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BREX-PLOURATION – THE SEARCH FOR CLARITY IN A POST-REFERENDUM CLIMATE

Professor Nick Kemsley

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A short while ago, the UK voted in an EU referendum and the world as we know it changed a little bit more, but this time very close to home. The problem is that we don't yet know how. Whatever your political leanings, whatever your views on the issue, the one thing that everyone seems to agree on is that we have little real idea what it will end up meaning. Some commentators talk of seismic socio-economic shifts, while some feel that change will end up being minimal – and others describe every shade in-between. A huge part of the discussion relates to the economy, and the potential impact on businesses, trade terms, markets, freedom of movement and workforces.

The question of what this means for business is at the centre of the post-vote discussion. How will organisations react? How will trade and movement of goods be impacted? What about free movement of people and skills? What about currency rates? What about taxes? What about....pretty much any subject you care to name. The fact is that we don't know. There are too many moving parts, too many variables and potential outcomes for a clear view of the future to be attainable at this very early stage; and the reality is that it will take plenty of time for clarity to emerge and when it does it will emerge an answer at a time.

The question is just too big for people to cage and subdue with traditional thinking and traditional approaches. We have introduced a discontinuity into a system so big and so embedded in modern life that it may well take a couple of decades for the new system to fully emerge and find its equilibrium. In truth, right now, only one thing can be guaranteed and that's a substantial period of uncertainty and ambiguity.

And it is this uncertainty that we must pay attention to at all costs. In a world already struggling to adapt to the demands of VUCA (Volatility, Uncertainty, Complexity and Ambiguity) in so many other areas – the escalating effects of the Arab Spring, worldwide religious tension, China's slowdown, the Zika virus, growing wealth inequity, demographic factors, climate change etc – we have added yet another variable to the mix, and one that will impact closer to home for many in the UK.

The dilemma is that the world of business cannot afford to stop and take two years out to think things through. It has to continue working with this further uncertainty hanging over it. Like the most recent economic crisis, history will likely show that those organisations that could handle the ambiguity and that focus on the right issues, invest in the right things and make the right calls, will fare better than those who press the pause button and are paralysed by a lack of clarity and institutional indecision.

So what will characterise those organisations that steal a march on their competitors and those that fall behind? How do organisations understand the right things to focus on in the short to medium term, when there is such a shortage of clarity? The answer is simple: they must adopt and engage with an opportunistic and risk-mitigation mindset. They need to leave behind a 'what **will** happen?' view of the world and embrace a philosophy of 'what **could** happen?' and 'what is more or less **likely** to happen?' They must suspend a fruitless search for answers and invest considerable time in a thoughtful exploration of the **right questions**, their potential implications, the degree of risk or opportunity that may be presented, and how these translate to sensible short-, medium- and long-term strategies. This involves the ability to conceive of and explore relevant scenarios and assumptions, engage with unformed and macro-level data and use risk- and judgement-based means of analysis to arrive at a series of sensible organisational strategies, which both manage risk and maximise opportunity in a volatile operating environment.

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In light of this, many organisations will need to close a knowing–doing gap around organisational capability development and strategic workforce planning (SWP). The rise of these disciplines, over the past three to five years in particular, has demonstrated the growing need for businesses to align business strategy (what we need to do) and organisational capability (how we're going to do it). CEOs and market analysts have long understood the link between the **how** of strategy and measures of business confidence, such as the price/earnings ratio, and HR functions have been striving to establish themselves at the centre of strategic value provision. However, the ability to reliably translate from future business outcomes to the successful delivery of required people and organisational capabilities has eluded many. Research from the HR Centre has found that the reasons for this lie most commonly in one or more of the following five areas:

- 1 **Strategy/organisational consulting** – a difficulty in holding conversations at a high enough level to be able to consider the right scenarios and explore their potential implications without being too influenced by an overly incremental view of capability or a desire to move to numbers that ultimately mean nothing
- 2 **Leadership awareness** – challenges in engaging business leaders in the importance of looking inward to organisational risk with the same importance as they look outwards to market, regulatory, consumer and competitive risk; and in connecting the commercial and people agendas
- 3 **Translation skills** – capability gaps in translating from business risks to a set of implications and strategies spanning the world of people and organisation – resources, structure, process, system, skill, behaviour and engagement
- 4 **Prioritisation and alignment** – issues in focusing people and organisational resources on the right things in a systemic and cost-effective way, and in lining up attendant processes and tools to drive the right outcomes, rather than fight against each other and act in silos
- 5 **Executorial capability** – problems in the implementation of people and organisational strategies – recruitment, training, reward, engagement, organisational design, leadership and so on

So what?

Well the 'so what?' is that this kind of approach is exactly what's needed for organisations to start to make sense of the post-referendum world. If this kind of organisational capability planning or SWP was not on the agenda before, or was proceeding in a half-baked way, it needs to be picked up and pushed with vigour and energy. If you are part of a leadership team, then now is the time to start thinking through the right organisational questions in a logical and structured way. If you are within the HR function, now is your chance to show your mettle. The sooner you start exploring what the future might mean, the more on the front foot you will be. But where to start? What are the right questions?

This is where the game is won or lost. It is easy to think of a list of questions, but are they the right questions? Are they the questions that are the most important for your specific organisation to answer? How do you know? Here, the rigour of organisational capability consulting approaches or SWP can help enormously. They guide the examination of the strategy itself, the drawing out of potential scenarios and the consideration of the different dimensions of organisations in a sensible order. They help you to try out different potential scenarios and assess the likely impact. They help you to understand where you may be most exposed from a risk standpoint, or where the greatest

opportunities may lie, and they help you prioritise those areas that you need to develop strategies to address. This in turn helps you make connections with financial planning processes, stakeholder management needs and organisational metrics.

Top down questions associated with these approaches typically include:

- What are the potential strategic scenarios?
- How do these translate to people and organisational implications in the near, mid and longer term? Size, location, cost, structure, process, system, skills, culture and so forth
- Where are the critical gaps and risks when compared with the current organisation, now and against future plans?
- What are the best strategies to address these risks? Operating model refinement, process redesign, organisation design, cost reduction, talent acquisition, talent development, talent mobility etc
- How does this link into financial planning processes, stakeholder management and metrics needs?

These must be informed and balanced with bottom-up insights, including but not limited to:

- What are our organisational strengths and weaknesses right now?
- What are our customers saying?
- What is employee engagement like?
- What skills do we have and where?
- Are we seen as an attractive employment brand?
- Is what we are doing making a difference?

So, back to the post-referendum world, as it affects the UK. What are the kind of people and organisational questions that we should be asking? What are the things that we need to start thinking about in order to carve out a foothold in the sheer ice wall of ambiguity that has just been placed in front of our organisations, customers, suppliers, employees and leaders? Well, here are just a selection of the potential big ones:

1. How capable are our leaders at leading in this climate?

Leaders are humans! As humans, we are pre-programmed to strive for clarity. Leaders, we hope, are the people within our organisations most able to deal with ambiguity and make a judgement as what is the right thing to do when we don't know the right thing to do. Going forwards, we need to be really confident that we have the right leaders in the right roles, and that they can provide the right type of leadership.

Interestingly, many leaders are placed in leadership roles because they are especially good at the things that the organisation has always needed to do. They may be technical experts or they may be great operational managers. None of this necessarily means they have the right levels of judgement, pragmatism, tolerance of ambiguity or strategic agility to lead through a period of intense uncertainty. Leadership styles and approaches that have proven effective in more predictable times may now be the wrong currency for the next phase of your business' evolution.

In the absence of a clear steer, can your leaders work out what are the right questions to ask? Can they support people in their teams who may have a strong need for more clarity than is available and are they able to keep people

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engaged with the organisation during such a difficult period? If you are leading a business, or responsible for developing its leadership, ask yourself: what data do you have to be confident that you have the right leaders? When was the last time most of your leaders' capability to lead was assessed? Has what it takes to be a leader in your organisation moved on, or are you still developing the same kind of leaders you always have? If you are recruiting at leadership level, are there now a different set of skills, behaviours and questions that need to be considered?

2. What is the impact on our people through this period?

Are we keeping our finger on the pulse of how our people feel? Our employees may be struggling with uncertainty around future employment, careers, what this means for their current job responsibilities, travel, location, levels of pay and many other natural queries. Investment decisions may well be put on hold in some organisations. Unfortunately, there will not be a lot of certainty available to answer all these questions. As a result, organisations may need to put additional focus around measuring engagement, or consider more frequent pulse surveys for a period. Some employees may be personally impacted by uncertainty, or as clarity begins to emerge. As such, the role of line managers becomes vital. Do we have sufficient confidence in our line managers to listen to and support our employees through uncertainty? Are our leaders able to keep people engaged with the organisation? Are we keeping track of productivity and retention? What are we seeing in the way in which our people interact with customers and suppliers? Do we know how our people are feeling? Are we measuring the right things? Many organisations use employee engagement surveys. The coming period is a good time to consider whether you might want to step up the frequency of such surveys, or keep a special look out for signs that your workforce is struggling with uncertainty. Things to look for include lower engagement in the strategic direction of the organisation, lower confidence in its leaders or greater anxiety about job security or content.

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3. What are the big structural questions?

Big shifts in operating context often raise questions at the highest levels, which create longer-term fundamental strategic or shorter-term tactical dilemmas. Many organisations will need to think about structural issues to do with the way in which different parts of a multinational organisation do business, how they interact with customers and suppliers, or regulatory conundrums. Regulated industries in particular are facing ambiguity around the way in which they operate in the context of a wider EU regulatory framework.

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Questions may need to be asked about the operating model or overall structure of an organisation to best deal with a different future landscape. These questions may also impact current or future investment. Are there questions about where your business is located that need to be considered either for legal or potential trading reasons? Are there restructuring questions? Are the right skills located in the right place going forwards? Are there potential implications relating to access to raw materials or transportation? Are we going to need to reassess the cost structure and operating model of the business? These are big questions, so require organisations to start thinking about them early and mindfully. To do this in an absence of clarity requires risk- and opportunity-based scenario planning to understand likely or possible business outcomes and sensible organisational responses. These responses will have pros and cons that, in turn, need to be considered. Only through doing this can organisations protect themselves from being left behind by others, or finding themselves in 'ready, fire, aim' territory. What skills do we have in organisational design? How good are we at SWP?

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4. What are the big process questions?

Business operating models rely on vertical and horizontal processes and supporting systems. Events that create potential discontinuities in these processes need to be taken very seriously. At the same time, the efficiency and synergy of process architecture has a major bearing on the value creation and cost-effectiveness of an organisation – how quickly it reacts to customers, cost, quality, what it's like to work there. Process effectiveness is always a balance between the need for governance, synergy and consistency, and the need for flexibility, agility and customisation. When a large part of any organisation begins to develop practices that challenge consistency and create difference, this should prompt an examination of the potential impact on governance and complexity with a view to evolving the overall operating model and business processes to accommodate this in a way that has most benefits and fewest risks for the wider organisation. What is the potential impact on cross-business processes? Does this change how we need to make decisions? What are the complexity implications? Are there supply chain implications? What is the potential impact on how we trade and contract with customers and suppliers? What does this mean for intra-company agreements or financial processes? Organisations should consider their business process re-engineering capability. Are these skills that we have? Do we need to buy them in?

5. Does this affect our ability to acquire, build or move talent?

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Increased uncertainty around freedom of movement and trade agreements may also impact thinking around the demand or supply of skills. Will there be potential implications for people to be able to work in particular countries in the future? Will certain qualifications and accreditations have a different currency in the future? What scenarios may play out relating to the movement of talent? Will new talent sources open up to us or potentially be harder to access? How will wider organisational scenarios impact the number, type, location and timing of future workforce needs? What are the niche skills that may be in short demand during the coming period (e.g. legal or regulatory expertise)? What are the potential implications for contracts, visas, contingent labour and so on? Have we developed talent strategies to manage some of the risks or exploit opportunities? Do we have access to the right talent data? Do we have expertise, or access to expertise, in some of the complexities such as visas and mobility? Do we understand the reward implications and have access to external data? This is a great opportunity to revisit our talent strategies and to explore how they might be impacted positively or, potentially, adversely by various scenarios or changes in assumptions.

6. How are we going to need to behave?

Any change has behavioural importance. The VUCA environment has already demanded that we behave differently in the face of faster-paced change and in our ways of working with and managing others. Additional complexity and uncertainty will only amplify this need and perhaps add some specific requirements into the mix – the need for pragmatism in the way in which processes may need to evolve, a need to be empathetic with others who (like us) do not yet have answers. Trust will be a key currency. It is likely that we will also need to demonstrate different leadership behaviours, as well as potentially managing cultural dilemmas or team tensions created by a shifting dynamic and sense of identity among teams within an international workforce. Short term, we may need to reconcile differences in opinion or ideology around views on Europe. How we talk about the change and the ambiguity will also be key – in the absence of clarity, we need to provide some guidance, even if it is being open about what we don't yet know. What are the behaviours that are most likely to help us or hinder us in the coming years? How do we need to behave

with customers and suppliers? How do we need to behave as an employer? How are we going to need to interact across organisational boundaries? Do we assess culture and behaviours? Are we taking steps through talent and performance processes to reinforce positives and discourage negative behaviours? Vivaly, are we 'walking the walk' – being authentic and living the behaviours at the top that we want replicated through the organisation? How aligned are our top teams in this respect? Is this a good opportunity to get top teams together to discuss their leadership obligations?

How should we approach this?

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These are the kind of questions that we need to be exploring in the coming months, and starting to ask in the coming **weeks**. An iterative and scenario-based approach will deliver most value. Through the brainstorming of potential implications and discussion of what these might mean, we will steadily apply layers of paint and build up a view of where the issues lie and what best to do about them. Like decorating a room, we are initially faced with the enormity of the task. If we try to proceed in too detailed a manner, progress will be slow and potentially wasted if we decide on a different colour after we have started. But if we can apply a 'mist coat' – a thin layer all over to start with – we can perhaps begin to see where we need to focus and fill holes. With the next coat we get a better view of what the finished room will look like yet we can still see any patches that require more attention. As we apply each coat of paint we gain a better appreciation of the whole. This is the process that needs to be kicked off in organisations, if it is not already happening. We must avoid the extremes of either never starting because we are in awe of the task, or trying to be too detailed too early. We must be agile, experimental, free-thinking and creative.

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How prepared are you?

So we must ask ourselves, how prepared are we to think and behave in this way? How able are we to hold the big picture and spend time thinking about the right questions rather than rushing to solutions? What skills do we have internally to help us with this process and do we have the right skills to lead and manage our way through it? Are we able to move beyond the 'as is' to conceive different potential 'to be' states, and are we strategically agile enough to be able to envisage and explore relevant scenarios and translate these to people and the organisation? Do we have the executional excellence to then prioritise, align and deliver what's needed, when it's needed? Lastly, are we connected to the mood of our people and the means of knowing if we are making a difference?

If you have any doubts about any of these questions, you would be well advised to give them some serious attention if you are to have the best chance of guiding your business through the coming period.



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Nick is a highly experienced HR practitioner, and has had led organisational development, resourcing, talent & leadership, performance and L&D functions in a number of major businesses. In a corporate career to Group Vice-President level, Nick has worked across six different industry sectors at local, regional and global levels. He works with Boards and HR functions on a broad range of topics including organisational capability and risk, strategy, workforce planning and HR effectiveness. He frequently speaks and writes on the subject and delivers open and bespoke development programmes for Henley.

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