

Leading In Turbulent Times

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Too often in times of turbulence the temptation is to "batten down the hatches" and seek safety by focusing on what can be controlled. Typically that means turning inward and acting "defensively" to avoid damage and minimize risk. Caution and prudence, like most other leadership behaviors, are useful only in conjunction with the exercise of good judgment. In stressful circumstances, leaders need to remember that not all risks are bad, not all opportunities for growth disappear, and a broad, externally-focused perspective is more important than ever.

Duke CE offers a three part framework that explores the critical investments we believe organisations should be making now so they can survive and flourish. The first perspective is external: what does value creation look like when markets are volatile? The second is internal: what organisation-wide capabilities do you and your leadership team need in order to capitalize on opportunities to create value? The third and final aspect is personal: as a leader, what individual capabilities should you develop to be an effective leader in turbulent times?



Looking Outside: Scan the horizon, find value and create opportunities

Opportunities don't all vanish because times are tough. There is money to be made in "empire wrecking" just as there is, more conventionally, in "empire building." In challenging circumstances, leaders need to stay alert to market conditions, competitor behavior, and client/customer needs—and they need to support, visibly and enthusiastically, innovation and entrepreneurial activity. Leaders need to consider what value-creating opportunities are generated by turbulence itself; weaker competitors offer attractive expansion potential at what may be bargain prices; new markets, products or services may be created as a consequence of turbulence (political risk insurance, anyone?).

Flourish actively in uncertainty

Leading in turbulence means being seen to lead, keeping up an active external presence, staying connected. In addition to maintaining perspective and exercising good overall judgment, leaders can't lead

through difficult times from inside a bunker. Finding value and creating opportunities requires energy and active commitment to optimism and a focus on the future. Passive leadership, like defensive leadership, won't generate growth and may imperil survival. Leaders need to demonstrate internally and externally that uncertainty creates opportunities and that a well-led organisation pursues value creation in good times and bad.

Commercialize opportunities

Opportunities don't wait around for the good times to return. Leaders need to drive their organisations to continue to invest financial and human resources to capitalize on the opportunities they generate. To remain entrepreneurial and innovative, an organisation must take risks even though in turbulent times it's easy to believe that all risks are bad. Emphasizing revenue growth in addition to whatever cost retrenchment may be appropriate is crucial and means supporting new initiatives. "No one ever saved his way to growth."

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Looking Inside: the danger of paralysis in turbulent times

There is a portfolio of capabilities that CEOs should be cultivating across their organisations. Business units need to continue doing business; managers need to continue managing, and decisions must continue to be made; the attitudes and abilities that counteract the tendency towards paralysis in the face of turbulence become even more critical in difficult conditions.

Maintain momentum

A common reaction to feared or actual economic instability is to cut budgets and postpone planned initiatives. Many business units in large organisations all but stop doing business as implementation of initiatives and long-planned activities are stalled in favor of further stakeholder analysis and research

to minimize risk. Often, paralysis results when executives aren't directly connected to and directly accountable for the strategic objectives of the organisation. And that paralysis can be even more damaging when the disconnection extends to middle managers who may feel disempowered in the face of executive indecision. Agility and responsiveness to market fluctuations are essential, yet it is equally important to maintain the momentum of core activities and initiatives that protect the long term.

Stay focused on performance; have difficult conversations

When leaders and managers are connected to the strategic goals and performance of the organisation, they are more likely to be aligned for the good of the entire organisation, not just their particular silo. An organisation can measure this capacity according to the productive, difficult conversations leaders and managers are having in the service of performance. The important conversations—especially in difficult times—are the ones about reprioritization, challenges to unproductive behaviours, and honest assessment of the future of the business or the survival of specific initiatives. In our experience, managers and businesses that are consciously connected to their long-term value-creating viability show greater commitment to both their short - and the long-term health. Companies that have these conversations

at scale tend not to house the quiet saboteurs of important changes across businesses, breeders of toxic subcultures or executives or managers unable to act quickly in an aligned fashion.

Make decisions in ambiguity

Organisations also need to be able to make decisions when the future is even more uncertain than during normal times. This is a company-wide capability that means an organisation can position itself for the future by maintaining execution and, at the same time, acting to create strategic options. Too often in turbulent times, managers and business units seek extra assurance from stakeholders and agreement from ever larger pools of sponsors. “Medicating anxiety” and/or “passing the buck” to stakeholders is a common response to ambiguous circumstances. Yet it is precisely in the face of uncertainty that accountability and empowerment should be pushed harder and further down the organisation. Experienced leaders know that decisions at the level closest to market conditions are often the best way to manage the particular risks of ambiguity.



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Motivate others

It is even more difficult to maintain momentum when organisations undertake large-scale restructuring, acquisitions or headcount reductions — all of which exaggerate an already high rate of change. Those are the circumstances, of course, when it is especially important that managers and leaders motivate their teams and one another so they stay focused on the business’s performance. An organisation’s leadership promise (i.e., “Why do I want to work here?”) is proven by the leadership’s capacity to motivate and inspire its workforce, especially in challenging environments.

For many organisations, retention of key talent goes far beyond remuneration packages and perks. Earning employee loyalty relates directly to the leadership promise. The leaders at MTN and Ferrari, two companies known for the commitment of their staff, present great examples.

Managers and leaders at all levels must be able to demonstrate to their teams and to each other the emotional and personal benefits of being a part of the organisation. During turbulent times that is especially important for the high-potential talent who will otherwise be the first with the opportunity to leave when markets improve.

Influence to lead upwards and across

In our experience, the final common response to greater risk is the retreat of managers into silos that become even more difficult to break through or align. As previously noted, value creation in turbulent times is unlikely to come by doing more of the same. Rather it will often come from spotting opportunities that do not fit within one silo but require leaders and managers across geographies, functions and silos to collaborate. To add to the challenge, that collaboration may be needed even without immediate benefit to a collaborating business unit’s P&L statement. It is also even more important that leaders and managers be sufficiently empowered and energized to challenge upwards. Living closer to the markets during times of great uncertainty means that managers are more likely to have valuable insights from the front line and are often well positioned to experiment locally. To gain that critical level of collaboration, a company must have developed a broad capacity amongst its leaders to influence across and upwards, usually without direct reporting authority.

In an organisation that thrives in difficult times, decisions are made at the right level, not necessarily the highest level; investment continues in building the capacity of leaders and managers; and the strategic and performance goals are clear, compelling and relevant.

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Looking Deep Inside: meeting the challenge through personal leadership

Perhaps the most important thing a leader can do when buffeted by trouble and turbulence is to keep “an even keel” as the storm rages. Turbulence increases stress and anxiety; lower morale typically accompanies uncertainty. A leader must have the discipline and focus to remain steady him- or herself, and the emotional maturity to calm followers and keep the organization functioning effectively in the midst of the turbulence.



Maintain focus and discipline

Turbulent times have produced several archetypal leaders.

Examples include Nelson Mandela, Mahatma Gandhi, Winston Churchill and Franklin D Roosevelt

Such leaders epitomize focus to a cause as well as commitment to what they believe is right. Such a leader exudes confidence and produces confidence in followers—not an unrealistically optimistic confidence, but the expressed conviction that “Together, we can do it.”

Give yourself permission to be flexible

It may seem counterintuitive to require leaders to have flexibility at the same time that they need discipline and focus. The ability to remain committed to a course of action while simultaneously maintaining the openness to changing direction or changing one’s mind are, however, actually aligned and parallel

requirements for leaders, particularly in turbulent times. Too often leaders are unwilling to admit mistakes or alter what they discover to be faulty thinking because they fear being perceived as weak or vacillating, even when changing directions or views would be best. Flexibility is neither indecision nor inconsistency; rather it is a strength that allows a leader to respond to changed circumstances or new understanding with changed thinking, and to bear the challenges and risks that change creates.

One such example is Henry Paulson’s recent refusal to apologise for changing course in response to market activities. It is worth noting that Paulson was in effect quoting John Maynard Keynes, who was from the standpoint of economic philosophy almost Paulson’s opposite, and who similarly made his remarks during an unprecedented economic crisis.

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Current thinking in leadership rejects a command-and-control approach, concentrating instead on emotional maturity along with empathy, humility, authenticity, and compassion. Daniel Goleman coined the term “EQ” to denote emotional as distinguished from cognitive intelligence—the ability to manage one’s reactions, as well as one’s actions, in good times and bad. Effectively leading through turbulence requires sustaining one’s values and views and remaining calm, especially while others are unable to do so. In times of extreme turbulence, in fact, a leader’s most critical challenge may be to avoid conveying anxiety to others. Stress and anxiety are contagious: the leader who can avoid spreading them will lead a healthier and more productive group of followers.

Martin Luther King was known for his calm. The Chairman of Johnson and Johnson’s response during the Tylenol crisis is another example.

Don’t stop developing

In good times, a leader’s regimen should include developing his or her own capability and effectiveness. Just as a world-class athlete takes the time to stretch, exercise, and train over and over again to increase both skill and fitness for a chosen event, so must a corporate leader at any level. To be sure, it is especially difficult to maintain a routine of continuing development in turbulent times, but the leader who can maintain such a commitment is better able to achieve the focus, discipline, flexibility, and perception that are fundamental to the strength followers need from their leader.

What to do next?

As we have suggested, smart companies continue to invest carefully despite turbulence. The above perspectives and capabilities can all be identified, monitored and learned. In such circumstances, finding the intersection between performance, capability and results is critical: in that spirit we welcome the opportunity to discuss how learning can accelerate your organization’s capacity to survive—and flourish—in turbulent times.