

Brief

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Leadership in the era of economic uncertainty: new rules for getting the right things done in difficult times – a book by Ram Charan

Ram Charan practiced what he preached when he produced this book at the end of 2008 as the banks started collapsing. He did not predict the downturn by prescience, writing doom-mongering predictions for the previous year or two. He did it by responding extremely fast, writing this book in a few months through the unfolding collapse of Wall Street, the need to prop up the auto industries, the plans for massive government interventions and the first months of the recession.

He and his publishers have produced a book in a couple of months when it normally takes a couple of years. He did what he advised businesses to do immediately at that point: throw away normal strategic planning assumptions and start acting super-fast to survive the recession and emerge in a stronger state. It is well worth reading at any time – flaws and all.

Four big thoughts

The book includes a wide range of rules and recommendations that can be distilled down to four big themes for business leaders facing a 'tsunami' (as Ram Charan calls it, because of the speed and power of a major downturn):

- **Manage by cash only:** forget accounting devices such as profit or Total Shareholder Return. Make all your short and longer-term decisions on the basis of the impact on cash and cash-efficiency. Galvanise your whole organisation around understanding and doing this. .
- **Move to continual fast-cycle, flexible planning:** forget annual plans and strategies, set quarterly targets, adjust them monthly, and monitor them daily or weekly. This is not an abandonment of long-term for short-term. It is more like behaving as if you had a SatNav system that allowed you to instantly take a detour whenever you needed to, without losing sight of the end destination.
- **Get more feedback, give more feedback, faster, more directly than ever:** as a leader, spend more time among frontline employees, customers, suppliers and the market, listening for the tipping-point evidence of change. Spend more time looking at hard data, but just as much time listening anecdotally to those with a finger on the pulse. Above all, as a leader, don't get your data second or third hand, from colleagues possibly giving you their edited versions. He also urges leaders to keep communicating directly with employees and customers.
- **More cooperation, faster, across silos:** ensure that the different parts of the organisation talk to each other far more seriously and frequently. If necessary, change the pay incentives of managers to reward the outcomes of such behaviour.

Plan for becoming smaller but stronger

These thoughts are driven by a significant assumption by Charan: "The new reality is that, barring acquisitions, your company will be smaller in two years than it is today... in the end you will have fewer customers, fewer products, fewer facilities, fewer people, fewer suppliers - and a stronger company, that will emerge from the storm stronger, better, more flexible and better positioned than the competition."

He points out that whether this turns out to be true for all companies does not matter – it is the safest planning assumption.