# IS YOUR GOVERNANCE OF CHANGE BUILDING ORGANISATIONAL RESILIENCE?

**DR GRANT SIEFF**

*grant@icgrowth.co.za*

*Infochoice Growth (Pty) Ltd*

*Research, Education & Consulting*

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Corporate Governance traditionally involves the application of wisdom and experience in guiding and assisting the CEO and the executive team with effective decision-making to promote the sustainability and success of the organisation. In the past, with more stable operating environments, the governance role may have consisted mostly of ensuring that the organisation defended its market position by maintaining and protecting its established and traditional business model. If anything, change in such conditions would have focused primarily on improving efficiency. And the benchmark for efficiency would have been on how effectively costs could be reduced.

For most organisations, the prevailing operating environment is far from stable. Organisation leaders world-wide are contending with increasing volatility. An accelerating pace of change exposes organisations to new opportunities and threats that continually challenge the status quo. Technology-driven social media are the new driving-force of social interactions, consumer groupings, communication, education and awareness. There is more fragility in the prevailing economic, social and natural environments. Change is consequently experienced more as a shock threatening business as usual and less as an evolutionary trend to be adapted to over time.

It is imperative that the role of corporate governance also change. How should those in a governance role more effectively support and guide the CEO and executive team to manage change and build organisational resilience?

There are four elements to addressing the challenge of change and resilience in the governance role:

- Firstly, become familiar with the varied nature of organisational change.

- Secondly, understand the relationship of change to business cycle management.
- Thirdly, consider the different strategic postures that can be used to implement a change initiative.
- Fourthly, engage in a change audit to identify weaknesses in the mix of change initiatives, and recommend actions that will optimise the change mix to build organisational resilience.

**Firstly, become familiar with the varied nature of organisational change.**

Change, in all its guises, is inevitable. The consequences of change are unpredictable. Without active change management, there is a greater likelihood of change compromising organisation effectiveness and resilience. Reactive change is usually a weaker response to market conditions than pre-emptive or creative change.

Possible reasons for change occurring include:

Adaptive change. A fine tuning process takes place in the normal course of organisational development.

Reactive change. Management modifies strategy and / or culture in response to the changing strategies of other players in the operating environment.

Pre-emptive change. Management changes strategy and / or culture anticipation of emerging trends.

Creative change. Innovative initiatives are introduced to shape and influence the operating environment management .

The terminology of organisation change is extensive. Other areas of change emphasis for consideration include whether it is:

- ❒ planned or emergent
- ❒ episodic or continuous
- ❒ incremental or radical
- ❒ core or peripheral
- ❒ remedial or developmental

**Secondly, understand the relationship of change to business cycle management.**

The organisational life-cycle, or S-curve, which plots the typical stages of life for any system, product, service, organisation or even industry, can be used to categorise and identify change initiatives. The life-cycle curve plots the change in potential over time. It typically addresses four phases, namely, development, growth, maturity and decline. The four possible reasons for change, described above, can be understood in terms of where they most likely occur on the life-cycle, as is illustrated in Figure 1, below.

More resilient organisations are generally better able to anticipate and respond to change, and are more likely to have a greater percentage of change initiatives occurring earlier in life-cycle terms. Their modus-operandi is more orientated towards creative or pre-emptive change, rather than adaptive or reactive change.

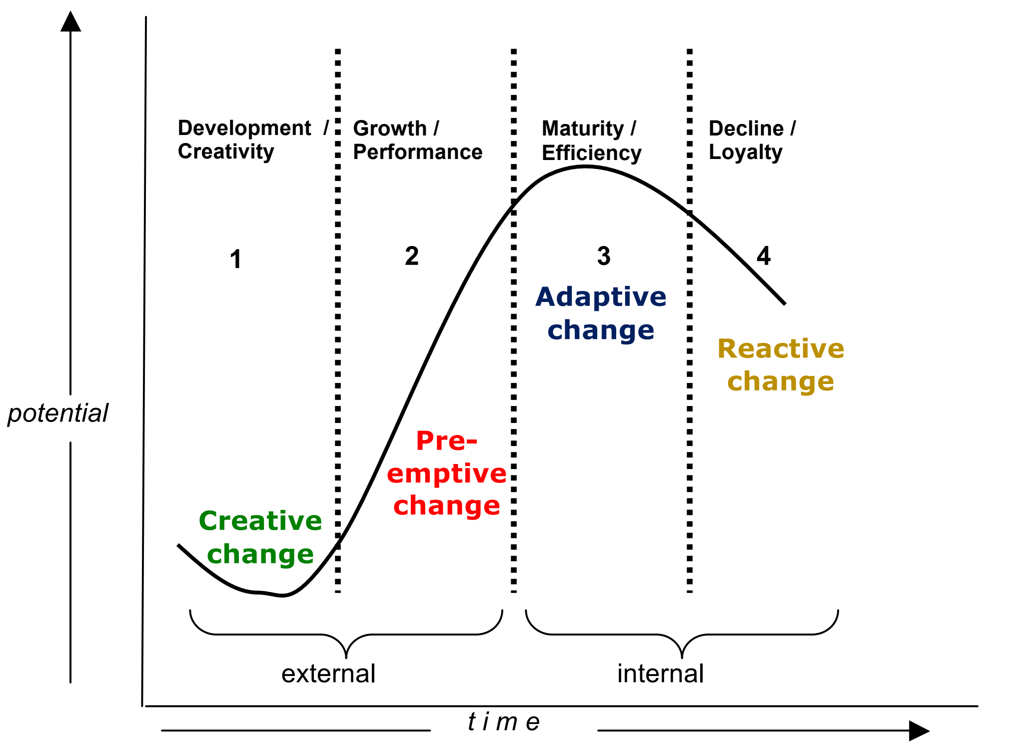


**Figure 1: Life-cycle curve**

In highly competitive market circumstances, the most resilient organisations are able to get inside of their competitors' renewal cycles. They are able to initiate necessary change in anticipation of market demand earlier than their competitors, and are thus more likely to be seen as market leaders, with all the benefits that accrue to organisations who achieve this status.

**Thirdly, consider the different strategic postures that can be used to implement a change initiative.**

For a change initiative to be successful, the organisation must have the underlying competence to execute that change. There is more than one approach, or strategic posture, for implementing change. Choosing which strategic posture to adapt depends both on organisational capability (competencies) and on which area of competence offers the organisation its best source of competitive advantage.

Three possible sources of competitive advantage are:

1) Foresight, innovation and creativity. The organisation is able to lead the market with new ideas, products and services. This competitive advantage allows the organisation to lead change and shape the way the industry evolves.

2) Agility, responsiveness and speed of execution. The organisation is able to implement a change initiative more efficiently and speedily than the other players. Even if it is following the leader, this competitive advantage allows the organisation to adapt faster and capture market potential.

3) Resources, structure and market dominance. The organisation is able to hedge its bets and avoid making a premature commitment. With abundant resources, it reserves the right to play by investing sufficiently to stay in the game, and then chooses its timing of market entry for any necessary change.

In linking types of change with strategic postures, the following associations become apparent:

- creative change is associated with a shaping strategic posture
- pre-emptive change is associated with an adapting strategic posture
- adaptive change is associated with reserve the right to play strategic posture

Strategic postures can also be understood in life-cycle terms.

**Fourthly, engage in a change audit to identify weaknesses in the mix of change initiatives, and recommend actions that will optimise the change mix to build organisational resilience.**

The demands of a fast-changing operating environment oblige most organisations to have many change initiatives planned or in play at any point in time. A key governance and strategic leadership responsibility is therefore to critically assess this mix of change initiatives to ensure that:

1. The right types of change are taking place. Ideally there should be less reactive change, and more creative and pre-emptive change. Adaptive change may be useful, but only if it serves the organisation to maintain market dominance.

2. The mix of strategic postures associated with these change initiatives is optimised to build organisational competency and resilience. Relying too much on one source of competitive advantage may limit the organisation's ability to respond effectively in all change situations. Ideally, the organisation should cultivate multiple sources of competitive advantage. This can be done by deliberately associating different strategic postures with different change initiatives, to develop a balanced portfolio of strategic postures associated with change.

**Conclusion**

All those in a corporate governance or strategic leadership role need to embrace the responsibility of managing the multiple elements of change underway at any point in time within and around the organisation. The effective governance of change may be the most influential factor in building organisational resilience.

About the author

Dr Grant Sieff is CEO of the IC Growth Group, a research, strategy and leadership development consultancy. He teaches at leading business schools as a visiting professor and senior lecturer. Grant has worked as a vice-president for Citibank in Australia and a partner for Accenture. He consults to leaders at the top levels of organisations across African continent and abroad.

IC Growth Group (icgrowth.co.za) has initiated an Africa-based research, market insight and strategy development online portal, dedicated to development and growth in Africa (africamarketinsight.co.za). Grant can be contacted at grant@icgrowth.co.za or on +2721 462 7902.