

Leadership Confidence Index

Leading disruption: reflections from 20 national leaders on the current and future impacts of Covid-19



BACKGROUND & OBJECTIVES

Crisis in Chinese is a word composed of two characters. One means “danger”, the other “opportunity”. The challenge lies in the ability to turn threats into opportunities. A study recently conducted by Odgers Berndtson with Harvard Business Review Analytic Services illustrates this. Organisations prepared for disruption embrace these moments to readjust operating models and/or capture new profit pools. But while 95% of organisations believe that being prepared for disruption is the critical factor for success, only 15% trust their leaders to have the capacity to effectively manage this challenge.

The moment we live in today is an extraordinary opportunity to accelerate and leverage the development of this capacity in organisations. Although we are still in the early stages of what is called the “new normal”, significant impacts on companies’ operating models are already beginning to crystallize. To understand the specific impacts on organisations in Portugal, we invited 20 CEOs and Business Leaders to explain how they have faced the Covid-19 crisis so far and, most importantly, how they expect to use this opportunity to create or defend value for their consumers, their teams

and other stakeholders. More specifically, we asked three questions that summarise key priorities of their strategic agenda:

- How to reinvent the business, to face new market, technological, consumer behaviour and risk management challenges?
- How to make the organisation more agile to respond quickly and firmly to these challenges?
- How to prepare the leaders and adapt the organisation’s talent management practices to this new context?

Of course, the challenges faced by these managers are different. They vary from sector to sector, from organisation to organisation, from context to context. Nevertheless, we can identify a set of common trends that guide their strategic agenda, in the short and medium term. We would like to thank the 20 CEOs and Directors who have shared their insights with us. We believe that the lessons we have learned from this are an important synthesis of strategic priorities for all organisations, large and small, local and international, who wish, in the short and medium term, to successfully address the enormous challenges ahead.

The participating CEOs and Board Members:

Ângela Vieira (Ascendum)
Ângelo Ramalho (Efacec)
António Mexia (Edp)
Carlos Moreira da Silva (Entrepreneur)
Carlos Santos (Nuvi Group)
Cristina Campos (Novartis)
Duarte Nobre Guedes (Hertz)
Isabel Barros (Sonae MC)
João Safara (ISQ)
Jorge de Mello (Sovena)
Luís Drummond Borges (Lusiadas)
Luís Filipe Reis (Sonae FS and SF)
Miguel Matos (Phillipp Morris)
Nicolas Keutgen (Schreder)
Pedro Carvalho (Tranquilidade/Generali)
Pedro Sequeira (Daiichi-Sankyo)
Ricardo Pires (Semapa)
Rogério Henriques (Fidelidade)
Rui Ferreira (Super Bock Group)
Rui Fontoura (Saphety)

STREAMLINE STRATEGIC CYCLES: ADAPT AND ACCELERATE RESPONSE TO EMERGING OPPORTUNITIES AND RISKS

Crises are nothing new. Even in this golden period of economic development that we have experienced since the Second World War there have been multiple economic shocks. However, in the last 20 years there has been a trend towards deeper, more regular crises with more structural impacts. The 2008 financial crisis caused a decrease in World GDP for the first time since 1945. The crisis we are currently experiencing will be the second in the post-war era in which the global economy will be facing a sharp downturn, with the aggravating factor that in 2008 global GDP fell by 1.7% and in 2020 a negative impact of over 5% is estimated. Add to this a declining average growth rate trend, that is, while in the 1960s and 1970s the world economy grew by 4-6%, between 1980-2010 growth was between 3-4%, during the last decade growth dropped to 3%. If we look at the Portuguese reality, this trend gets even worse, with sharper decreases and lower average growth rates. In short, with the reduction of the average growth of the economies it becomes more and more challenging to create value. With the greater depth of shocks, the potential negative impact represents more structural threats to organisations.

The Covid-19 crisis adds a number of additional challenges related to health crisis management. Containment and social distancing measures have brought about a change in consumer and workforce behaviour with impacts at several levels.

Although it is early to assess the strategic impacts of Covid-19, the 20 leaders that we interviewed generally assume that the crisis will not cause a “reinvention” of the business. The purpose and long-term vision remain unchanged. The key issue is the ability to adapt or accelerate its strategic initiatives to respond to new consumer behaviour and build a balanced and resilient business portfolio that enables good management of current and future risks. Strategic agility will therefore tend to become increasingly central to the capacity and speed of reaction of these organisations.



Accelerate the customer digital journey: become digital or die

The digitalisation of the economy and business is a reality that we have been living with for a long time. The crisis of Covid-19 has put it even more at the centre of the organisations' strategic agenda, accelerating initiatives to meet new digital consumer behaviour.

“Older consumers have become more digital. The younger ones were able to have even more tools to act more quickly, effectively and globally. The fact that they are suddenly confined, has given rise to a demand across different age groups, expectations which I believe is critical and which the market and businesses will have to meet: ease of consultation and purchase at distance, timing of delivery, presentation and safety of goods delivered.”

Rui Ferreira - CEO Super Bock Group

The restriction of movement has forced consumers to readjust the way they choose, how they buy and how they receive goods. Alongside the existing restrictions, the uncertainty generated as to the depth and duration of the crisis has led to a

contraction in consumption. The consequence was an acceleration of the customer journey's digitalisation with a focus on e-commerce. Restaurants “uberized”, schools “courserized” and banks are “amazonizing”. Companies whose sales were focused on physical channels, promoted a reallocation of resources to meet new circumstances in sectors as diverse as insurance, beverages or health services.

In a few days, Super Bock Group created its own online store thus establishing a direct channel with the consumer. The Lusíadas Health Group implemented and scaled up teleconsultations in a few weeks, reshaping the paradigm of patient interactions. Tranquilidade/ Generali is expanding its presence in ecosystems that allow it to diversify its points of contact with consumers and play a broader role than traditionally assumed by the sector.

Adapt and accelerate strategic initiatives to respond to emerging opportunities or risks

The supply and demand shocks in many sectors forced organisations to focus on the continuance of their operations. This focus had a strong operational aspect, but there was also, from the early days, a need to generate and preserve cash to gain flexibility in terms of

financial management in the short and medium term. To this end, many companies readjusted their priorities by focusing on products with immediate demand.

“The Covid-19 pandemic has caused an acceleration of several trends that we have been observing for some time. I believe that the most visible change is in consumer behaviour, namely in the use of digital channels, an area in which Portugal still has low penetration. In the case of Fidelidade, which has an omni-channel strategy, this evolution translated into an opportunity to leverage online channels not only as a tool for consultation and information, but also as a sales channel.”

Rogério Henriques - Fidelidade Executive Board Member

Hertz is a business whose demand depends heavily on tourism and specifically on car rentals at airports. With the closing of borders and air traffic, the company has refocused its core business from private cars to business vans. The sharp increase in e-commerce has caused a shortage of delivery capacity for logistics companies. Hertz recognised this opportunity, betting on a typically less relevant business segment, which allowed for relevant impacts

How to reinvent the business, to face new market, technological, consumer behaviour and risk management challenges

on cash flow generation. ISQ created within a few weeks the Covidout service that allows identification, analysis, evaluation and treatment of the risk of transmission of SARS-CoV-2, helping companies to prepare the return to their physical spaces.

In parallel, we saw opportunities created by the acceleration of initiatives that were already underway. The changes we have seen in society, economy, technology, among others, generate significant value creation opportunities. In Sovena's case, the crisis confirmed the commitment to build a production model focused on sustainability.

Novartis has sought to complement its excellence in drug development with the potential of artificial intelligence. Efacec, one of Portugal's main exporters, in response to the growing trend towards greater protectionism of local markets, reiterates the opportunity that exists in the reshoring of activities to Europe, in order to provide more agile and adequate responses to the needs of each country, and, at the same time, develop new relationships of partnerships and local networks. Semapa, which in 2018 created Semapa Next, its venture capital unit, reinforced the bet on what is now called the

fourth industrial revolution and executed, a significant investment in Defined Crowd, one of the most promising Portuguese technologies in the area of artificial intelligence.

By adapting or accelerating strategic initiatives, the crisis has reinforced the need to shorten strategic cycles, keeping the focus on the long-term purpose, thus effectively managing the present to speed up the future.



AGILE AND DECENTRALISED ORGANISATIONAL ECOSYSTEMS: THE PRIMACY OF SPEED AND COLLABORATION OVER COMMAND AND CONTROL

For most organisations, developing a new service, creating a new product, opening a new store or changing/simplifying a working process, implies a structured action plan, many work meetings, the involvement of numerous stakeholders and an overly bureaucratic decision-making process. Throughout this pandemic, reality has shown that all these processes, which can take months, have been effectively executed in days or weeks. The apparently impossible has become widespread practice. This is proof that when we are forced to change, we simply... do.

The need to prepare organisations to react more quickly to unexpected events required a new approach to their modus operandi. The only way to respond to shorter strategic cycles is to provide the organisation with agility and speed. As if giving reason to the theories that have long been preached in management, in an almost instinctive way, reality has privileged speed to control. Centralisation has been replaced by empowerment, verticality by collaboration, bureaucracy by simplicity and physical presence by productivity. Our interviewees unanimously state that it has worked. The great challenge for the future will be to perpetuate (or even accelerate) this new dynamic.

Decentralise decisions and empower people

Most organisations recognise that timing is increasingly a factor of competitiveness. Even so, in companies with more verticalized structures this agility tends to be lost with the increase of hierarchical levels and the implementation of bureaucratic and time-consuming decision processes. Today, more than ever, it is imperative to privilege speed over control. And speed requires decentralisation and autonomy in decision-making, but also a more entrepreneurial mindset and greater risk taking. There are many examples reported at this level, highlighting two trends that may have come to stay and that will significantly change the dynamics of organisations and their decision-making model in the future.

“From a decision culture perspective, we are trying to focus discussions on the 2-3 key issues for each person and discard the accessory, thus avoiding recurrent iterations and delays.”

Carlos Santos - CEO Nuvi

The first trend leads to the empowerment of the structures closest to the customer, facilitating a



How to make the organisation more agile to respond quickly and firmly to these challenges

response to market needs. This trend that could have a significant impact on the reduction of organisational layers, the increase in the spans of control, the revision of accountability models and even the reassessment of the role of middle management. Sonae Fashion challenged its team to open all Mo stores in three days and was able to do so reaching an all-time revenue peak. The autonomy of the Store Managers was a critical factor in the management of the whole process. The Nuvi Group is reviewing its organisational structure to delayer, simplify and make it more flexible. Decisions are increasingly based on critical and indispensable information, thus mitigating the paralysis analysis that characterises many companies today. In Saphehty's case the focus is to foster entrepreneurship from within. When a good idea arises, the company supports, incubates and accelerates its growth. A second trend results in the revision of the role of corporate centres. Companies such as BA Glass or Ascendum have come to an understanding that the corporate centre cannot, and should not, want to know and control local realities and, in this sense, the decentralisation of decisions has been a crucial factor in the speed and agility of response, adapting solutions to the different

regions and empowering businesses, allowing a more entrepreneurial and effective dynamic in the response to the pandemic. The corporate centre, rather than a decision centre, acted as a communication facilitator and an element of sharing good practices between the different countries.

Collaborate, unbureaucratise and digitalise everything

Speed and decentralisation place a significant burden on the ability to collaborate between areas and to simplify/debureaucratise processes. The focus is on creating a collective intelligence, which connects the different structures and competencies, quickly and effectively, in solving problems or specific situations. The functional nature of organisations is and will increasingly change. And wiki organisations will be more and more a reality in the future.

This dynamic requires collaboration and breaking with the functional silos that still exist in companies, so that organisations increasingly opt for the formation of multi-functional teams at more operational levels. Fidelidade began this transition with the introduction of agile methodologies in the IT area and managed to reduce the project delivery timing by two to three times.

The success of this initiative has led to the extension of this philosophy to other departments where multi-functional teams close to the end customer work together to solve concrete problems.

“ We have been investing in training and extensive use of methodologies such as design thinking and agile in order to promote consumer centricity, rapid experimentation and data-based decision making. This has been essential to change our mindset, but also the way we develop our projects, how we experiment and take more risks and also brought more agility in some business decisions. ”

Miguel Matos – General Manager Philip Morris

EDP is developing hybrid management models, which complement traditional hierarchical models and are based on more flexible and dynamic project teams. At the same time, it has focused on technologies, systems and tools, such as the intensive use of the cloud, the adoption of agile methodologies and the use of minimum viable projects, focused on solutions dedicated to solving problems quickly. They also launched tools to digitalise the decision process, in order to reduce

How to make the organisation more agile to respond quickly and firmly to these challenges

internal bureaucracy, and in some processes achieved a reduction of between 40% and 50% in decision time.

At the same time, a greater sense of urgency was generated in de-bureaucratisation through paperless approaches or automation through robots and chat bots. Philipp Morris/Tabaqueira has used the reinvention of its business model to test and implement digital resources in its work processes, focusing on tools that support decisions based on AI and data.

The new phygital “Way We Work“

40 minutes per day and 150 hours per year – the average time a person in Lisbon or Porto spends in traffic. Overall, this adds up to 500 million hours spent on cars, motorcycles and public transport. This is one of the most basic examples of how so-called teleworking can promote efficiency gains (and the improvement of pollution indicators in cities).

There have been many debates and studies on the virtues of being able to work from home, but also on its disadvantages and limitations. For employees, remote working represents more flexibility, less travel time

or the possibility to spend more time with the family. For companies, it can mean reduced office costs, access to talent pools in distant geographies and a greater focus on the tasks that count. On the other hand, there are question marks over how to ensure productivity levels, develop people and create a cohesive organisational culture at a distance.

“Office dynamics have been one of the many topics discussed, and the future approach will depend greatly on the activity and typology of functions. Call centres will necessarily end up transitioning to teleworking models – an individual task that requires concentration, which depends very little on interpersonal interaction.”

Luís Reis – CEO Sonae FS & SF

During the peak of the Covid-19 Crisis, about 50% of employees in Europe went into remote work and the results were incredible. Several studies show that more than 80% of people have experienced productivity increases, are 30% happier and 60% prefer to keep working at home.

For most of our interviewees there is a certainty that we will not go back in time – this is an irreversible move. Studies already show that in the future 50% of people will work in an ecosystem between office, home and other places. The solution will vary from organisation to organisation and will depend on the profile of the workforce, the technological infrastructure, the risks inherent to the function and other factors, but regardless of the final configuration, the potential to contribute to the agility of companies and the well-being of employees is significant and must be harnessed.

This will also mean changing management practices in terms of accountability, communication and collaboration for companies and employees to deliver with quality, on time and efficiently.

A NEW LEADERSHIP PROFILE AND A PEOPLE-CENTRED MANAGEMENT... ON PEOPLE

The last decades have shown that technology changes faster than strategies and organisation. And that strategy and organisation change faster than people's behaviour. This "misalignment" of rhythms of change tends to promote significant gaps in the speed and effectiveness of its implementation. Therefore, it is said that "culture eats strategy at breakfast".

A recent study conducted by Odgers Berndtson demonstrated this: 58% of organisations say that the main barrier to managing disruption is people's resistance to change.

What the Covid-19 crisis has revealed, more clearly than previous ones, is that when the rhythms of change align – technology, strategy, organisations and people – the results can be truly extraordinary. When change is imposed by uncontrollable external factors and the sense of urgency is evident, people adjust very quickly. In more "buzz" language, they also become more "agile". Agents emerge, passive elements gain proactivity, and skeptics become confused (and in some cases converted) by the evidence of results.

In general, all our respondents reveal the importance of changing leadership and people management mindsets and behaviours in order to be

better prepared to meet the challenges of disruption. This crisis has been an opportunity to accelerate this transformation. Simply because it has never been easier to change, so quickly and so effectively.

At this level, two trends are gaining particular prominence to ensure the perpetuation of these critical effects for organisations: a new leadership profile and a more 'personalised' way of managing people.

A profile of humble, courageous, agile, inclusive and... widespread leadership.

Of all the points summarised here, the change in leadership skills is the one that the 20 CEOs and Board Members most agree on. Leaders who in recent months have proved to be more effective, have distinguished themselves in their capacity to adapt, in their courage to take risks, in quick decision-making, in tolerance to error and in the humanisation as they deal with and inspire those around them. Resilience and the ability not to lose the big picture and to think strategically was equally critical, as was the focus on managing and motivating teams in a context of physical distance. Schröder's case is an illustration of a company that has defined the



core characteristics of its managers – humility and leadership at the service of teams – and has invested in proximity and role-modelling to develop these skills over the last few months.

“The desired organisational changes require employees prepared for the change. Empowerment is critical but will only achieve the desired effect if employees are prepared. Reskilling and upskilling in the areas of digital, data analytics and new ways of working will be fundamental, as will the coaching of leaders in managing multidisciplinary teams.”

Pedro Carvalho – Executive President Generali

As you might expect, this context has revealed countless hidden talents, some of them real surprises. We are sure that the last few months have been a unique opportunity to identify several leaders who have shown resilience, courage and impact. On the contrary, they have generated many disappointments, especially in those who are most attached to traditional leadership behaviour and who have resisted the adoption of a “new style”.

But not only did this new profile prove to be more effective in managing the disruption, it also led to a more shared and less top-centred leadership. With the decentralisation of power, increased transversal accountability and greater connectivity between functional and project teams, leadership behaviours will tend to be required at all levels of the organisation. We call this widespread leadership. The transversal mindset of leadership that should be present in an increasingly large proportion of organisations.

A more “personalised” people management: managing people not resources

For the great majority of organisations, the pandemic brought about the need to deal with “the person” before the “professional”. Before the economic crisis came a health crisis and before the anxiety at work came fear for public health. Before work came adaptation to new ways of working and before competitiveness came a collective solidarity purpose.

Each person lived this moment in a different way. And we risk saying that never before have organisations developed such a human, systematic and profound knowledge about the

individuality and needs of each person. And, in general, people have responded positively. This is a dynamic that, being perpetuated, will completely change the way people are managed in organisations, accelerating most of the trends that have long been preached.

“I would like to draw attention to the need for leaderships to be alert to the movements that are beginning to emerge all over the world and which are referring us to policies focused on employee satisfaction and which may impact on their productivity, with initiatives such as the possibility of maintaining teleworking or reducing the working week to four days being highlighted.”

Ângela Vieira – Ascendum Board Member

First of all, organizations will look for more information and knowledge about their employees, both regarding the professional and personal sides. Secondly, in the personalisation of their experiences and in their development. Third, in the way they make decisions and manage their performance. Fourth, in the way they proactively manage their needs, their aspirations and their talent, with more

How to prepare the leadership and adapt the organisation's talent management practices to this new context

regular monitoring of their motivations and opinions. Finally, in the way they foster and develop diversity of profiles.

“The experience we are living as an organisation motivates us to think about our Employee Journey, adjusting it in a customised, informed and inclusive way, allowing the flexibility that has always characterised Novartis and adapting it to new asynchronous work models that value collaboration and allow a better balance between work and family life.”

**Cristina Campos - Novartis
Country President**

We all know that having the right person in the right place at the right time creates significant value. Just as the opposite is true. The crisis of Covid-19, like any crisis, exponentially increases the differences between people and accentuates this need. Moreover, it has also shown that when people are treated in a transparent, humane and inclusive way, they respond in an extraordinary way. But, once again, the opposite is also true.

Contexts of disruption accelerate the “war for talent”. The challenge of teleworking - where anyone can work from anywhere to any organisation - accentuates this global trend. The organisations

that are best able to manage the individuality of each one will be those that can best attract and retain that talent, coming out stronger from this battle. But for the vast majority, this may imply a profound transformation of their management practices.



FINAL MESSAGE: DISRUPTION, THE “NEW NORMAL”

Disruptions are nothing new. But recent decades show that they tend to become more frequent, more global and more impactful.

We seek here, based on the experience and insights of 20 national leaders, to draw some lessons that may guide the transformational agenda of organisations in the disruption we are experiencing today, but also for future moments.

An agenda focused on accelerating strategic cycles, implementing more decentralised and agile organisational ecosystems, and developing new leadership skills in response to seven key issues:

- Are we adapting and accelerating our business to respond to emerging opportunities or risks?
- Are we developing businesses that leverage the digital customer journey?
- Are we decentralising decisions and empowering structures for a faster and more agile response to market needs?
- Are we fostering a collaborative, unbureaucratic and digital organisational ecosystem?
- Are we effectively preparing our “Way of Work” for a phygital context?

- Are we attracting, retaining and developing a more humble, courageous, agile, inclusive and... widespread leadership profile?
- Are we adapting our talent management practices to a more “personalised” management, focusing on the person and not the resource?

Many of these concepts are not really new to most organisations. The issue is to make them a strategic priority and to accelerate their implementation.

We are at the beginning of a transition that needs to be prepared, but the test we have been through in recent months and the responsiveness of most organisations has shown that it is possible.

Jim Collins, in his book *Good to Great*, argued that the best strategy for coping with change is to have a “bus” full of people who can adapt and perform brilliantly whatever the context. First Who, Then What.

Never like now having the right people has made all the difference. But the opposite is also true – the need to have them when you don’t.

In conversations with CEOs and Business Leaders it became clear how well their organisations adapted to this new context.

We believe that much of this success derives from having the right people in the right place, i.e. in critical business functions. It was with these people that they demonstrated strategic agility to focus on the digital consumer, to develop new products and start building an operating model prepared to face and embrace disruption. It was with these people that they are implementing a new more decentralised organisation, a more collaborative operation and a phygital “Way We Work”.

The key to the materialisation of this transformation lies in the ability to align the pace of change of technology, strategy, organisation and people. The complicity of the triumvirate CEO-CTO-CRHO will increasingly assume itself as a determinant in the leadership of this whole process.

In short, the disruption driven by Covid-19 provides new challenges and an extraordinary opportunity to accelerate the transformation. We should not miss this opportunity to come out stronger. Whoever does, will win the battle against the virus!

WHERE CAN WE HELP?

HOW IS ODGERS BERNDTSON HELPING OUR CLIENTS TO LEAD THE CRISIS?

Odgers Berndtson has a worldwide track record in providing best in class solutions to help Leaders and Organisations to better lead and manage the crisis, namely in four areas:



MEET THE TEAM



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