



ALEXANDER HUGHES INSIGHTS

COVID-19
Leadership, Strategy and Culture



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COVID'19:

In our previous article "Coronavirus Pandemic," we discuss how we have found ourselves in the midst of "the burning platform," because, as is usually the case, our lack of long term Vision left us unprepared for a crisis on the scale of COVID'19. We saw how the developed world had plenty of time in advance to prepare for exactly this kind of unexpected event. Contrary to what we read in the news today, we were not "only 3 months late" in taking the necessary actions, because well-known prestigious leaders such as Bill Gates, Obama and others, had anticipated as far back as 2014 and 2015, that a Pandemic disease, such as COVID'19 has turned out to be, was the most important threat for human kind.

So we wasted 5 years in which we could have been preparing for this pandemic. Let's take a look at how the different developed countries have reacted after being caught by this pandemic. With few exceptions, Western developed economies tend to look down their noses at the nations of the rising sun. We find it difficult to accept they can do things better than us, and we almost never learn from them.

One of the lessons of COVID'19 is precisely this one. When we look at the nations who have reacted more efficiently and with better results in the face of this highly contagious and lethal virus, we find, for example, South Korea, a country quite similar in size in people to Spain. They learned from their previous experience with SARS in the past and acted accordingly. The rest of the developed countries had the same opportunity to learn from SARS, but apparently did not. At the beginning of March, South Korea had declared 7.000 cases of infection and 44 deaths, while in Spain, at that time, there were only 498 registered cases and 10 deaths. One month later, South Korea reached 10.000 cases of infection and 186 deaths, while Spain's numbers had climbed to 135.000 infected and 13.000 deaths. Allowing for size differences, if we add to this comparison the fact that in the rest of the developed Western world there were, at that time, more than 1,7 million registered cases and more than 100.000 deaths, the difference is still even more preoccupying. Today numbers are still worse.

If we look for an explanation for this difference, we can summarize it in 3 important points:

1. **Leadership:** Swift Vision and Reaction, no hesitation to move ahead despite having very little information, just like everyone else, about the threat of COVID'19.
2. **Clear and Simple Strategy:** Clear and Simple Strategy: "To be in Control of the PANDEMIC"; monitoring the outbreak of the infection, no matter how few the cases, through a huge number of tests identifying infected individuals and their traceability to recent contacts. Isolation and treatment of the infected. Also, use of digital technology to monitor the growth of the epidemic and its traceability to possible cases of infection and selective quarantine.
3. **Culture:** Based on the fundamental pillars -- Trust, Communication and Compromise -- of the people of South Korea with their Government, adapting the laws to grant balance between freedom and health. The highly developed and efficient culture of South Korean society helped to make the most of healthcare materials, tools and technology, and artificial intelligence to keep pace with the virus and control the pandemic and its undesired consequences.

Thanks to these factors, South Korea didn't have to confine the majority of the population, nor shut down most of its economy. We can imagine that as a result, South Korea will be one of the nations that suffers the least damage from the effects of COVID'19 and, probably, will be one that will come out stronger from it.

This leads me to reflect that almost everything that South Korea had at its disposal, was also in the hands of the majority of Western developed nations, with the exception of its Culture (their automatism). Starting from their better adaptation to the use of new technologies and artificial intelligence, to their discipline and the relationship of trust the people have in their leaders. Surely the latter made them react faster and more decisively, and, although they had political elections scheduled sooner than most other nations, there were no political campaigns to distract their leaders' attention.



Something There is a lesson we can learn here, that when **Leadership, Strategy and Culture** are properly aligned, they become the strongest trinomial for success in Organizations. Unfortunately, this is something that we rarely find.

LEADERSHIP, STRATEGY & CULTURE:

The good news is that not everything is lost from the economic point of view. Similar to COVID'19, Globalization, Internet, Digitalization and Human Migrations, have shown their permeability at global level. Our world is too small to think what happens elsewhere will not affect us soon.

Just as the USA, despite the great misfortune of paying a high price in deaths, has had the opportunity to learn from what's happening in other countries heavily affected by the virus before them, and the efficiency of their policies in fighting the pandemic, we in Spain have the opportunity to be doing something similar: observing what's happening in the USA with regards to the high level and C-Suite positions market, and thus anticipate how those trends in the short term, will adapt to the reality of the European markets.

Although many positions not directly or indirectly related with the purpose and business of an Organization will gradually be automated, the need for high level and C-Suite positions had begun an interesting growth in the USA, just prior to the implementation of confinement. According to Dean Trimble, CEO of the international executive search firm Jackson Stevens, the USEJR (Unpublished Senior Executive Job Report) --one of the biggest Senior Executives databases working with the 500 top executive firms in the USA, shows that:

1. From February 27, 2020, three days before the W.H.O. declared that what was happening in Wuhan, China, was a "Public Health Emergency of International Concern", the USEJR Index showed an important growth in the number of new high level and C-Suite positions that the top 500 executive firms were considering in the USA.
2. Despite the news of the emergency, the following day, February 28th, the Index grew again another 5%.
3. Later on, after the heavy losses on the Dow Jones on March 16th, the Index showed again an important growth of 7,2%.

And it wouldn't be a surprise if it continues to grow after the confinement conditions are lifted, because although the COVID'19 crisis has been devastating, unlike the fatal effects of a war where infrastructures, industries and economy are destroyed, this crisis has an oxygenating effect over a strong world economy ready to fight back when conditions reach the new normal again.

C-Suite and Organizations Leadership:

We have been talking about Globalization, eCommerce, and Digital Transformation for quite a while now, and are implementing them the best we can.

However, current C-Suite structure and functions (roles) in Organizations has evolved little. Far less than New Technologies and their impact on Society: Behaviour, Employment, Privacy, Sustainability, Risks, Security, etc.

Too many years for so few changes. It makes us wonder why there is this fear to make C-Suite changes in Organizations. We hope that by the end of this article we may find some answers.

The lack of sufficient C-Suite evolution over the years is making companies and the economy pay a price. We can see this price in the projected trend of shorter life for companies reflected in S&P 500 index as follows:

- In 1964, the average life of a Company of S&P 500 Index was 55 years.
- Today, it's 22 years, according to September 2019 "EY's Think Tank Study" (see footnote -1),



Organizations rely on their C-Suite to supervise their day-to-day business, their yearly budget and develop their Strategy.

As we pointed out before about the importance of having a well-aligned trinomial of Leadership, Strategy & Culture, the same is true for the C-Suite. Success and longer average life for Organizations, It makes all the difference when the C-Suite fits the key competency areas of the organization's business and is properly aligned with the Organization's Purpose, Vision, Strategy and Culture.

The efficiency and results of any C-Suite stem from having:

1. on the one hand, the right **structure** fitting all business key competency areas,
2. and on the other hand, efficiency and agility in its **function** as a team.

Despite history showing few changes in C-Suite structure, there have been some small changes to address the Marketing revolution, Software and Computer Systems, Internet, etc.. However, current C-Suite configuration is still is a legacy of the post WWII era.

If we start with the Industrial era, the economy focused on Supply. Companies sold what they produced. The C-Suite structure had the following positions: C.E.O., C.O.O, C.F.O., C.H.R., C.L.O.(Chief Legal Off., etc.)

With the transversal Marketing revolution, the economy moved towards Demand and Consumer, and C-Suite added: C.C.O. (Chief Commercial Officer) and in many occasions, both: C.S.O. (Chief Sales Officer) and C.M.O. (Chief Marketing Officer)

Later on the Computer and Software revolutions brought more additions to the C-Suite: C.I.O. (Chief Information Officer)

The ever growing importance of Consumer and Brands power led the market and economy towards a high level of competition and huge complexity. The need to bring order and sense made **Strategy** all the more necessary and important, beyond Manufacturing and Finance.

Here strategy firms such as McKinsey, BCG, Michael Porter, etc. started to gain protagonism among Organizations. However, instead of incorporating the strategy area with its own personality within the C-Suite, companies used to dilute Strategy within the C-Suite and look for help externally in those well-known Strategy firms. Nevertheless, Strategy is a key competency area needed within the C-Suite and many companies are now adding this position C.S.O. (Chief Strategy Officer) within the C-Suite.

Nevertheless, we know that the best Strategy is one that can be Implemented. When the C-Suite doesn't have the necessary Strategy Competence area, or doesn't feel ownership or commitment to the Strategy, the Strategy fails in its implementation.

This brings us to the well-known era of the **"War for Talent"** -- a revolution at the sunset of the 20th century. At that time, organizations were focused on Individual Talent (Individual Automatism) to ensure proper strategy implementation. It was a time when CEO's and other C-Suite members were traded between companies like star athletes. Those were great moments for Headhunting firms.

However, many Organizations were still not successful in their strategy implementation, because **"Culture eats Strategy for Breakfast"** Peter Drucker (1909-2005). Something that Max Weber (1864-1920) anticipated much earlier with his famous quote: **"Institutions that endure thrive not because of one leader's charisma, but because they cultivate leadership throughout the system"**. Meaning the importance of Leadership aligning Culture with Purpose, Vision, Values, & Strategy, and cultivating them at all levels of the Organization.

Today we know that the **Talent of Organizations** (their Automatism) is no more and no less than the **Organization's Culture**. Precisely what South Korea has recently demonstrated with its leadership and management of the COVID'19 crisis

Although creating and developing an Organizational Culture aligned with Company Purpose, Vision and Strategy is not considered essential, in fact not many Organizations spend much effort on it (we



have only to look at the European Economic Community today for example), ***“The only thing of real importance that leaders do is to create and manage culture,”*** Edgar Henry Schein, MIT Sloan School of Management, and ***“... the uniqueness that your competitors can never replicate”***, Herb Kelleher, CEO Southwest Airlines

It would obviously have been impossible for modern Occidental nations to replicate in a few months what South Korea has been developing throughout its history. Developing Organizational Culture is a never ending task that takes years to properly align with Purpose, Vision and Strategy. We should not forget that when Organizations don't care about Culture, Culture will never care for Organizations. Therefore, the sooner we start the better.

Unfortunately few Companies invest enough efforts in aligning Culture with business Purpose, or cultivate the same throughout the Organization, developing it permanently according to the needs of the Company, Market and Environment.

Not long ago, Internet brought us right into what we call Digital Transformation and Big Data. In fact, we talk about transforming Organizational Culture through Internet and Digitalization. A different way of doing the same thing, just as happened earlier with the computer revolution (Software and Technology) during last quarter of the 20th century, and later with eCommerce. Many companies have already added to their C-Suite: C.D.O (Chief Digital Officer)

Earlier in this article, we were concerned about the ever-decreasing average life span of companies in the S&P 500 Index, and we cannot blame it only on exogenous factors.

Something is not working properly in our current C-Suite model in relationship to the current and future organization's needs and demands.

According to the study led by John de Yonge, Managing Director at EYQ (1), of CEO's, Board Members and Institutional Investors in USA at the end of 2019, the average Company's life index will go down to 12 years in 2027 if nothing is done about it.

1. In relationship to C-Suite structure, the participants mentioned the following:

- a. between 65% and 70% of CEOs', Board Members and Institutional Investors were unhappy with the adequacy of their current C-Suite, given the challenges and opportunities that their organizations will have to face within the next decade.
- b. 82% of CEO's declared having added positions in their C-Suite during the last 5 years. Those additions responded to new priorities such as Innovation, Digital, Strategy, etc. Positions added were:
 1. C.I.O. (Chief Innovation Officer) -> 20%
 2. C.D.O. (Chief Digital Officer) -> 15%
 3. C.S.O. (Chief Strategy Officer) -> 14%
 4. C.D.O. (Chief Data Officer) -> 9%
 5. C.H.O. (Chief Ethical Officer) -> 7%
 6. C.G.O. (Chief Growth Officer) -> 6%
 7. C.R.O. (Chief Risk Officer) -> 3%

Percentages on total participants.

- c. 72% of CEO's are considering to change or add new Functions/Key Competency Areas or both in their current C-Suite within the next few years. Most considered Functions or Key Competency Areas to change or add were the following:
 1. Digital Transformation
 2. Innovation
 3. Automation and Artificial Intelligence
 4. Data Science
 5. Behavioural Science



2. **In relationship to C-SUITE functioning** the study presented the following transformation needs:

1. Less hierarchy
2. Multi-Stakeholder C-Suite
3. Híbrid C-Suite, B-Suite
4. More Agility, Communication and need for Breaking Silos.

DIVERSITY:

It doesn't all finish here. We probably need to go back to the start of this article and join the need for Cultural Transformation with the need to include more Gender, Experience/Freshness Diversity balance in the C-Suite and other leadership committees in Organizations.

We only need to have a look at what happened in most successful countries leading and managing the recent COVID'19 crisis: Taiwan, New Zealand, Finland, Norway, Denmark and even larger countries such as Germany, all led by women of different ages.

Historically and Culturally, leadership in Organizations has been controlled by men. Women have slowly joined, mainly in positions of lesser responsibility, due to a range of cultural factors, including the need for family life conciliation.

This lack of Diversity in leadership positions probably explains what we were wondering at the beginning of this article: what lies behind the fear to make changes to the C-Suite until now? In other words the fear of getting it wrong, or learn and correct as we go along. It may be due to lack of vision, self-confidence, "if it works don't change it", comfort-zone, wait until we reach the burning platform effect, etc. We could now confront them with a long list of different complementary abilities that women bring to teams and leadership styles, as we've just seen with the women leaders in most successful countries dealing with the COVID'19: Taiwan, New Zealand, South Korea, Germany, Norway, Finland and Denmark.

It's not only matter of meritocracy, but a different way of seeing or doing the same things. Nobody can now have doubts that the brains of women and men are biologically more similar than we thought, and that any difference has more to do to cultural reasons, expected role in society, and the abilities acquired in consequence, that can surely enrich today's Organizations teams, especially management and leadership teams such as C-Suite.

As much as Digitalization is today a tool for Cultural Transformation in Organizations, normalization of women in management and leadership teams in Organizations will also be a great tool for Cultural Transformation for these Organizations, probably the most important that we have seen till now.

Now we need to ask ourselves, what long-lasting changes will the COVID'19 crisis bring us? We can only speculate now, but one thing we surely cannot do is look the other way and forget the reasons why COVID'19 found us so unprepared, as the philosopher George Santayana (1863-1952) said, and Andrew Cuomo, New York State Governor quoted recently,

"Those who do not learn from the past are doomed to repeat it".

Carlos Zazurca, Alexander Hughes Partner, April, 12, 2020.

Biography:

(1) **John de Yonge, MD at EYQ:** "Has your C-Suite changed to reflect the changing times"
https://www.ey.com/en_lu/growth/has-your-c-suite-changed-to-reflect-the-changing-times

(2) **Dean Trimble, MD at Jackson Stevens.** "The Senior Executive Job Market and Coronavirus: If you think executive-level Job numbers are shrinking, think again."
<https://www.linkedin.com/pulse/senior-executive-job-market-coronavirus-you-think-numbers-trimble/?trackingId=xkcJokOjT6eA58uy7wIVMA%3D%3D>