

Brief

For those too busy:

The latest research, thinking
& news on growth pace and delivery
from around the world

Leading in turbulent times

We are not back to business as usual

Most agree that the recent banking-led recession in most of the world was not like previous downturns of living memory. It lasted longer, and has not followed a neat, linear, upturn/downturn/ upturn flow. Perhaps most importantly, the post-recession era is one of continuing unpredictability and turbulence, thanks to ongoing issues such as government debt levels, Eurozone crises and fiscal cliff stalemates.

There is remarkably little good literature or research on the subject of leading in turbulent times. Most of what might be considered is focused on crisis management - which, while very important, is usually concerned with managing immediate reputational or other damage.

Among the best material is the book *Leading at the Edge* by Dennis Perkins - using the remarkable Ernest Shackleton 1914 expedition, a piece from Harvard on *Five Steps to Thriving in Times of Uncertainty* and London Business School's Donald Sull's book *The upside of turbulence*.

Five core concepts for leaders

We looked at a range of material and identified the strongest and most recurring themes. There are five common features:

1. Be more certain about the destination, be more agile about how to get there

The first cornerstone action is to ensure everyone (externally and, especially, internally) knows that the long-term purpose and goals of the organisation remain unchanged, despite any uncertainties in the external context, marketplace or among key stakeholders. Repeat the purpose and goals more strongly and frequently than normal.

Then, engage your leadership team in agreeing what any new barriers, or opportunities, are, and which ones could lead to quick changes. This may well mean abandoning what you were due to do in the next few months - or how you were going to do it. Don't let the team spend too much time on "How much does it matter that we are changing some plans?", but much more time on "What do we do next?"

Focus the team energy and promote agility around those next steps. Keep up the pace.

Carphone Warehouse built remarkable growth over a very long time, despite several points of serious hiatus that would have knocked many others permanently off course

(for example launching free broadband that they could not cope with). Chairman and founder Charles Dunstone has been very good, at those moments of turbulence, at emphasising the long-term fundamentals, and being prepared to make big changes to the short-term route with little damage to his credibility or influence.

There were a range of reasons why Merrill Lynch CEO Stan O'Neal was an early victim of the credit crunch, including a failure to maintain relationships with core stakeholders. But the most obvious problem he created for himself was 'sticking to the plan', with no apparent change in actions, priorities, or ways of working, despite all the evidence that there was a fundamental problem. He ended up appearing to be either inflexible, or unable to create a new routemap. The same appears to be true of Richard Fuld, the final Lehman Brothers CEO.

(For more, see our *Brief* summarising interesting research on agility during turbulence: *Redraw your mental map, or fail – be agile and responsive in the short-term and stay true to long-term goals and purpose.*)

2. Choose a few fundamentals to defend, allow other cherished priorities to change

Heightened uncertainty often leads to a lower quality of decision-making across an organisation. The key is to narrow down the real fundamentals, ensure that everyone is committed to them, and that the leadership team is clear about their collective accountability for them. Be prepared to intervene quickly if you see that these fundamentals need re-emphasising.

These fundamentals will include: the principles of your organisation (essential aspects of the way we work, ethics, trust, core standards, or values), core delivery promises to customers, and operational assurance (such as protection of data, health and safety, financial security). Protecting these will give you the resilience to withstand problems elsewhere.

Encourage agility and flexibility around *all* other issues - even if it means quickly changing some long-established standard practice or activities. The test is: do whatever is best to make the next steps, keep up the pace or ensure delivery as planned. These 'non-fundamentals' are the areas you will need to delegate even more than usual to your team and others.

When Jeroen van der Veer took over as CEO of Shell in their reserve-reporting crisis of 2004, he re-established calm, direction and credibility quicker than anyone expected. He did this by being very focused on fixing a small number of true fundamentals - where no compromise would do - and not allowing any second level goals to get in the way until these fundamentals were fixed. This led to fast progress with strong internal alignment.

This is also how Philippe Varin rescued Corus from near bankruptcy after the first three years of a failed merger between British Steel and Koninklijke Hoogovens. He moved the leadership team from managing a complex and wide-ranging series of sophisticated plans and metrics, to focusing on a few core goals with simple measures. He stopped complex and long-negotiated internal compromises, and quickly abandoned or sold-off other activities, including some that had been seen as 'mainstream'.

(For more, see our *Brief on The Resilient Organisation*.)

3. Stay positive, but always authentic and credible

As CEO, your body language, actions and words will be amplified in ways that do not apply to anyone else. Your unique task is to stay optimistic and instil a positive sense around you.

You have to try and achieve this while remaining who you are, and staying grounded in the realities you face. It is essential that you remain credible, with a more rounded view of reality than anyone else. This will be the source of your ongoing authority.

An increase in uncertainty and unpredictability calls for an increase in leadership communication. The toughest task is to do this despite not having all the answers. In your communication, always combine a positive reminder of the long-view and fundamentals and an honest appraisal of the current situation (including that there are issues you do not have answers for), with confidence in clear next steps.

Make a point of celebrating each milestone. (Celebrate smaller ones than you usually do, as any progress is good.)

Few companies survive a major product crisis without long-term damage. James Burke created the modern paradigm as Chairman of Johnson & Johnson in the handling of the Tylenol incident which resulted in eight deaths, market share of this major product dropping almost immediately from 35% to 8% and billions being lost off their market value. In less than six months, market share was back, as was share price, and the company's reputation was stronger than before. Leadership communication - internally and externally - was the key to this, with the right balance of confidence, openness, and credibility.

Arguably, the reason why Robert Ayling lost his job as CEO of British Airways in 2000, was that he had lost the confidence of a wide range of constituencies. He had always highlighted and promised the positive, and would not acknowledge the more difficult issues, nor admit the basis of evident changes of plan. This was in contrast to his predecessor Colin Marshall, who took employees, customers, regulators and

shareholders with him through some much tougher times by always staying trusted and credible, through good news and bad.

4. Stick to doing what only the CEO can do: manage the outside context, manage your team

As CEO, an instinctive response to increased all-round risk (including to your job), is to become more hands-on. During turbulent times you do not have time to be hands-on with everything and there is a real danger of losing focus. Stick exclusively to the few things that only a CEO can do: directly managing the most important parts of your external environment, and managing the alignment and performance of your leadership team.

You are in the unique position of being able to join up all the strands of what is going on in the external and internal environment. Because of how fast things change and how fast you need to make decisions, you cannot afford to rely on second hand feedback, data and experience.

At the same time, new dynamics and tensions will emerge in your team. Under any new and intense pressure, some will lose focus on what they have to deliver, others will stop being good team members as they focus on looking after themselves. You need to be an active leader to minimise this, keeping everyone focused on pace and delivery. You will have more vocal naysayers than normal - now is the time to engage these naysayers and keep them close, by giving them key activities (so they are too busy to make mischief), rather than trying to isolate them or ignore them.

When James Fletcher took over NASA after the Challenger disaster it was under threat of being dismantled and its remaining projects assigned to others. For two years Fletcher focused on two things - firstly, reshaping the leadership team, ensuring everyone in it could be trusted to deliver and that the team worked in a truly integrated way. Secondly, at the same time, he actively managed the governmental and defence industry stakeholders to give NASA time to recover and prove itself. He did nothing else.

As an opposite example, take the reason Greg Dyke lost his job as BBC Director General, followed by the forced re-arrangement in the BBC's governance and its funding, in the wake of the Kelly/Hutton affair. Dyke focused far too much on ensuring the support of his team internally at the expense of under-estimating the requirements and views of external stakeholders. He did not act fast enough to stay up with the pace of external stakeholder opinion, and so appeared to always be defending against others rather than leading.

5. Increase your pace and delivery

The strongest response of many to heightened uncertainty is to get cautious, slow down, avoid decision-making and keep the head down. The result will be a big slow-down in pace and delivery.

The answer is for leaders to visibly lead from the front, and keep everyone going a step at a time with clearly agreed short-term milestones. The best confidence-builder to your customers and your team will be this action and progress.

People will forgive imperfect progress. The trying of new ideas that are adjusted as you go, will be welcomed much more than inaction or indecision from you.

In addition, the more intensely focused your people are on delivery, the less room they have for turning inwards, playing politics or withdrawing into safe corners. You do need to give people room to voice their concerns, and raise issues of risk. But this should happen in parallel to getting on with delivery, not as a barrier to it.

Ben Verwaayen's success in turning around BT in the early 2000s was due to his relentless focus on speed and execution. He inherited a company near the edge of a cliff: a huge and rising debt burden, rapidly falling market share, an out-of date technical infrastructure at breaking point. Many commentators predicted it would go bust or be broken up. He looked at existing plans to invest in broadband services, in data support services to business, and in new technology, and accelerated them immediately. He brought forward all the targets in these areas, increased people's objectives and made changes in leadership based on ability to deliver. It did not always make him popular, but BT was in a much healthier shape in a few years.

When asked about what they would do differently after leading through a difficult change, most CEOs say "I wish we had moved faster".

Sources

Sources used for this article include: Perkins: *Leading at the Edge*; Jacobs: *Five Steps to Thriving in Times of Uncertainty* (Harvard); Sull: *The upside of Turbulence* (London Business School); Välikangas: *The Resilient Organisation*; and *Agility and Resilience in the Face of Continuous Change* by the American Management Association.