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Redraw your mental map, or fail: be agile and responsive in the short-term and stay true to long-term goals and purpose. *The upside of turbulence by Donald Sull*

A strong piece of research from the FT writer and London Business School professor, looking over several decades of evidence

This is a good book and despite the title might suggest, this not about the recent recession. It is the outcome of a smart piece of research over ten years of looking at turbulent markets around the world in different regions and industries. Sull studied matched pairs of companies (for example Zara and Benetton in European clothing retailing during a period of rapid change in that market) to identify what winners do differently from losers. He tested his conclusions in courses for executives at London Business School, removing the less useful insights and keeping what participants found useful.

Turbulence is here to stay

While he does refer in passing to the turbulence of the recent banking-driven recession, he has no new data on this - only using it as another example of the unplanned and unexpected context that all organisations are more frequently facing.

Sull's assumption is that volatility is increasing in the long-term. He cites a range of studies that suggest it has doubled since the 1960s. He mentions that the average life expectancy of a listed public company has gone from 90 years in the 1930s to less than 25 years in the 1990s. PwC's annual CEO survey has shown since 1996 there has been a continuous series of events causing turbulence (from the dot-com bubble, 9/11, the rise of the BRIC countries and the recent banking crash). This turbulence is accelerated by the fact that capital markets around the world are now very integrated and so a problem in one place now influences everyone in ways that were not the case 50, or even 25, years ago.

Leaders succeed (or fail) with mental maps

Sull says that all leaders build a specific mental map of the world and use it to make fast and effective decisions about investments, relationships, appointments and strategy. He says mental maps do three things:

- Categorise the world and define the in-built assumptions
- Define the key relationships and inter-relationships
- Capture past actions that led to success.

Failure to rethink mental maps: examples of General Motors and traditional publishers

Unless leaders actively seek to rethink their map when markets shift rapidly, they will take the wrong actions. General Motors, for example, have repeatedly failed to rethink their mental map.

As another example, Sull examines why so many newspaper businesses have responded so badly to the opportunity of the internet. Research reveals common features in the response of the traditional publishing companies:

- Top executives with old mental maps dictating the terms for addressing the web (rather than delegating to those who understand it better)
- Old business models being imposed, or new ones not being developed
- Big bet investments rather than piloting and adapting.

Those newspapers that succeeded early were those that embraced people with new knowledge, actively questioned their business model, tried different ideas and learned and adjusted incrementally. Sull quotes Warren Buffett, "There are no mature businesses, only mature managers."

Sull's 'Agility Loop'

So, as with the successful newspapers, Sull's recipe for succeeding through turbulence is to lead through an 'Agility Loop'. He says this requires leadership teams to go round an iterative circle rather than make single big leaps in a straight line. The main aspects of this process are to:

Make sense: as a leadership team, develop a shared mental map of a new situation.

The key questions are:

- What new data would convince us our past interpretation is wrong?
- What is surprising?
- What is changing?
- What new opportunities do we see?

Make choices: agree on clear priorities to guide action and resource allocation. The key questions are:

- What other options do we have?
- What will we stop to free required resources?

Brief

Make it happen: ensure people deliver on their commitments. The key questions are:

- What do you promise to do?
- What have you done?
- What is hindering you?

Make revisions: Compare initial assumptions with experience, explore gaps and make corrections. The key questions are:

- What did we expect to happen vs what really happened? Why?
- What should we learn and change?
- What commitments that worked in the past are holding us back?

Sull says that success requires making mistakes fast, improvising and challenging assumptions. This is not easy. The traditional linear approach gives leaders the illusion of conquering uncertainty and turbulence with long-term visions, planning and centralised management. To predict, plan and implement – in a nice neat order - is a bad way to make progress into the turbulent unknown.

Three requirements for successfully working the 'Agility Loop'

Forging this agility loop successfully requires three characteristics:

- 1. *Making fast and effective choices:*** he quotes research by Professor Kathy Eisenhardt showing that executive teams make the most effective decisions with three alternatives. They also do not seek complete consensus, but push for group decisions rather than autocracy
- 2. *Clear and fast prioritisation:*** Sull describes how Diageo use a 'triage' approach at every executive meeting - dividing issues into 'soft' threats or opportunities for ongoing monitoring; 'hard' ones for immediate action; and "non-issues" to drop once discussed
- 3. *The appropriate culture:*** based on his research into his pairs of successful and unsuccessful companies, he concludes that the right culture for turbulent times is focused on: performance, transparency, informality, partnership and ongoing cost consciousness.

How to test your mental map – and reduce the risks

We all have our own mental maps. Sull suggests five tests to reduce the risks:

- a. *Identify deal-killers.*** Rather than look for all possible risks to your vision, strategy and plans, just identify those that would prove fatal

- b. Know what you are betting on.** What are the most important assumptions and dependencies your plans are based on? Has data on these assumptions changed? Do you still understand these assumptions and dependencies as well as you used to?
- c. Design partial experiments.** Find ways to check for changes in the mental map or in betting assumptions. If possible do quick pilots or ask outsiders you trust "What if I did this?". You may find that tried and tested past routes to success no longer work so well
- d. Stage your experiments.** Start low-cost and fast and build on mistakes, learnings and outcomes
- e. Avoid experiment creep.** A pilot or experiment must be quick, must lead to learnings and must then develop on to a complete plan and operation. What you do not want is experiments that last forever, or having too many at the same time without making any decisions.

Sull says that to thrive in turbulence leaders have to use their mental map as a guide, while knowing it is probably no longer the right map, adjusting without pausing or losing confidence. As he quotes F. Scott Fitzgerald, "The test of a first-rate intelligence is the ability to hold two opposed ideas in the mind at the same time and still retain the ability to function."

Stonecourt view: The minor downside of the book is a bit of an obsession with a wide range of detailed historical military analogies. These are of limited help, for example there are pages of detail about the operational comparisons between the Russian and US built jet fighters in the Korean War. The German armed forces of World War Two may be an example of the power of speed but not a great example of agility. Sull's corporate stories are much more useful.

Overall, this book is a well-researched and powerfully argued case for how to lead with agility when your context and environment is changing and unpredictable.

It is possible to succeed, but only by consciously challenging and refreshing your mental map.