKinsey), and *Leading at light speed – CEO leadership group* (LinkedIn discussion forum).