

renewal

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The organisation embeds the learning and builds the capability to adapt continuously so that success is sustained.

7. RENEWAL

The final component, or as we have learnt, the next step on the journey to sustainable success is renewal. By this we mean the constant ability of the business to rejuvenate and reinvent itself as market and customer conditions and demands change. It can be seen in many ways: businesses that consistently have smooth succession of key leaders; those businesses that respond effortlessly to changing generational and technological landscapes; or organisations that are renowned for their ability to constantly innovate and adapt. While this is the last component in many ways it is the one that underpins all the others.

This idea of renewal is not a well-developed feature of many businesses and we have witnessed organisations fall for one of the many pitfalls:

- Hurried senior appointments that have led to regret just a short time later.
- Focus on a big finish for a retiring chief executive with a compromised business having to recover over the subsequent periods.
- Decisions made in the present that compromise future key relationships.
- Aggressive financial reporting leading to reductions in investments, training, safety and similar with a significant risk in deterioration of capacity to deal with the future.
- Outsourcing based on cost rather than an improved response to customer needs.

Sustainable organisations have a way to constantly learn and progress. They hold a strategic direction (see vision and strategy) but yet recognise they will need to adapt as unforeseen circumstances in a VUCA (volatile, uncertain, complex, ambiguous) world. They know the importance of an operating model (see alignment) yet build in flexibility and personal freedom to deal with situations that could never be pre-envisioned. There is a continuing commitment to purpose and values (see core ideology) while keeping an eye on customer needs and expectations, not to mention the needs and expectations of their current and future stakeholders. People and other stakeholders are fully engaged (see engagement and mobilisation) and provide the energy and commitment to make miraculous performance happen. Then their job as leader is to assure the ongoing development of the organisation (self-determination and ambition) through seamless succession and generational transition. It is the renewal activity that pulls the whole 'Swirl' together and distinguishes the short-term players from those truly dedicated to the ongoing success of their organisation.

Because of the criticality of leadership to the whole sustainable model, the approach to succession at the top-most levels of organisations needs careful consideration. Too often succession planning is left to the identification of an individual who would take over in an emergency plus a further nomination for a more permanent appointment if time permits. The former will have been judged as having sufficient skills to act in the interim and the latter probably with development needs in order to be able to step up at the right time. Under the guise of good governance the board will then take a role in ensuring any internal candidates are benchmarked against the talent available in the market and routinely pitched against external candidates for the most senior roles.

Effective succession is not just a process. It needs a culture that enables everyone to address “what next?” for themselves and their teams. Even so, we believe the process can be improved and the risk of a poor appointment managed better through ensuring the current leadership creates a space to examine succession regularly. Not the last item at the end of a crowded management agenda, but a dedicated event to look at:

- Existing team dynamics to ensure that open conversations are possible on personal ambitions, strengths and areas needing development
- Realistic time scales for service from existing executives
- Likely needs of the future business and skills required for ongoing success
- Risks associated with the appointment of each potential successor
- Plans to socialise the leadership behaviours required to lead the business beyond the term of any individual.

Whether the new leader comes from inside or outside the organisation, companies that plan for CEO succession more carefully are more likely to be better performing companies in general^[9]. Therefore, much rests on the confidence of the existing leadership to express a view of what will work for them without fear of accelerating their exit! A trusting, if challenging, relationship between the CEO and the board will be a pre-requisite for these discussions to take place as part of the regular board interactions.

Taking an even longer-term view, we believe that there is much to be gained by examining a cohort from each generation to create time and space for future succession conversations. Not the traditional high-performance programmes but a deliberate process of engaging people from across the business in activities that are outside of their normal day to day activities.

‘We see the appointment of our chairman as critical and whether internal or external, we ensure that not only do they have the skills and character for the role, they share our ambition to ensure that the business endures, whatever!’

'I left a balance sheet strong enough to support the following year's operating performance so that my successor had time to settle into the role and set his direction. I would expect him to do the same when he moves on'

or

'My job is to run the business today and ensure that there are candidates available from within the business that the board can consider when looking at my successor. It is their job to appoint the CEO'