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Board Strategy for ensuring Agility and Responsible Adaptation

In addition coping with changing stakeholder requirements and priorities, technological developments, market dynamics, disruptions and crises, contemporary boards face a number of inter-related longer-term challenges. Tactical agility in the sense of being adroit, quick and smart in reacting to and coping with a succession of events may no longer be enough. More than rapid responses might be needed to remain relevant. It may also require strategic, corporate and value chain agility and a succession of activities and initiatives to adapt to changing situations and circumstances, multiple challenges and related opportunities.

People and organisations around the world need to rethink their aspirations and priorities if they are to live and operate sustainably within the limits of the earth's finite resources and eco-systems. Activities, infrastructures, institutions and relationships may have to be re-purposed and reinvented. There will be transition and transformation journeys to more inclusive and sustainable alternatives to undertake. What might these changes mean for directors and their relationships with executives and stakeholders?

Do we need to rethink the meaning of agility to reflect the wider, continuing and collective adaptation that will be required by communities and societies as well as companies to address certain existential challenges facing humankind that result from our activities and lifestyles? Where collective responses and public, private and voluntary sector collaboration are the contributions required, what are the implications for companies, cities, societies and the future of capitalism? How might they evolve or be adapted or re-invented?

Understanding the Requirement for Agility

Agility can be required for a variety of reasons and change in some areas may have to be accompanied with continuity in others. Whether it is critical or desirable, and the extent to which one should be thinking strategically in terms of adaptation, transition and transformation rather than tactically, can vary according to context, sector, scale, competition and economic, political and technological developments in the operating environment, and the nature of the challenges faced and opportunities sought. A fundamental shift or longer-term trend may require more than a quick adjustment or response.

The advantages of greater speed, and whether it is required and/or should be sought, may depend upon the costs of obtaining it and the situation and circumstances. Rapid change may have unintended consequences, and involve disruption, the use of resources and opportunity costs, so unnecessary change should be avoided. Agility and also a lack of it may both involve risks. Assessments of costs and benefits should take account of positive and negative externalities. Risk appetites and risk registers should be regularly reviewed during adaptation, transition and transformation journeys to ensure they are still appropriate.

Some people and organisations are able to move, change direction, react to challenges and seize opportunities more quickly and easily than others. Learning and strategic agility can be especially important. Boards have a responsibility for corporate agility, or the ability of a company to adapt to changes in its environment by being alert, sensitive and responsive to changing conditions, priorities and requirements, and quickly adapting to them. In many cases, agility and adaptation across a supply or value chain may be required. Boards may need to ensure that consultation with business partners occurs and that aligned, consistent and complementary steps are introduced over a more extended period of time.

Ensuring the Capability for Agility

As well as dealing with current issues that cannot easily be delegated, directors should review corporate purpose, the future and a company's role in creating it. They must ensure the speed, duration, direction and purpose of change and desired adaptation, transition or transformation match the required and available or accessible capability to achieve it. More ambitious boards try to increase capability rather than lower aspirations and compromise on requirements. Boards must also ensure that required resources can be quickly reallocated to priority value creation opportunities and that organisational agility matches the pace and nature of changing requirements, the capability of alternative providers and sustainability requirements.

A board's perspective should take account of existential challenges facing most people and organisations, and the need to operate sustainably and in harmony with eco-systems. It should also embrace a company's supply or value chains, its networks of relationships, and its stakeholders. Reviews should be holistic, strategic and embrace all contributors. For example, clustering, integration and closer collaboration between related value chain activities, such as research and development and sales and marketing may increase flexibility, speed and responsiveness to changing customer requirements. The greater agility proximity may bring might exceed cost advantages of offshoring and outsourcing and reduce the risk of disruption.

Boards should consider the implications of governance arrangements for operating sustainably and for an organisation's ability to adapt within available timescales. Strategic agility and flexibility in adjusting strategic direction to cope with developments and remain relevant can depend upon the agility of the executives and business partners a board may depend upon for the implementation of its decisions, initiatives and the strategy it agrees. Agility is more complex in some contexts than in others. It may require teamwork and motivation as well as shared purpose and consistent objectives among those needed to determine, agree and implement whatever forms of agility are required.

Enhancing Executive, Corporate and Network Agility

Various forms of agility may be required to remain relevant, current and vital. Rather than operate in a largely standard way, where, when, how and with whom people work, the tools and technologies they use, and the business models and forms of organisation they adopt should be appropriate for the purpose, objectives and task, and the situation and circumstances, including the challenges faced and available opportunities. Directors should encourage people to adopt whatever approach or model might best lead to cost-effective effective adaptation and a successful outcome when they move between tasks and projects.

Decentralisation and giving executives greater discretion to do what they feel is best in the situation and circumstances can increase agility and resilience, but directors who delegate and empower may need to become more tolerant of mistakes and encourage people to learn from them. A focus on avoiding all mistakes can prevent initiative, stifle creativity and inhibit innovation and enterprise. Past errors and irresponsibility towards future generations, and negative externalities such as operating unsustainably, reducing bio-diversity, over-exploiting natural capital or contributing to global warming should be acknowledged and addressed.

Corporate relationships and supply or value chain networks also need to be agile, resilient and capable of adaptation. As events occur, requirements and conditions change, and as more is learned during transition and transformation journeys, changes of direction, collective responses and/or shifts of emphasis may be required. New capabilities and collaborations may need to be rapidly assembled to confront challenges and seize opportunities as they arise. Directors should ensure key stakeholders remain engaged. Relationships with them should be built upon trust and shared understanding, be mutually beneficial and stay relevant.

Embracing Enablers of Agility

Individuals can vary from enthusiastic pioneers and early adopters to reactionaries and reluctant laggards. What is unsettling for some may be exciting for others. Qualities sought can depend upon the extent and speed of change required. Openness, flexibility and balance are desirable characteristics for adaptation. Directors should be open-minded and prepared for novel situations, new challenges and unanticipated events. Traditional, learned and approved responses may not be sufficient, appropriate or effective. Homogeneity of thought, groupthink and narrow skill sets can be entrenched and reinforced by departmental structures, group norms and peer pressure. Diversity of experience, ideas, perspectives and ways of thinking, multidisciplinary and inter-organisational teams, and co-creation can be conducive of creativity, innovation, enterprise and entrepreneurship.

Strategies for enabling or disruptive technologies, and the models of business and operation and ways of working they can support, are especially important for flexible adaptation to changed conditions and quickly scaling up and down to match changing demand. They may enable new possibilities and more sustainable alternatives. More expenditure per se on some potential enablers does not always or necessarily lead to greater agility, depending upon how they are used and for what purpose. Large and complex organisations can require compatible, consistent and cost-effective responses to the changing support needs of individual business units, important work groups and network partners.

Both challenges and opportunities can be shared. Compatible objectives and resilient stakeholder relationships may be required to develop the capabilities to cope with economic shocks, extreme weather events and other disruptions. Boards should try to engender the trust needed to build and maintain the mutually beneficial strategic relationships required to enable a company to pursue its mission and achieve its strategic goals. A greater mixing of generations within and across teams and organisations can be conducive of agility. Many young people upon whom the future of companies and humankind

depend are motivated by aims and activities that are inclusive, socially and environmentally responsible and sustainable. They may actively look for further opportunities to contribute to shared community and societal objectives and sustainable development goals. Boards could actively seek to build relationships with them and consciously provide such opportunities.

Agility in Contemporary Business Conditions

In the contexts in which many companies operate, directors need the mental agility to adapt and cope, explore, investigate, question and challenge, and the persistence to sustain such activities during transition and transformation journeys. Purpose, vision, goals, objectives, policies and priorities, and the assumptions that underpin them, should be regularly reviewed to ensure they are still relevant and current. To be agile, directors need to be alert to what is happening, open to ideas and possibilities and able to think and exercise independent judgement. Some people have entrenched views and are resistant to new evidence and influences that challenge them. An initial push or spark might be required for movement to occur. A shock or crisis might alert them to wider, more pressing and shared concerns.

An increase in the severity and frequency of extreme weather events, associated with continuing greenhouse gas emissions suggests a growing requirement for continuing adaptation, as well as quick reaction to individual floods, fire and other incidents. Ever greater expenditures will need to be devoted to increasing resilience, agility in crisis situations, recovery and transition to new models of urban and rural living with associated infrastructure. Existential challenges can affect multiple areas of corporate activity and the wider communities and societies in which companies operate. The COVID-19 pandemic and climate change highlight the vulnerability of a nation state to an emergency that affects the whole of government, society and the economy, and the need for collective adaptation.

Contemporary societies with their extensive division of labour and high levels of dependence upon technology enabled infrastructure and just in time supply chains, are particularly at risk of a meltdown caused by a lack of resilience. It may be easier to quickly impose changes in some national cultures and societies than in others and also more likely that people will conform. Agility in mitigating global warming and its climatic and other affects, and adapting to them, is likely to become increasingly important for a company's stakeholders, other organisations and wider city, urban and rural populations. Engaging local communities, enterprises, city authorities, municipal and other public bodies, as well as key customers, may enable shared interests and opportunities, priorities and collective responses to be explored.

Opportunities for Responsible Agility and Leadership

Whether or not agility is desirable will depend upon its purpose. Agility in avoiding laws, regulations, codes, cyber defences and constraints that have widespread support may be condemned or sanctioned, while agility in the pursuit of common interests and shared goals may be applauded and rewarded. Existential challenges such as climate change are often accompanied by related opportunities for mitigation, adaptation and innovation. There are possibilities for creating more sustainable and collectively beneficial lifestyles, operations and relationships. In arenas from the utilities, healthcare, aging population support, waste disposal, cleaning up the environment and increasing inclusion, to transforming public services and dealing with climate change, there are unprecedented opportunities for collaboration and imaginative business and social entrepreneurship.

A combination of inter-related and shared existential challenges now provides boards with an opportunity to articulate a purpose and vision, and goals and priorities, that appeal to a wider range of interests than has hitherto been the case. In relation to the natural world and alternative lifestyles in harmony with it, there are alluring visions that can be articulated and communicated. Many boards have greater freedom of action to simultaneously pursue multiple solutions, change direction and priorities, reallocate resources and offer bespoke responses to requirements, than public bodies whose agility and remits might be limited by enabling statutes, ministerial intervention, annual funding rounds and a requirement that all citizens everywhere should receive a similar or standard service. Collective capitalism and responsible directors could play a catalytic role in creating a more sustainable future.

As the costs of inadequate collective action to address existential challenges rapidly increase, watching and waiting options may not be sustainable. Board initiated cooperation and collaboration could take many forms and occur in multiple arenas. There may be resources that could be shared, or collectively re-purposed, or circular economy opportunities that could be pursued. For some companies, the monetary economy may not be **'the only game in town'**. It might also be possible to participate in the barter economy. The adaptation and/or repurposing of facilities and infrastructure could take place on a joint or collective basis, with the involvement of other organisations, affected communities, city and other local government authorities and public and voluntary bodies.

Embracing Proactive Longer-term Adaptation

After the disruption of imposed pandemic restrictions, and awareness or direct experience of extreme weather events, there will be those who desire more stability and security, and

now long for the relative certainty, continuity and confidence that sustains relationships and markets. Some might fear a future of **'forever agility'** and endless disruptions. COVID-19 has shaken confidence in some traditional assumptions, norms and practices. It has also shown that with a shared purpose and in a crisis, people and organisations can rise to the occasion, collaborate and use technology to develop and deploy treatments, vaccines, ventilators and other responses in timescales previously thought to be impossible.

A wide range of individuals and organisations can quickly respond, think creatively, collaborate and innovate when a common challenge is compelling and the need is pressing. There are opportunities for a wider range of people and organisations to seize the moment and cooperate in pursuit of a common interest, not just in survival, but also using existential challenges as a catalyst for rethinking what agility and adaptation might achieve in terms of beneficial or positive 'upsides' as well as preventing negative 'downsides'. Boards can be proactive and pursue opportunities to mitigate and adapt in ways that harness the power of collective agility and beneficial collaboration to imagine more sustainable ways of living.

Untapped latent potential for mental agility and practical and agile problem solving may exist within many work groups, companies and communities. Some boards are already leading and intelligently steering companies on adaptation and innovation drives. Perhaps others should take a longer-term, wider and more balanced, collective and inclusive view and rethink the nature and forms of agility that are now required to secure enduring advantage through more sustainable creation of sought value. This might be the time for more directors to move on from agility to adaptation, and the systemic thinking, shared purpose, collaboration and collective transition and transformation journeys over a longer time horizon that are required to address an existential threat such as climate change and create new ways of living with it.

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