

Cornwall Strategic

Adaptive Strategy



Moving forward from the Covid-19 pandemic gives us a unique opportunity to create the adaptive and resilient organisations that we have always wanted. To do this we need to let go of a past that is constrained by a desire to predict, plan and control and allow ourselves to explore, learn and co-create.

Situation

THE WORLD HAS SHIFTED.

The Covid-19 pandemic has disrupted the world. No country, organisation, or individual will be unaffected by the direct or indirect consequences.

Most business continuity programmes are built on the assumption of a local or regional disruption. The Covid-19 situation is global, everyone is affected. Many of our assumptions are no longer valid. Our linear strategic plans are of little value.

- **Beware of experts. We are all in new territory, no one has experienced this before. There are no Covid-19 business recovery experts.**
- **Detailed planning, scenario planning and re-modelling is most likely a waste of energy - things are changing faster than our planning cycle can accommodate.**
- **Planning for the 'new normal' is planning to fail when faced with another disruption. We need to adopt a way of working that is resilient in the face of disruption and can embrace multiple potential futures.**
- **Organisations who fall into the trap of 'old school' planning will struggle to keep up with the pace of change. Leaders who fall back to command and control will create inertia and be forced to constantly fight fires.**

Managing risk in complex and uncertain times calls for new methods and tools. Managing risk in complexity is based on the principle that movement is more important than analysis. Action allows us to experience and interact with the strategic environment, experiment, test and learn, then rapidly exploit opportunities to create value.

This adaptive mode of operating will be a strategic advantage to your organisation.

Success is built on how we move, not what we plan to do.



Using Adaptive Strategy to move forward from Covid-19

1. Build the Platform

We need a platform for moving forward. If your organisation is going to pivot or move then it has to do this from a point of stability. (however small that might be at the moment). We would focus on the following:

DEVELOP A SHARED UNDERSTANDING OF SUCCESS

A process of developing a shared understanding of success for you and your team. This will act as a guide for your direction of travel and as a focus for action.

DEFEND THE BREAK-EVEN POINT - Get a financial review by a qualified financial specialist.

Establish your breakeven point, adjust it and defend it against an uncertain and uneven financial future. Plot your known cash flow position.

The result will be a better understanding of your financial position, where you are vulnerable and where you have stability. This will need to be regularly reviewed.

RESILIENCE BY DESIGN - Your people are your greatest asset. Everyone has been jolted to some degree by the response to Covid-19. Personal resilience is a resourceful operating position that is essential for remaining healthy, thinking with clarity, and being able to perform under pressure.

LEADERSHIP - Utilise the concepts of mission control, set enabling constraints, and enable staff to move toward the Shared understanding of Success. Shift mode from feedback to feedforward.

- Know how to lead in chaos and confusion from a position of resilience and clarity.
- Provide a framework for psychological safety.
- Guide teams towards a productive future through uncertainty.
- Enable resourcefulness as the new norm.
- Engage with customers and employees for real-time feedforward to maintain tempo and direction.



2. Adaptive Strategy

Adaptive Strategy is a methodology for developing and articulating strategy. It is specifically designed for organisations who face a rapidly changing and uncertain strategic environment. Adaptive strategy is designed to embrace the complexity of the real world and turn it into a strategic advantage. We deliberately prioritise action over analysis and provide the platform for innovation and organisational resilience. Secondary benefits of Adaptive Strategy include valuing diversity, harnessing creative friction and increased engagement.

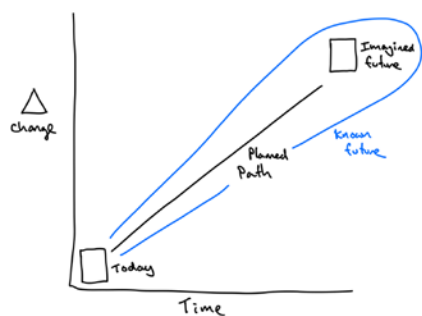
Adaptive Strategy is based on sound scientific principles of complex adaptive systems theory, anthropology and cognitive neuroscience.

Adaptive strategy doesn't discard traditional strategic planning but adds another dimension to enable organisations to adapt and thrive within a complex world.

TRADITIONAL STRATEGIC PLANNING

The dominant paradigm for management thinking over the last 50 years has been Systems Dynamics. Systems dynamics (sometimes called systems thinking) has a mechanical metaphor - it treats the organisation as a machine. We can see this in the language that is used in strategies that are based on systems dynamics. 'Levers for change', 'drivers for growth', 'alignment', 'optimisation' etc.

Systems dynamics assumes that most of our strategic landscape is known or knowable - through analysis. It also assumes that the future will unfold in a predictable or manageable way.



Strategic Planning that is based on a systems dynamics approach takes the following form:

When the future is known, we create the best imagined future and then find a path toward it. We are certain of our place in the strategic environment and confident in our ability to predict changes within it.

Implementing the plan is a matter of managing resource allocation over time.

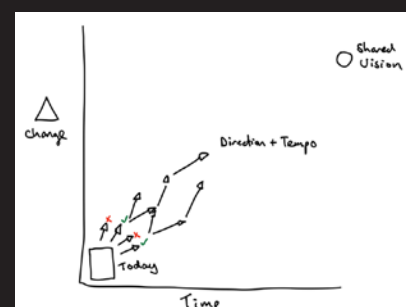
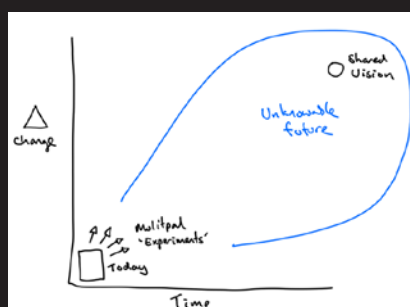
A leader's job is to ensuring we are on the right path and we lead with a command and control methodology.

Risk management concerns itself with identifying, evaluating and prioritising known risks to the strategic direction.

ADAPTIVE STRATEGY

In fast changing times the future is inherently unpredictable. We establish a shared understanding of success (vision), and a set of principles that positively constrain our behaviour (very important in an insurance business). Where we are certain about our future we can establish clear goals and priorities. Where we are less certain strategy then becomes a series of exploratory steps designed to explore and learn. We conduct small experiments in parallel, gain fast feedback and enable rapid exploitation of success. We call this Detect, Respond, Exploit. This is a continuous process - leaders manage the tempo and direction of the business.

Importantly - positive engagement and good culture are direct consequences of this mode of operation.



Implementation is immediate because we take direct action now in order to understand how we can impact the strategic environment. A leader's job is to set the direction of travel and enable staff to test and learn based on their direct understanding of the strategic environment. Risk is managed by taking a wide and diverse perspective, detecting the weak signals of change and responding quickly to them. Learning from many small failures are like an immune system for your organisation.

By doing this we are setting a new 'mode of operation' for the organisation. Adaptive Strategy is a matter of moving in the right direction at the right tempo.

This can be summarised as:

- **Think Big**
Define or rethink our Shared understanding of Success
- **Act Small**
Where are we right now? What can we do to move forward?
- **Move Fast**
Make decisions quickly and execute. Empower your people to act quickly. Use rapid feedback loops to monitor the impact of your actions and change course or pivot as necessary.

Components of Adaptive Strategy

SHARED UNDERSTANDING OF SUCCESS

This serves as a direction of travel and can be used to guide decisions and actions; “will this decision/action move us in the right direction?”

This understanding of success should be visionary but also contain enough detail to provide focus and allow us to understand our relative position.

PRINCIPLES

Our principles will act as a guide for our direction and tempo. Principles are universal, timeless, and constrain human behaviour. Principles govern interactions between people and groups.

Tempo is how we move (our mode of operation) and where we are going (our objectives).

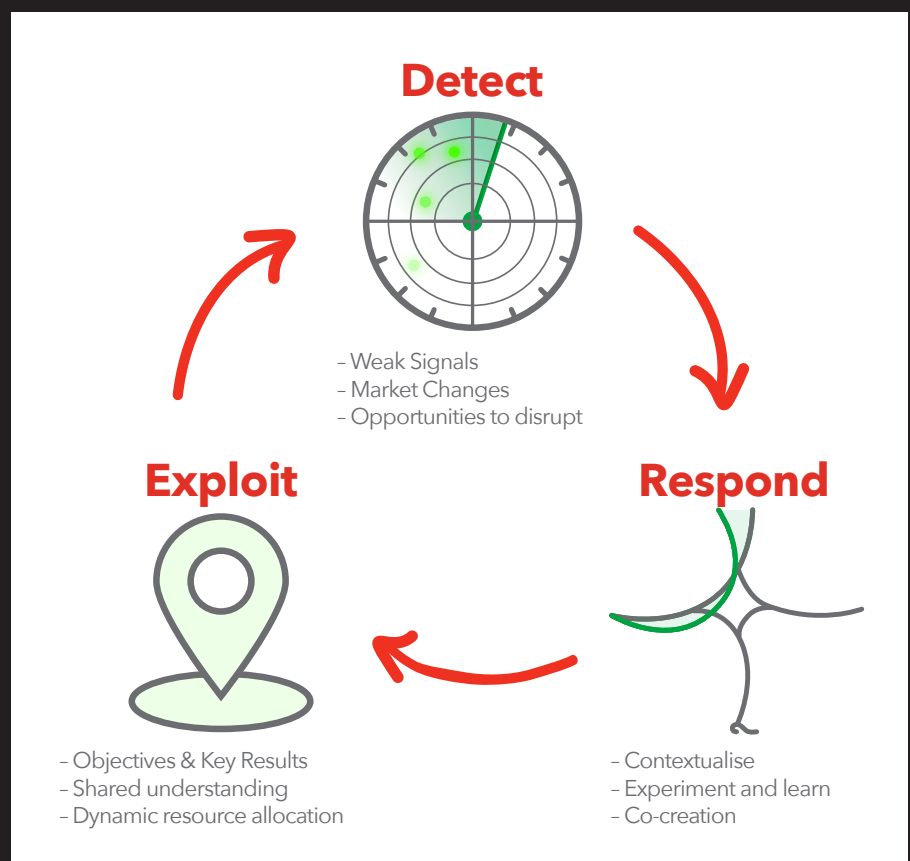
In a fast-changing environment, tempo increases situational awareness and increases our ability to adapt. These factors create organisational resilience and can be a competitive advantage.

OUR MODE OF OPERATION

The tempo of movement is expressed in the Detect-Respond-Exploit cycle.

We continually detect opportunities for improvement, change or innovation – and respond in a contextually appropriate way. (Sometimes we will need to predict, plan and control. In more uncertain or complex situations we will need to explore, experiment and learn. We use Cynefin to contextualise the situation so we can respond in an authentic way.) As we learn more through our actions we can exploit those that offer us the biggest opportunity to advance our strategic direction. Through this process we will see the emergence of goals and the path we will take to achieve those goals. Importantly, we will quickly test ideas and learn what works and what doesn't.

This mode of operation will lead to a more curious, innovative and engaged team.



Cynefin

Complex

Probe-Sense-Respond

Take multiple small steps to better understand the strategic environment.

Amplify success and learn from failure

Don't rush into 'planning mode' when you see an opportunity. Allow the organisation to explore and learn.

Value is created through interactions - encourage diversity and parallel experimentation.

Take decisive action in order to survive

Have clear contingencies for known risks.

Develop heuristics for sudden or unforeseen events. E.g drop-cover-hold for earthquake.

Act-Sense-Respond

Chaos

Complicated

Sense-Analyse-Respond

Identify, evaluate and prioritise risk. Allow experts to use their judgement within governing constraints.

Traditional planning using experts, analysis, modelling and forecasting.

Confused

Not enough information to determine context

Too many rules and procedures create rigidity. Rigid systems can break catastrophically.

Develop standard operating procedures

Set rules and rigid boundaries.

Compliance and audit.

Sense-Categorise-Respond

Clear



CORNWALL STRATEGIC is part of the COGNITIVE EDGE international network of consultancies who bring complexity management to Governments, and organisations across the globe. We are leaders in developing approaches that allow organisations to thrive in uncertainty, create resilience and detect weak signals which more traditional approaches would ignore.



STEVEN MCCRONE

Steve is a sought-after speaker, facilitator and advisor on strategy. He specialises in the application of authentic tools and techniques for organisations dealing with fast changing, uncertain and complex issues. Steve is an Accredited Cynefin Trainer.

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