

# Master the mix of continuity and change

**W**hat sets winning businesses apart from the also-rans? Having better products and services helps. Good leadership is essential. But the strongest companies manage something else that is rare. They cope with crises and big strategic change without being driven off course.

How rare is this? A three-year programme of work supported by the UK's Advanced Institute of Management Research, now drawing to a close, is going to tell us. And, more important, it will also suggest what businesses need to do if they want to emulate the sustained success of the best performers.

Gerry Johnson, a professor at Lancaster University Management School, with two colleagues from the Rotterdam School of Management, George Yip, the dean, and researcher Manuel Hensmans, have been studying companies that, over a 20-year period (between 1983 and 2003), achieved almost uninterrupted success while dealing with big changes.

They have spent the past three years interviewing senior executives (past and present) from some of these companies to find out what went on, how decisions were made and what the prevailing atmosphere was like. The results will make for fascinating reading. But Prof Johnson has given me a foretaste of what is likely to emerge.

The big danger, even for successful businesses, is strategic drift, he says. Companies start out on the right track but they can all too easily lose their way. When things become critical, existing leadership is kicked out, new leaders come in, and the cycle resumes.

But not, at least in this 20-year study period, in the case of a few exceptional businesses. Tesco, Cadbury and the medical products group Smith & Nephew all dealt with big changes while avoiding disaster.

How? A combination of four characteristics, or traditions as the researchers call them, seems to be crucial. The first is continuity. This involves "the reinvention of the company's distinctive business model" to fit in with prevailing market conditions.

The second is anticipation. This is where it starts to get tricky. To build in anticipation, "alternative leaders" have to be allowed to start work on

the future shape and direction of the company but without undermining the current leadership. At Tesco in the late 1960s and early 1970s, a new generation of managers (including future boss Ian MacLaurin) began transforming the business under the nose of the founder Jack Cohen.

This leads to the third characteristic of a winning business, which the academics call "contestation" or "respectful difference that grows out of conflict". This is vital. Dynamic, growing businesses benefit from the creative tension of civilised disagreement. The Smith & Nephew culture was shaped by argument, Prof Johnson suggests. A witness to Tesco board meetings in the mid-1980s told him that they were argumentative and confrontational "but like a family arguing rather than a group of enemies".

The Cadbury board of the time reflected the Quaker ethos of respecting others' opinions.

"Contestation" is the goal, but only if arguments are conducted on the basis of evidence and not emotional prejudices.

The final characteristic is mobility, meaning a flexible recruitment policy that tries to put the best person in the job, which prevents the growth of a time-serving culture.

This new research will get people thinking. It makes clear that successful cultures can take decades to build. You do not establish "respectful difference" overnight. What is more, the conventional belief that consensus and alignment are necessarily good things needs to be questioned. The most successful companies seem to be good at testing new ideas and arguing a case vigorously, before asking managers to fall into line.

"You need forces for continuity, and you need forces for change, but you cannot let one dominate the other," Prof Johnson says.

"Businesses need that ambidextrous quality. But it is hard to get this right. And first you need to grasp what your existing culture is like."

That means facing up to the reality of what is going on at your company. That is not easy either. As Prof Johnson found, the executives who had been retired for a while spoke frankly about what corporate life had been like, while those still in their posts were much more guarded. But if people around you are not

facing the facts, it may be time for some friendly contestation.

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