

The Right Path

Long-term urgent issues present a significant and costly blind spot for business, stemming from our human limitations

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Did the COVID-19 pandemic catch your company off guard? How ready were you for lockdown? Were you one of the 49% of businesses (according to a 2020 UK study by Studio Graphene) that were not adequately set up for remote working, or, worse, one of the 39% whose technology did not even support it? If so, why? Flexible working has been around for decades, and UK employees have had the legal right to request it since 2014. Initially, it was driven by women who sought flexibility to manage childcare. More recently, it has been recognised as a key differentiator for attracting and retaining talent. In 2019, IWG's Global Workspace survey indicated that, given a choice of two job offers, 83% of workers would turn down the one that did not offer flexible working. Furthermore, 85% of leaders who adopted flexible working at their companies (prior to the crisis) reported an increase in productivity, with most indicating a gain of over 20%.

Was your company equipped to do business in a digital world? Were you amongst the 60% whose directors (according to PwC's 2020 US Corporate Board survey) were not confident in the digital competence of their workforce or, worse, amongst the 23% whose leadership team was deemed unfit to drive digital transformation? If so, why? The trend towards digital is nothing new. A study by North Carolina State University's ERM Initiative identified digital transformation as the most important concern amongst executives and directors in 2019. The financial returns associated with leading the market in digital are also clear. According to PwC's 2020 Global Digital IQ report, companies rated amongst the top 5% in digital exhibited 17% higher profit margin growth.

And how did your company respond to the murder of George Floyd? With awkward silence after years of avoiding the topic of race? With grandiose statements that felt disingenuous to your black employees? If so, why? The challenges faced by ethnic minority employees are well-documented, particularly in markets like the UK. The benefits of ethnic diversity are also well-documented – with McKinsey research



showing a substantial, growing correlation between ethnic diversity on executive teams and business profitability since 2014. Additionally, consumers have become vigilant in holding companies to account for racial insensitivity. This has been particularly evident in the fashion industry, where a series of offensive blunders – e.g. Prada’s blackface figurines – have highlighted the cost of racial insensitivity. Edelman’s 2019 Brand Report suggests that, even prior to the crisis, 64% of consumers were willing to choose, switch, avoid or even boycott a brand based on its stance on societal issues.

Flexible working, digital transformation and racial inclusion were materially relevant for business performance before the crisis. And yet many companies failed to prioritise them. Why?

A Classic Blind Spot

There is a flaw in the classic Eisenhower Method that many of us use to prioritise. The method involves dividing our list of potential tasks into four boxes, based on their level of importance and urgency, with the following guidance:

- A. important and urgent – act immediately
- B. important, but not urgent – schedule for later
- C. urgent, but not important – delegate
- D. neither important nor urgent – eliminate

This model reflects two important insights: 1) we have a natural inclination to respond to urgency and 2) not everything that is urgent is important. Applying it helps us to prioritise Box B over Box C, minimising our time spent on unimportant tasks.

The problem is that Eisenhower did not live in current times. The Information Age has brought with it a higher volume of decisions, requiring faster turnaround, and subject to greater scrutiny. Nowadays, for most directors and executives, Box A is completely overstuffed. As evidence, the size of board packs at large companies has grown, according to Board Intelligence, from 250 to over 300 pages within just two years. This makes it hard to justify addressing tasks placed in Box B until they, inevitably, migrate to Box A.

Indeed, this is what happened with our three issues. Recent events catapulted them from Box B to Box A, and the business sector responded with gusto. According to a 2020 Fortune survey of US CEOs, within the span of just a few months, the percentage of employees working from home jumped from 13% to 73%. Likewise, 77% of CEOs report that digital transformation efforts have been significantly accelerated, and 62% of companies now plan policy changes in response to the call for racial justice.

For some issues in Box B, it is fine to wait until they become urgent; for others, this comes at a significant cost. It can be helpful to consider personal examples. When it comes to paying bills or filing taxes, for instance, one can afford to wait until the deadline is looming to take action. However, caring for our teeth is a different matter. If we wait until

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they are on the brink of falling out, it will be too late to catch up and avoid this outcome. Hence, if we want to have healthy teeth in twenty years’ time, we need to brush them every day. In the case of investing in retirement, we can start much later in life and still catch up. However, the effort required to do so will be exponentially larger. Thus, if we want to invest in retirement without incurring significant unnecessary cost, we must start as early as possible.

These matters are long-term urgent and should be reclassified in Box A. They are not urgent in the traditional sense because there is no immediate feedback loop. However, without immediate action, our ability to reach our goal will be compromised.

Flexible working, digital transformation, and racial inclusion were (and still are) long-term urgent. Despite great strides over the past few months, the failure to act earlier has come at a cost. This cost has been experienced in terms of mental health, business continuity, and stakeholder trust – vital assets during a period of extreme uncertainty.

According to McKinsey data, employees who are new to remote working are currently 30% more likely to face mental health challenges than their colleagues. This has significant implications for productivity and employee well-being at a time when everyone is already under strain. Companies playing digital catch-up face a greater level of uncertainty – particularly given the waves of COVID-19 resurgence anticipated over the next year. This is particularly acute in the restaurant and retail sectors where some businesses managed to sustain operations during lockdown while others had to close entirely. And companies that have previously failed to invest in or even listen to their black employees have found it challenging to respond to the Black Lives Matter (BLM) movement in a way that builds stakeholder trust. Without a track record of engagement, silence conveys apathy and statements of intent risk appearing appear shallow, opportunistic and even hypocritical. At a time when brand trust has grown more important to 70% of the public (Edelman), getting it wrong can have a detrimental impact on attracting both talent and customers.

A Deeper Analysis

For most of us, the future seems abstract and far away. In academic terms it is psychologically distant, which means that it takes up less space in our head and can be harder for us connect with emotionally. Even when we consider our future selves. Hal Hershfield’s research indicates that as we think further into the future, our perspective shifts to third person and the neural patterns in our brain adjust accordingly. This shift makes it easier to blatantly

ignore long-term urgent issues. Hence, psychological distance is the reason that keeping New Year's resolutions can be so challenging, and it also helps to explain why one in five Americans has nothing saved for retirement.

Interestingly, psychological distance comes in several different forms. In addition to temporal distance (now versus the future), there is also experiential distance (what I have experienced versus what I can only imagine) and social distance (me versus someone different). All three forms have the same impact on our feeling of urgency. And the impact of psychological distance is stronger when multiple factors are at play.

In an organisational context, the effect of experiential distance is compounded by social norms. As such, there is often additional resistance to long-term urgent actions that disrupt the status quo. IWG reports that the number one barrier to flexible working at most companies has been the difficulty in "changing a long-standing non-flexible working culture". When it comes to digital, PwC data suggests that most companies have had an insular approach – relying on management expertise to educate the board rather than seeking external input. In the case of BLM, a 2018 YouGov survey indicates that most Britons believe that the nation is uncomfortable talking about race. It is hard to address a long-term urgent issue that cannot even be discussed.

A 2017 UK study by Timewise suggests that appetite for flexible working is higher amongst women and younger workers. Digital savvy is also generally higher amongst younger workers. And black employees are best placed to judge whether they feel included and whether a product or advertisement campaign will be viewed as racially insensitive. None of these groups are well-represented on boards or management teams. Had they been, perhaps businesses would have been better prepared.

From Insight to Action

So, what does it take to bridge the psychological gap? Hershfield was fascinated with this question. Over numerous studies, he demonstrated the power of simulating direct contact with one's future self. In his famous experiment on saving for the future, participants who virtually interacted with their aged avatar allocated twice as much money towards retirement as their counterparts. In a follow-up study, participants had a similar response when they saw a digitally aged image of themselves. Remarkably, Hershfield found that this type of exposure also altered people's brain activity – minimising the difference in neural patterns when participants considered their current and future selves. Thus, participants were able to feel the long-term urgency of the issue as if it were in Box A.

Companies do not age like people do, but we can still envision their future. How they evolve will depend on their response to market forces, in the context of wider society. With this in mind, here

are three ways to improve your company's ability to recognise and address long-term urgent issues:

1 Imagine future scenarios and work

backwards. Many companies already do this for strategic planning, but only think two years ahead (FCLT, 2016). To avoid being on the backfoot, you should consider a longer timeframe – envisioning scenarios of what the world might look like, and how you want your business to have adapted and grown. Develop a point of view on what you want the company to be known for and what leadership muscles will enable it to respond effectively to different versions of the future. As in Hershfield's experiment, the more you can bring this vision to life through detail or visual imagery the better. You can then work backwards to identify and prioritise issues that are long-term urgent.

2 Engage with trends that are unfamiliar.

To create meaningful scenarios of the future one must have an eye on current trends. Ironically, those which make you uncomfortable are likely to be the most important. Even more so when they are reflected in stakeholder feedback that challenge whether your current approach is fit for purpose. This is exactly why it is tempting to dismiss them. Instead, engage with them as early as possible – seeking to understand them and to experiment with how you might respond. Doing so helps to minimise experiential distance, making it easier to respond to the long-term urgent.

3 Connect with diverse stakeholders.

It is easy to miss important trends or overlook their significance unless you are plugged in to different lived experiences. Improving the diversity of boards and management teams is a starting point. Establishing strong relationships with employee networks can help. As can empowering employees from different levels of the hierarchy to provide input. Some companies have streamlined this by creating Next Generation Boards, which enable a diverse group of employees to proactively inform senior decision-making. External connections are also important. A 2018 study by Fang, Francis and Hassan suggests that CEOs with more diverse networks are able to add more value. By reducing your social distance, these tactics increase your sensitivity to long-term urgent issues.

A Unique Opportunity

The current crisis has given the business sector a taste of what happens when we fail to prioritise long-term urgent issues. In doing so, it has interrupted pre-existing norms and challenged us to redefine what is possible. There is now a unique window of opportunity where we can decide to do things differently, without the usual levels of normative resistance. Which companies will show true leadership by prioritising a better future for all, before it is too late? ■