

Leading Innovation: Four Lessons to Outperform in Uncertain Times

As Boards and CEOs, the task is clear: To lead organisations – teams – that will outperform in uncertain times. And that requires leaders to think afresh. As Peter Drucker wrote “The greatest danger in times of turbulence is not the turbulence, it is to act with yesterday’s logic.” When faced with volatility, **effective leaders innovate to take advantage of new realities.**

Even if the current disruption we face is unique, we have seen instability before. The past shows us that success in developing new approaches comes from a way of thinking that, besides handling risks, also takes advantage of the opportunities that uncertainty gives. **Working through these four lessons from the past will ensure that your team innovates effectively, when it matters most – now.**

The Way Ahead Series, by Mercuri Urval

Our team advise and support thousands of leaders across all sectors, as they find their organisations Way Ahead. In this series of articles our CEO, Richard Moore, distils practical advice from real leader successes and challenges. Advice focussed on how leaders can ensure their organisations – teams – outperform, through and beyond whatever uncertainty lays ahead.

Lesson 1: Build in Flexibility, Everywhere

In the face of higher uncertainty, flexibility has a higher value. Flexible organisations are prepared for what leaders know they cannot see, and flexibility needs to be found in all the most important dimensions of your set up. A central question each leader needs to address now is: **How can we increase flexibility in all five key dimensions of our organisation?**

1. Flexibility in cost base
2. Flexibility in strategy execution
3. Flexibility in structure, processes and supply chain
4. Flexibility in technology
5. Flexibility in leadership behaviour and culture

In times of relative stability, it may be enough – or even all that is necessary – to focus on cost effectiveness and proper organisational development routines. In times of turbulence it is those that are able to react with rapid and effective change in all major dimensions, that are best placed. The first lesson from the past, is to assess your organisation’s flexibility in all dimensions – and create action plans to increase it as is needed. **The adaptable thrive, but only if they are adaptable in all dimensions.**

Lesson 2: Look Ahead for What Comes Now, and Next

Harvard Business Review assessed responses from leaders facing crises some years ago, analysing those that did well after previous shocks. Unsurprisingly the most successful had the clearest short and long-term plans in balance from the start. They and their teams quickly modelled and prepared for what may happen in a year or two – as well as in the next quarter. To look up and look ahead effectively, asking questions and listening are essential leader behaviours in turbulence:

- ✓ Periods of accelerated change can be used to create urgency and energy for broader participation and shorter time frames in strategy development. People will ‘open up’ about ideas and challenges that in normal times they may keep to themselves. Existing data can be understood in new ways.
- ✓ It is not only about change. Effective innovation often leverages current strengths in new ways. Your loyal colleagues and customers will have excellent insights, and change can also help renew confidence in your organisations core value and values.
- ✓ Big ideas are realised when many people make smaller steps together. Fast implementation of change requires buy-in, and openness builds trust. This means developing the future is an inclusive act – listen to your people, listen to your customers and read the data on your business with fresh eyes.

Successful change is forged on a basis of continuity as well as new ideas. Inclusive dialogues about changes for the short term and the long term, inspire colleagues to join in and shape the future. This helps employees get ready to move when organisations need to act differently. A second lesson from the past is that in times of change, barriers to innovate are reduced. Leaders should use the uncertainty to prepare colleagues for change and to include them in forming the best ideas. **In carefully considering all options, look ahead and listen actively.**

Lesson 3: A New Situation, a New Solution

In the Nobel museum, Stockholm, a video used to play on a loop. It tells the stories of those great minds that came with ideas that changed the world. They report that their ‘big idea’ came not when they were hard at work but when they stepped back – in the bath, working in the garden, catching a bus, whatever. There are good explanations for this in psychology of course, that doing something different may release constraints and help you think differently. In the same way turbulence itself can help leaders and their teams unfreeze what they think they know and create space for brand new ideas to form.

A few years ago, a colleague and I ran an innovation programme with leaders in a company that today works hard to chase down a vaccine to this pandemic. They knew that new solutions would require their leaders to think differently. To facilitate this, as they did, take your leaders out of their day-to-day context and put them in a different setting, so they can think more freely. Create demands to work hard and quickly, by putting talent in the spotlight and ensuring people who don’t work together normally can form temporary teams. The pressure of turbulence clarifies problems and diverse thinking reveals new options that were previously obscured by the status quo. The third lesson is that leaders can create the conditions to get people to think different. **New realities need new solutions. New solutions come from different thinking.**

Lesson 4: Become Clearer, Build Confidence

Only when leaders have listened, analysed and thought properly, can they provide the clarity colleagues and customers need. Organisations that have succeeded through rapid change before, have made sense of the disruption and created a purpose that others could follow. Faced with fight, flight or freeze; leaders that succeeded controlled their thinking and put discipline into their message. For some leaders it was to find a new purpose, for others it was to create a new business model and for a few it was a more minor repositioning. Whatever change it entailed, the message was sharp enough to galvanise a workforce and a customer base. A fourth main lesson from the past is that providing confidence is key. When your Way Ahead is formed, give a distinct direction that allows people to focus on what can be achieved. **To turn ideas to action, confidence and clarity are both required.**

Few businesses fail because they changed too much. The past shows us that success in the next decade won’t be based on the economic power your organisation had in the last one, rather your ability to lead change and be relevant in the next one. After all, another lesson from the past, is that the mighty also fall. Having applied these lessons your leaders will be better prepared to innovate effectively. Right now, selecting the right Way Ahead, is what truly matters. And getting that right requires leaders to innovate now.

Extract from the “Way Ahead” article series by Mercuri Urval CEO, Richard Moore