DAVID BLACKBURN, CHIEF PEOPLE-OFFICER - FINANCIAL SERVICES COMPENSATION SCHEME (FSCS)

{ K A R M A  P O L I C E }

“We’re firmly set in the financial services ecosystem… there’s a very compelling reason for our existence”

ORGANISATIONAL DEVELOPMENT
Taking advantage of changing conditions relies on nurturing innovation and entrepreneurialism

EQUALITY, DIVERSITY & INCLUSION
Diversity has no hierarchy - no one characteristic is more important - some are just easier to measure

REWARD & RECOGNITION
Firms are already adding their “bots” to the headcount. How long before they are on the payroll too?

WHISTLEBLOWING
Rather than NDAs to enforce codes of silence, organisations should take a steadfast approach to prevention
After T for turbulence, next is U for uncertainty which, paradoxically, is becoming a certainty in the current business economy. Brexit is a prime example, with political turmoil reducing the ability to predict future trading relationships with other European countries and potential trade deals with non-EU countries. The Institute for Government’s 2018 paper, Understanding the Economic Impact of Brexit, acknowledges this uncertainty. It highlights the level of variation (+7 percent-to-18 percent) in predictions of UK economic output in studies of Brexit’s impact in the long-term. Next in our acronym is, N for Novel, or confounding factors that also accelerate disruption. Novel technologies, including blockchain, nanotechnology, robotics and artificial intelligence are disrupting legacy industries, introducing applications such as autonomous driving, 3-D printing and the Internet of Things (IoT) which are bringing profound implications for the workplace. Cyber-attacks, such as those on Marriott Hotels, Yahoo and the NHS, are increasingly likely to disrupt operations unless cyber-security is radically enhanced. And finally, A is for Ambiguity, which creates disruption when mixed meanings are assigned to the same conditions. These are defined by; different interpretations of market fluctuations, geopolitical events or even global leaders’ tweets, that can trigger disruption and suspicion, resulting in a loss of trust. An example includes the political volatility over trade tariffs between the US and China, with the resulting impact on global supply chains. Respondents to the World Economic Forum (WEF) Global Risks report 2019 anticipate increased risks relating to economic confrontations between major powers (91 percent) and erosion of multilateral trading rules and agreements (88 percent).

So, how do businesses cope when facing this multi-faceted level of challenge? They should consider adopting a future mindset to anticipate potential opportunities and adapt to possible threats presented by these disruptions. OD - with its focus on strategic alignment - is critical, but can it make the significant step-change to achieve this mindset? Three main barriers constrain traditional OD from making this transition. First, the conventional adopts an internally-focused approach, that aligns the business strategy with the structures, cultures and values within a company, to achieve organisational success. In stable environments,
this context-specific approach can deliver organisational efficiency, but in volatile conditions, it fails to create awareness of - and responsiveness to - external factors that could either derail or enhance the business. Secondly, OD is often focused on the present, addressing pressing people and process issues using a holistic and humanistic approach. Both these approaches acknowledge current circumstance and past experience, but can lack future focus, possibly because OD as a field has few tools to anticipate future trends. Thirdly, because OD typically sits in the people function of the business, it concentrates on building “people” capacity and capability. As a result, it prioritises this over other types of capacity building that contributes to organisational effectiveness. OD can be further constrained by the transactional focus of HR, whose emphasis on functional compliance, management and regulation can be at odds with a social and behavioural OD approach, based on diagnostics and interventions.

To be competitive, businesses should seriously consider integrating Organisational Resilience, in order to anticipate future uncertainties and remain competitive. So, what is OR and how can it transform the OD approach? It builds organisational capacities, capabilities and cultures that enable a business to adjust positively in response to changing conditions, such that it can sustain and improve its performance, OR factors that enhance OD capability enable businesses to be externally facing, responsive to environmental changes and fluctuations), future-focused (anticipating emerging trends) and systems-oriented (enhancing intra and inter-organisational connections). These factors ensure businesses can anticipate and respond with agility to expected and unexpected conditions. Adopting an external focus is an important element, ensuring that changes and fluctuations in conditions are viewed as an opportunity, rather than a threat. Taking advantage of changing conditions relies on nurturing innovation across a company, encouraging creativity and entrepreneurialism and supporting the generation of new ideas and measured risk taking. There is no prescriptive approach to embed innovation, but there are some examples of how it can be done. Creativity and entrepreneurialism can be encouraged through the creation of safe spaces to support iterative, small-scale experiments that can be scaled up. The development of decentralised networks across a business can facilitate ideas generation, measured risk taking and shared decision-making locally.

Fluctuating conditions require a level of agility - a feature that is fundamental to OR - which offers sufficient agility to respond to turbulent conditions and challenges us to rethink and increase the level of operational redundancy, (flexible capacity), available to the business. The drive for efficiency over the last decade has caused some businesses to become “brittle”, lacking the redundant human and physical capacity to flex in response to fluctuating conditions. Creating cost-effective capacity, for example, enabling employees to flex their roles or hours, is essential in the face of disruptions. Agile leading, rather than leadership, is critically important to responding positively to fluctuating conditions. This recognises that “leading” is a skill required of all managers, at whatever level in the organisation, whereas “leadership” can be perceived as top-down control. Agile leaders have the ability to adopt an ambidextrous approach, working with paradox, to balance an external and internal focus, the long and short-term, reliability and agility, and the expected and unexpected. In so doing, they are sustaining or improving market competitiveness, product and service innovation and customer satisfaction, in the context of challenging conditions.

Shifting towards a future-focused perspective ensures companies anticipate and interpret emerging trends to construct alternative futures, rather than extrapolate purely from the past or present as a key to the future. Identifying valuable weak signals, broadly defined as the first indication of an emerging issue that may become significant in the future, complements trend analysis and can be used to expand or challenge alternative futures. Spotting trends and weak signals is most effective when a company reaches out across its internal and external networks. Then by drawing in a breadth of perspectives, it can work through an iterative, social process to develop alternative futures. OR is built through this participatory process, strengthening collaborations with existing and new stakeholders and engaging employees in iterative cycles of organisational renewal. These “futures” can be used to test the resilience of the existing and potential operating models. Questions that might be relevant include: Is the operating model sufficiently agile to respond to the alternate futures that they have developed? Have they anticipated the actual and redundant capacity required to flex in the face of disruption?

Systems-oriented OR takes a holistic approach to all aspects of the business, in the context of the industries and markets in which they are positioned. In contrast to an internally focused “people” perspective, a systems perspective recognises the role of a range of stakeholders, including; customers, regulators, communities, industry groups and investors. Taking this broader approach helps to break down barriers, minimise silos and build collaborations, which strengthen OR. A systems orientation ensures that the impact of disruption on a company’s supply chain can be minimised. Although this transition may stretch OD capacity, laying these OR foundations will assist the business in responding and anticipating an increasingly turbulent and uncertain world.