

Board Leadership of Adaptation and Transition



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Building a business and sustaining success have always been a challenge. They often require continual vigilance and periodic reinvention. Complacency in the boardroom can lead to stagnation, decline and liquidation. Directors have to be alert to changing aspirations, expectations and requirements, emerging threats and opportunities, and external trends, developments and discontinuities. They must be prepared to challenge and probe.

Having experienced lockdown and during a period of recession, directors should reflect on the recent situation, which has been widely described as 'unprecedented'. What is new or different about it? Where alternative ways of operating and new approaches have been adopted or enforced, what aspects of them should be continued or ended? In a world with COVID-19 and while the form that any 'new normal' that might emerge remains uncertain and many possibilities lack clarity, what needs to change going forward and when?

Then and Now

Hitherto many directors may have felt they knew enough about an entity, its activities and the external marketplace to provide strategic direction. The members of boards often shared a similar understanding of what a company did and how it operated, to which new directors were introduced during their induction programmes. Widely held views about the state of affairs, situation and context enabled people to have expectations and for directors to make assumptions, form judgements and take decisions that rarely kept them awake at night.

New offerings may have been introduced from time to time, innovations occurred and certain policies were reviewed and altered, and directors needed to be alert to changing requirements, unexpected developments and new entrants. However, in the past enough remained the same from year to year for many directors to feel confident that matters were under

control. Most corporate processes seemed to work and there was enough continuity for daily, monthly and annual routines to be established and for most stakeholders to take many things for granted.

There were pressing and inter-related issues such as global warming and climate change to address, but while they and other environmental impacts of corporate activities were much discussed, rhetoric was not matched by coordinated and effective steps to tackle them. Vital years in a narrowing window of opportunity to act before it is too late have been lost. With many directors focused on survival and recovery and given weakened corporate balance sheets, diminished cash flows and massively greater public debt to repay, is it now too late to do what is required unless directors and boards step up and act differently?

Doing Things Differently

For many boards the initial impacts of COVID-19 have been largely negative. When compared with hopes and expectations, future prospects have been impaired. Activities have been disrupted or halted and previous assumptions and plans may no longer be valid or viable. Where opportunities have been identified, it has not always been clear that a company has the capabilities and resources to seize and operationalise them. Many business models and corporate capabilities may or will need to change to meet 'new normal' requirements.

Some traditional board activities may need to be approached differently. Revisiting a vision in the light of an uncertain and changing context and any attempt to predict or envision a desirable future state of affairs might seem a challenging task, if not an impossible one. However, a visioning discussion could focus upon relationships or ways of working with others to address issues and opportunities as they arise. In a problematic context, it might make even more sense to undertake such activities in collaboration with stakeholders.



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One of the lessons of Government and other responses to COVID-19 is that in certain situations people and organisations can move quickly, especially when normal procedures and processes are not followed. The speed with which new hospitals were swiftly constructed during the pandemic shows how previous timescales can sometimes be truncated, but few individual companies could quickly access similar levels of funding. We need to adopt new approaches if we are to dramatically speed up innovation, development and implementation.

Complicating Factors

Past investments, patterns of living and widespread practices have all contributed to the rapid spread of COVID-19. Crowded cities and public transport networks have been ideal environments for community transmission. Air travel and tourism have carried the disease to the far corners of the earth. What were once viewed as symbols of progress have become open windows of vulnerability and are now threats to public health. Mega-projects in the pipeline, ambitious development plans and entrenched drives for greater connectivity and mobility will make it even easier for future biological and digital viruses to proliferate.

Confronted with such realities and uncertainty about the impact of any new vaccines and treatments, many boards face daunting challenges. The consequences of COVID-19 vary greatly by sector and Governments have differed in their responses to it. Whereas a board may once have established a common set of policies and risk appetite across a corporation, should there now be a variety of such policies and appetites, depending upon how diversified corporate activities are and in which jurisdictions a company operates? Where individual initiatives once came to a board for approval, does the emphasis need to shift to steering evolving corporate adaptation to changing situations and resetting priorities as required?

Are wider discussions and engagement with Governments and regulators over the implications of a world with COVID-19 now also required? For example, in relation to governance, what are the constraints and consequences of virtual rather than physical AGMs? Do boards need to rethink how and with whom they provide leadership in a situation where local responses and greater diversity, various temporary arrangements and more collaborative activities are required? How ready is the senior management team for operation in the world that is emerging and what help and support do they need from the board?

Differing Experiences of Recent Changes

Across many companies significant changes have already occurred, from which lessons can be learned. For example, have new ways of working initiated as a consequence of enforced lockdown caused a shift of focus from inputs such as time spent in an office to outputs such as individual and team achievements. When people can no longer turn up at a

corporate location, appear keen and busy and actively endeavour to be liked by their colleagues and bosses, the emphasis of assessment may turn to what they produce. Will being smart and adding value be more important than looking good and associating with the 'right people'?

Some people can be trusted to work at home. They are inwardly motivated and self-directed. They use the time previously spent in meetings and commuting to and from an office location to be more productive. Their homes might have the space and facilities to provide a secure, safe, quiet and healthy place in which to work and think. The bandwidth of their Internet connection might be sufficient for the connectivity they require to exchange files and participate in on-line conferencing activities.

Others might not be so responsible or lucky. They may be easily distracted and procrastinate and engage in displacement activities unless closely supervised. Their home and family situation may expose them to distracting noise and frequent interruptions. They may lack somewhere to work that is safe and secure and meets health and safety considerations. Their internet connection might not allow them to fully operate, participate and contribute. They may have a job that requires them to have a physical interaction with customers and clients.

Sauce for the Goose is Sauce for the Gander

Hitherto some directors may have attended physical meetings, while only saying enough to be recorded in the minutes. Are more board chairs now looking for interventions that directly contribute to the outcomes of shorter and more focused virtual sessions? Physical attendance used to give some directors an opportunity to walk around and meet people in order to assess the mood, take the pulse and find out what was happening 'on the ground'. With many of them now be working from home, alternatives to the office grapevine might be needed.

The contemporary situation is not the moment for a board appointment to be used as a reward for long service or recognition of past achievements. Appointments should be made to strengthen the ability of a boardroom team to lead an organisation on a journey that may require a changing mix of adaptation, mitigation and transition to new ways of organising, working, learning, collaborating and engaging with stakeholders, and the adoption of more responsible, inclusive and sustainable models of business and operation.

Grasping Nettles and Avoiding Distractions

Boards face tough decisions as corporate and customer cash flows are squeezed as a result of both demand and supply issues. Many customers lack the confidence to place orders and elements of workforces, particularly those who would need to travel long distances and risk public transport, are reluctant to return. Some activities may no longer be practical or viable. Insolvencies might have a domino effect, leading to further



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MIDC Progress at a glance :

- Maharashtra accounts for ~15% of India's GDP, 31.4% of India's FDI inflows and 25% of India's exports
- Total FDI in the state during April 2000 to June 2018 stood at USD 118.13 billion, the highest among all the states in India
- Maharashtra alone accounts for 51 per cent (USD20 billion) of Indian infrastructure investments in Mega Projects.
- 10% of Delhi-Mumbai Industrial corridor falls in Maharashtra spread across 8 districts
- The proposed Mumbai Trans Harbour Link (MTHL) is the longest sea bridge in India and shall provide seamless access to the Mumbai's satellite city, Navi Mumbai.
- Maharashtra is a pioneer in Electric Vehicle manufacturing and plans to set up EV clusters to boost EV manufacturing in state.
- State plans to develop 25 integrated multi-modal parks and 100 logistics parks.
- State is home to some of the largest ports in the country and JNPT alone handled 53 million metric tonnes of traffic (*till Aug 2018).
- Policy focus support to Industry 4.0 sectors to boost yield and create new job areas.



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MIDC

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business failures. Working parties may be required to explore new options for ownership and the financing of purchases.

Directors should commission financial reviews and apply solvency, stability and stress tests when required. When deciding what to discontinue and when, account should be taken of implications for stakeholders and particularly customers and users who are dependent upon a company's offerings. Will they be able to make alternative arrangements and how long might this take? Should a company try to work with customers and even other suppliers to assess whether a collective solution might be possible to challenges faced by a whole sector?

Unprecedented times call for innovative thinking and may demand new and different approaches. With many enterprises under threat and insolvency practitioners and traditional support and financing arrangements under great pressure, might they also require a suspension of usual practices and regulatory requirements? Should significant entities and industry and trade associations be working with Governments on further measures to help facilitate required transitions on a timescale that would reduce negative impacts?

Embracing Programme Management

Parallel and proactive as well as reactive steps on varying timescales may be required if new activities are to be initiated to replace those which are discontinued. To ensure these are coordinated and short-term decisions do not limit, close down or rule out longer-term options, more companies may need to consider transition programme management arrangements. With self-contained initiatives in different business units or allocated to particular functions, many companies lack the capability to programme manage multiple mission critical projects.

In the past, some ventures have moved at glacial speed. Simply, selecting a firm to advise on the initial scoping of a project might have required a protracted and competitive procurement process involving invitations to tender, initial qualification, short-listing and final selection that might take many weeks. More needs to be done in parallel rather than sequentially, for example short-term steps to support smaller and vulnerable suppliers at the same time as the longer-term shortening of a supply chain to reduce the impact of future disruptions.

Current corporate responses may require the coordination of multiple work streams and various projects that are inter-dependent and use the same resources. A flexible or organic rather than a mechanical approach to programme management is often needed. Priorities, constraints and risks may continually change in a rapidly evolving context in which individual boards may have little or no control over the actions of Governments and other players. Sensitive steering may be required to simultaneously achieve multiple outcomes.

Leading Portfolios of Projects

Project teams may have overlapping memberships. When venturing into the unknown it is important that they learn from and encourage each other, share insights and cross-fertilise. Working and evolving together and in combination can speed up innovation, outcomes and impacts and increase the prospects of compatible and synergistic results. Where there is insufficient time and resources to commission individual projects aimed at particular aspects of issues in the hope that the resulting pieces of an emerging jig-saw puzzle might later fit together, wider remits and inter-connections can accelerate progress.

Portfolios or sets of inter-connected and inter-related projects that together achieve multiple outcomes might have to be steered around obstacles. Many companies find they lack all the capabilities required to re-invent or operate in a new and different way. Yet the clock is ticking in relation to global warming. With stressed cash flows and stretched resources, they may need to collaborate with complementary entities and customers and suppliers to make progress in an acceptable timescale and achieve the scale of impact and influence required.

Care needs to be taken to avoid spreading available resources and capability across too many projects that lack the critical mass to make a difference. Rather than worry about what a company lacks, directors should ensure a management team assembles a network of collaborations that delivers the collective capacity to achieve shared aspirations. Sharing the cost of funding a portfolio of projects embracing more of the elements required for a transition or transformation can reduce risk for each participating enterprise. Are there opportunities where proximity and/or a shared problem and aims increase collective recognition of common interests? Do networks of potential public and private collaborators already exist, for example in an urban environment with a supportive local authority?

Resilient, Flexible and Purposeful Collaboration

How many boards are ready to monitor programme reassessment and the re-scoping and re-prioritisation of a portfolio of projects? The resources, skills and support required for different options may vary greatly. It might not be possible to organise and manage all exploration, development and implementation paths in the same way. Requirements can differ at each stage of transition journeys. Some teams may diverge while others converge. At certain points it might be necessary to consult particular groups of stakeholders. Past practices that might still be required may need to be supplemented by other arrangements.

Obtaining external and consultancy support can be particularly challenging, as there are only so many 'A teams' to go around, and even they may not have experienced the conditions and

situations that many companies now face. Wherever possible, any support obtained should avoid continuing dependency and involve joint internal and external teams to ensure that knowledge transfer occurs, although no one involved might have previous knowledge of the particular combination of challenges faced. Might co-creation with partners be an option?

There may be limits to the extent that supple organisational structures can flex rather than fracture in the face of extreme pressures. More fluid, organic and participative approaches like

evolving networks of connections, relationships and two-way communications that adapt and evolve might be better able to cope, if participants are engaged, involved and inspired. At a time of ambiguity and uncertainty, when many people are anxious and fearful, responsible board leadership and purposeful activity can bring relief and offer hope.

***Prof. Colin Coulson-Thomas** holds a portfolio of leadership roles and is IOD India's Director-General, UK and Europe. He has advised directors and boards in over 40 countries. ■

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