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LEADING IN TURBULENT TIMES

An Excerpt From

Leading in Turbulent Times

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Contents

Chapter summaries

CHAPTER 1 All change

Thanks to the three Cs of credit, commodities and confidence, weather patterns have shifted from high growth to high risk. What are the driving forces behind the turbulent headwinds of change? What do you need to know and do about them? And how and when did change become a constant corporate reality?

CHAPTER 2 Knowing when the winds are coming

The first step in leading your way through turbulence is to recognise the early signals. If your radar is on, you can anticipate the degree and intensity of shifts in your marketplace and your organisation. But to pick up the signals you have to avoid Group Think; promote open debate; bring in outside perspectives; and carefully monitor your own reactions as you negotiate the turbulence ahead.

CHAPTER 3 All hands on deck

As turbulence approaches, you have to mobilise each and every person in your organisation to respond. This demands clear and realistic communication about the need for change; mobilising leaders to support the change; walking the talk to prove you are living the change; and maintaining your own energy levels.

CHAPTER 4 Navigating a new route

Building a new strategy is the next stage in negotiating the relentless headwinds. This requires a delicate balancing act. You must incorporate best practice ideas while building on what was already great about your organisation. You must manage risk while facilitating growth; create a sense of ownership for the strategy within the leadership team; and communicate the strategy and its implications for each part of the organisation.

CHAPTER 5 Mastering mutinies

Even when times are tough, some people are resistant to change – no matter how essential it may be. If you are to master potential and real mutinies you must first identify where the resistance is coming from. Then you must engage with the resistors – rather than attacking them. At the same time, you must nurture and encourage change leaders and provide motivation for the many rather than be derailed by the mutinous few.

CHAPTER 6 Learning to tack

Faced with turbulence, you must learn to change direction swiftly and decisively. You and your organisation must be designed to make swift decisions about modifications and changes in direction. This requires that you remain open to new ideas and observations; that communication flows constantly; and that you resist the creation of sacred cows.

CHAPTER 7 Living with turbulence

All of this is intensely personal. Leading your people and your organisation through turbulent times means you have to dig deep.

What are the personal and emotional implications? How can you cope and learn to thrive?

CHAPTER 8 The leading in turbulent times checklist

In distilled form, what do effective leaders in turbulent times to do so well and how?

1 All change

'My own world has changed. I just don't think we will be able to put the genie back in the bottle. There will be a new business order coming out of all of this.'

Henry Fernandez, president and CEO of MSCI Barra

The universal truth of change

Fast, turbulent, mind blowing, exciting, scary. It has never been more difficult to make sense of the world.

Change rules. 'Our sales are half what they were this time last year, which is a challenge. But I think we're in the same place that a hell of a lot of other people are in right now', one CEO told us. 'The focus on performance is finer. When you are growing at 35 per cent everybody benefits; when your growth goes down to 11 per cent or 12 per cent, the separation between the poor and the best performers increases. And then you need to figure out how to handle it, because in this environment you cannot let that rise. We have had to let some of those poor performers go.'

Over the past three recessions in 1981, 1991, and 2001, the car rental company Hertz never experienced its annual sales contract more than 3.5 per cent in any given recession. In November and December 2008, it saw a 20 per cent fall. In January 2009, Hertz announced a reduction in its global workforce by 4000 employees in a bid to decrease costs due to reduced rental demand. Hertz had already reduced its workforce by 22 per cent in the past two years.

Change rules. It took the Indian company Infosys 23 years to reach revenues of $1bn and just another 23 months to hit $2bn. Amazing, but even more so when you consider the company's birthplace and the changes it, too, has witnessed. Ask any Indian leader and they will tell you that running a business in India before the economic reforms of the early 1990s was an impossible obstacle course – companies often had to wait a year to get a telephone line and individuals needed to give two weeks' notice of plans to fly overseas.

Change rules. 'When I got into this business in 1996 as a CEO, mainframes ruled, the Internet was just happening and nobody believed distributed processing would be as powerful as mainframe processing in years to come', says K. V. Kamath, CEO of ICICI Bank in India. 'Unless you keep yourself updated you will be obsolete. One good thing that comes out of me trying to reinvent myself is that it is easier to tell my colleagues that unless they also reinvent themselves they will be obsolete.'

Change rules. And rules change.

Another CEO told us a few years ago he used to get his sales figures every month. Then it went to every week. Now it can be every hour.

In the next year, General Electric will launch more new products than in any previous year in its century-plus history.

'The environment has changed so much, especially in the financial sector, that some of the old rules do not apply', Bijan Khosrowshahi, former CEO of Fuji Fire and Marine in Japan observed, echoing the opinions of many in the business world and beyond. 'The old orthodoxies will not serve us well in the future', British Prime Minister Gordon Brown told the G20 Summit in spring 2009.

'For business leaders and people who are on the track to leadership, this will have a permanent impact on the way they do business. The level of trust has been diminished and I think it will take years and decades to build that back. In terms of how people are going to do business, I think there's going to be a lot more scepticism', anticipates former Leo Burnett CEO, Linda Wolf.

Change rules. Change is a fixture. There is no escaping this essential fact. Change rules. Charles Darwin said: 'It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change.'

So, the first message of this book is that change is a universal fact of organisational life. No business is immune. Any leader who refuses to accept that change is inevitable in our turbulent times is in denial. Becoming an agile leader – in terms of thinking and behaviour – is critical for success in turbulent times. Rigid and inflexible thinking runs the risk of making today's leader irrelevant.

Going, going …

How leaders manage, direct and communicate change has fascinated us for many years. We spoke to a CEO in Germany, and he observed that whenever a leader talks about change, employees always expect the worst. But, as a leader, how do you direct change for the good of the organisation and the people? How do you change things when your very survival as an organisation depends on it?

The best leaders we have encountered take change as their constant mantra. They live and breathe change because they know that the reverse of change is stagnation and then inevitable decay. If you sit still, pretty soon you are steamrollered.

There are no exceptions. Even a bellwether brand like Coca-Cola has had to wrestle with the highest percentage increases for oil, plastic, aluminium and sweetener of the last 50 years.

Take Christie's. It is the world's leading art auction business. Its New York building features a soaring triple-height entrance with a spectacular specially commissioned mural by the artist Sol LeWitt. The firm's global auction and private sales were more than $5.1 billion in 2008. One would have thought it is somehow insulated from the process of change. Art, after all, endures. Nothing could be further from the truth. The auction house is venerable, but its market has changed hugely over the last decade. It used to be that you could send a valuer round to somebody's estate to look at their pieces of art. The process was leisurely and local. Now it is truly global. Add in the effect of the Internet and the emergence of new wealth, and Christie's is in a fast-moving, turbulent marketplace.

Edward (Ed) Dolman, CEO of Christie's International, started out as a porter in the furniture department, rose to become an auctioneer and then decided he wanted to become a manager. He was appointed CEO in December 1999. 'The auction business is unique. We are dealing with high-value, totally subjective assessments, in markets that fluctuate widely. It is difficult to think of true parallels in other sectors', he told us. 'I don't think the governmental and political climate matches commercial reality. With the G20 and things like that, you can see attempts being made to come to terms with the fact that every economy in the world is now linked to such a degree that individual decisions taken by individual governments are fairly meaningless on their own and have to be coordinated globally. As a business, that reality is mirrored in our experience.' Change is constant and global.

Advertising change

Another business in the frontline of change is advertising. Often regarded as a barometer of the economy, advertising budgets are famously fickle. Today, too, the industry is undergoing a major paradigm change as it wrestles with the move to online advertising and issues of privacy. One of the most informed voices on the forces of change is Linda Wolf. She is now a director of Wal-Mart, and was formerly chairman and CEO of the ad agency Leo Burnett Worldwide. When she was promoted to become CEO of Leo Burnett in 2001, she became the first woman to run the iconic Chicago advertising agency – and one of the few to run an international agency anywhere. Wolf gained a reputation as a client-pleaser and a rainmaker. When she ran business development at Leo Burnett in the 1990s, she helped bring in clients such as Disney and Coca-Cola. She's known for going the extra mile to understand clients: in 2000, when she ran Burnett's US business, she went on a parachute jump with her new client, the US Army.

The metaphor of a parachute jump is worth adding to the metaphorical mix of these troubled times. But if it gets you a client, who can argue? (Though this comes with a leadership health warning: if you attempt a high stakes jump while trying to remain too rigid, you will break your leg or worse.)

At Leo Burnett and as a member of the board of trustees of Janus Mutual Funds and Wal-Mart, Linda Wolf has had a front row seat on the true nature of change. In conversation, she points out that the ongoing period of turbulence should be viewed as an accelerator of change rather than a sudden and discrete period of change.

In advertising and media, for example, turbulent change has been going on for the last decade as the market recalibrates online and printed content, and as traditional advertising and content companies vie with new media companies. (As we were writing, the *Boston*

Globe reported operating losses of $50 million for 2008, forcing the newspaper to contemplate what its future looked like.)

Says Linda Wolf: 'Everyone's trying to establish how you can make it through this process and still generate the kind of revenue you're used to. I was at a lunch recently and a big advertiser was saying, of course, we're using all this new media and that's where the opportunities are. Another said the bulk of what they did was on television; it still had the biggest impact for them and was where the bulk of their revenue went. I don't think anyone has cracked the code, and it's going to continue to evolve over a long period. It's a really tough dilemma for whatever media company you're talking about.'

If the times are challenging for the advertising industry, they are even more so for the traditional media companies. If you are a newspaper or terrestrial television company, for example, imagine how you feel about Google and YouTube. In the media world companies are trying to experiment with every possible new way of communication, and hoping that they're going to be able to own something in that area. Some of the experimentation is interesting and has huge potential – for example, Hulu (the free online video service) was a very smart thing for NBC to become involved in. As the experiments go on, traditional media – such as newspapers – continue to struggle with the forces of change.

One of those caught in this maelstrom of uncertainty is Tom Glocer, CEO of Thomson Reuters. 'When there's a disruptive change to your industry, you can't smooth your way quarter by quarter to get there. It takes a human and capital dynamo like Rupert Murdoch to take the *Wall Street Journal*. You can't smooth your way and that's the core issue in the media and places like the *New York Times* and the *Wall Street Journal* as they struggle to replace analogue dollars with digital pennies.'

Right now, business leaders in all industries are being buffeted on all sides by the forces of change. The headwinds of change we have seen, and will continue to see, can be loosely grouped under four categories: technological; organisational; macro-economic and political; and global.

Technological change: cognitive agility

One of the new breed of leaders we talked to was Alexey Mordashov, CEO of the Russian steel-giant Severstal. In the week that we talked with Mordashov he had started in Moscow and then visited Detroit, Pittsburgh, Frankfurt and Berlin, before returning home. A young, energetic leader such as Mordashov embodies the changes which we have seen over the last decade. Ten years ago the emergence of powerful and immensely rich Russian leaders wasn't on the agenda. Now, Russian entrepreneurs and multinationals rub shoulders with the most powerful Western business leaders and their organisations. Ten years ago some businesses were global; now it is difficult to imagine a large company that doesn't have global operations. And a decade is a long time in the life of technology. Alexey Mordashov travels the world, but is constantly in touch with his colleagues and offices via his ubiquitous pocket PC, laptop and mobile phone.

Technology has changed the job of leadership. It opens up previously unimagined channels of communication and new marketplaces. And technology has played a pivotal role in the creation of a galaxy of now global markets. Try thinking of a market untouched by technology or a leader whose work has not been touched by technology. We bet you're struggling to think of one!

For leaders to make good technological decisions they need to remain continuously informed about innovation and also to be well advised on the significance of technological advances for their business. Quick and serious cognitive processing is required.

Organisational change: interpersonal effectiveness

The second headwind that leaders have to cope with is organisational change. 'We need to be much more flat, creating a collegial team-based leadership style so that you can leverage a lot more of people's intellects and capabilities and make them participate in decision making', says Kris Gopalakrishnan the CEO and one of the seven founders of the global consulting and IT services company Infosys.

Both excellent social skills and keen emotional intelligence are required to build and exercise influence in a collegial high-performance organisational culture.

Organisations have changed hugely over the last decade. They have had to. Today's employees are less malleable. They refuse to be easily corralled by hierarchy or organisational boxes. They ask questions. They push the boundaries all the time.

Henry Fernandez, CEO of the financial services company, MSCI Barra, told us that though his organisation wasn't numerically large it was filled with highly-educated, smart and questioning people. About 10 per cent of his people have PhDs, another 30 to 40 per cent have masters degrees of one sort or another. 'They figure things out very quickly. They tend to be more open to change but, on the other hand, they're smart and can become cynical and harder to change. You only have a few windows in a tenure as a CEO so you've got to really use them', says Fernandez.

Try leading a smart workforce such as at MSCI Barra and many other organisations in this knowledge economy by traditional command-and-control methods and you'd pretty soon hit a dead-end. Equally, try organising them into neat hierarchies and boxes on a chart and you'll encounter problems. As a result, new organisational models are continually emerging. Some have been made easy thanks to technology. Others are simply fuelled by human curiosity.

The Management Innovation Lab at London Business School, the brainchild of Professors Gary Hamel and Julian Birkinshaw, has chronicled some of the most innovative organisational experiments. Consider the following examples.

Happy Computers is a $6 million IT training company in London founded by Henry Stewart. The charismatic and unique Stewart has a track record as a campaigner and entrepreneur. Inspired by Ricardo Semler's book *Maverick*, he set out to create a truly different organisation built on maximising people, having fun and making money (not necessarily always in that order). At Happy, managers are chosen according to how good they are at managing (which Stewart rates as 'our most radical idea') and they are openly appraised by their own employees; new recruits are never asked for qualifications, and are chosen according to how well they respond to feedback on their training style; mistakes are celebrated; client satisfaction, currently at an industry-leading 98.7 per cent, is the single most important performance indicator. While the industry has contracted by 30 per cent over the last six years, Happy's revenues have doubled. Happy days!

Or consider another organisational pioneer: Topcoder is a $20 million Boston-based software company founded by Jack Hughes in 2000. Software projects from clients are broken down into modules, and each module is opened up to Topcoder's community of 120,000 programmers as a competition. Open source meets open organisational design. Programmers are invited to complete the project within a set period of time. The developers of the best solution win a financial prize – typically in the tens of thousands of dollars – and the losers get nothing. For many top programmers the chance of winning a prize is far more motivating than being paid a steady salary. So by creating a tournament-based model for structuring work and rewarding effort, Topcoder is able to tap into their intrinsic desire for peer recognition.

Offbeat, you might think. But consider an experiment at Microsoft where Ross Smith, an 18-year company veteran has reinvigorated an 85-person test team in the company's Windows division. The testing team is young; its members live online, love competition, devour technology in any form and are avid readers of books like *Blink* and *The Wisdom of Crowds*. Ross Smith championed a number of initiatives to engage with his team – competitions, pizza meetings, book groups and more. His approach is driven by recognition and respect and has been described as when Theory Y (the notion developed by Douglas McGregor[1] that people perform best when their work is fulfilling) meets Generation Y.[2]

Travel the corporate world and you will encounter many other such examples of leaders pushing at the organisational boundaries, subtly and powerfully changing the shape of organisations.

Macro-economic and political change: quick and critical reasoning

The twentieth century was the American century and it is widely anticipated that this century will see the nexus of power shift.

The last 20 years have been tumultuous. Since the collapse of communism, the world has been redrawn and re-energised. Countries have come blinking into the economic light, one after another. More is likely to follow.

1 Douglas McGregor, an American social psychologist, proposed his famous X-Y theory in his 1960 book *The Human Side of Enterprise*, McGraw Hill Higher Education, 1960.
2 Julian Birkinshaw and Stuart Crainer, 'Game on', *Business Strategy Review*, Winter 2008.

‘The rate of change in the world and the response time in volatility have increased dramatically. I think we need to adjust our thinking to how dramatically that has happened’, says Victor Fung of the Li and Fung Group, the Chinese multinational founded in Guangzhou in 1906. ‘A lot of people say, hey, this is a once in a century type of a problem. We haven’t had anything like this since the 1930s. You hear all these statements, and they seem to imply that this is once in a lifetime, after I get through this one, boy, am I glad I will never have to face this again. But I’m not so sure. I think we are seeing both the compression of cycle time – how quickly the cycles come and go – and also the amplitude of the swings getting more and more severe. The world has fundamentally changed.’

A critical and agile mind that can balance between the seizing of rapidly forming opportunities and simultaneously manage risk is fundamental to success. As we have seen, many leaders in financial services and beyond have failed to get this balance correct.

Globalisation 2.0: cross-cultural fluency

Familiar names are also changing their global game. Peoria, Illinois-based Caterpillar is one of those great unsung global success stories. With sales and revenues of $44.958 billion (in 2007), it is the world’s leading manufacturer of construction and mining equipment, diesel and natural gas engines and industrial gas turbines. There’s nothing sexy about its industries but, like its leadership, it is quietly and compellingly cosmopolitan. Much the same can be said of Peoria, the oldest settlement in Illinois. Visit the town's website and you will notice that it is available in six languages. Perhaps there's an international gene in the water.

Caterpillar CEO Jim Owens joined the company in 1972 as a corporate economist. He worked in Geneva, Switzerland in the 1970s. From 1980 until 1987 he was back in Peoria in the Accounting and Product Source Planning Departments. Then, in 1987, he became managing director of Caterpillar's joint venture in Indonesia. He held that position until 1990, when he was elected a corporate vice president and ran a Caterpillar subsidiary in San Diego. In 1993 he came back to Peoria as vice president and chief financial officer. In 1995, Owens was named a group president and member of Caterpillar's Executive Office. Over the next eight years as a group president, Owens was at various times responsible for 13 of the company's 25 divisions. In December 2003, the Caterpillar Board named Owens vice chairman and appointed him chairman and chief executive officer in 2004.

'It was invaluable for me to have lived and worked in Europe for five years. I lived in Indonesia for three years. I've travelled extensively in all the key countries', he says. 'I understand how business happens there; I know a lot of people. Now, I'm probably in Asia two or three times a year and Europe two or three times a year. I'm in Latin America once or twice a year. I think it's imperative to have a global perspective. To have lived and worked outside of your home country is an invaluable learning experience that no amount of travel will offset. There are multiple things you learn about how to work with a different government, with different business customers and dealers. You learn how to deal in a different language; you learn to be sensitive to cultural differences, tastes, preferences and ways of doing things and ways of communicating.

'So, if you're running a large multinational company, I think having lived and worked around the world is one of the more important aspects of preparation. You know, amongst my senior executive group, the vast majority of our officers have lived and worked in a country that they're not from; not travelled, but lived and worked.'

'Have business, must travel', is the new global mantra.

Global nomads

Cross-cultural fluency, which combines cognitive understanding of societal differences with emotional respect and appreciation for their significance, is a key competency for successful global leaders.

This was the message time and time again among the leaders we spoke to over the last few years. They were quietly fervent globalists. They sought out the common ground between people – no matter what. 'One of the great challenges is to create a homogenous culture, based on the infusion of different cultures, and help people to interact with each other', says Alexey Mordashov of Severstal. 'I don't see many cultural differences between countries. Of course there are some, but there are also some common elements.'

Most of the managers we talked to had amassed international experience. Yorihiko Kojima, President and

CEO of Japan's Mitsubishi Corporation, one of the biggest and most prestigious of the country's *sogo shoshas*, has been with the company since leaving university and has worked in Saudi Arabia and the United States as well as Japan.

Take Rick Goings, chairman and CEO of Tupperware Brands. 'We are global nomads. We don't really define ourselves by our nationality in the company. What's really good about that (I find) is that what we care about in the culture we've developed in the company has transcended nationalism, and it's even transcended religion', says Rick.

When Rick Goings returned to the States after being group vice president for Avon in Asia Pacific, it was the first time in Avon's 100-year history that an executive was sent overseas and came back to a more senior role! Previously an overseas posting had been a highway to nowhere. 'The worm has turned so much that we will not have a person in a senior role unless they've had that kind of experience', says Rick. 'It isn't about taking a trip to Seoul or Hong Kong or Paris or Budapest. It's about living there – not just being sequestered in an expatriate community – and that forever sensitises us to listen and understand. It's almost like your whole approach to life changes.'

There are a lot of people like Alexey Mordashov, Jim Owens and Rick Goings out there who have been shaped by their global business experiences. They are passionate believers that globalisation is a good thing – for individuals and organisations.

Increasingly, research supports this view. Leaders say that globalisation is making business more complex but is having a positive impact on their organisations, according to a survey of 1410 leaders in 45 countries, published by PricewaterhouseCoopers. Internally, the factors that led to increased business complexity for leaders to a large or very large extent included expanding their operations into new territories (65 per cent), engaging in mergers or acquisitions (65 per cent) and launching new products or services (58 per cent). Externally, complexity was driven to a large extent by international, national or industry-specific regulations, laws, standards and reporting requirements as well as by competitors' actions. Global growth is often centred on the BRIC economies: Brazil, Russia, India and China.

Global expansion presents several challenges for leaders to confront, including overregulation (64 per cent) and trade barriers/protectionism (63 per cent) as well as political instability (57 per cent) and social issues (56 per cent). But leaders view globalisation in a positive light, with 58 per cent saying it will have a positive impact on their firms in the next year and 63 per cent seeing a positive impact in the next three years.

Fast globalisation

Some of those we spoke to anticipate that the financial meltdown will actually accelerate the pace of globalisation. Says Henry Fernandez of MSCI Barra: 'If your profitability is under threat, you're going to do everything within your power to preserve it. One of the things that could end up happening is an even more rapid globalisation of your workforce. We're increasing our headcount in emerging markets very rapidly compared to what the plan was and I see other companies – IBM and others – doing that.'

Henry Fernandez is a truly global citizen in a global market. He was born in Mexico City, grew up in Nicaragua and has lived in Geneva, Switzerland. From 1976 to 1979 Fernandez was a diplomat in the Nicaraguan Embassy in Washington, DC.

Reflecting on his global career, Fernandez says: 'Having grown up in other parts of the world, you have an appreciation of how broken economies have gotten broken, how problems have occurred, how revolutions have happened, how human rights have been violated, how people have been abused in the labour force and all of that. Having a global perspective and understanding of what goes on in other parts of the world gives you a lot more leverage, a lot more flexibility. You're not in a closed economy. You're not in a box, but know that if you can sell this product here, you can sell it in Japan, France, Brazil or wherever.'

Henry Fernandez interprets globalisation and the reality of practising business globally in an infectiously positive way. 'God created the world in a diverse way to enrich it, not to create conflict. The global perspective gives you that.'

With more than 3000 clients in over 60 countries, and 800 employees located around the world, MSCI is a leading global provider of investment decision support tools, including indices and portfolio risk and performance analytics. Henry Fernandez was instrumental in the design and execution of MSCI's acquisition of Barra in 2004, and in the merger of MSCI with Capital International Perspective in 1998. Prior to becoming CEO of MSCI in 1998, Fernandez was a managing director of Morgan Stanley, where he worked from 1983 to 1991 and from 1994 to 1998.

Henry Fernandez believes that one of the ultimate side effects of globalisation is the likelihood of an increasing number of economic bubbles. 'We're not going to reinvent the human race', he reflects. 'People go from fear to greed and in an environment where people were making a lot of money, then greed takes over and they get excited. So, the business cycle is here to stay as long as the human race is here. The psychological cycle of individuals is here to stay. What has accelerated the base is that globalisation has created an environment that is very prone to bubbles.'

Henry Fernandez is right. It is easy to underestimate the power of our interconnectedness. Equally, it is easy to forget that we are really in the early stages of the creation of a truly global business world. It is a work in progress. In the 1960s and 1970s there were three or four different worlds: the developed world – people sitting in the United States, Europe, Japan and a small number of other nations; then there was the developing world – countries like India, China and Brazil. They were completely closed and consequently lived in their own economic worlds. They were the economic equivalents of isolationist-communist Albania, managing to export things but little else. Then you had the impenetrable economic no-go areas of the Third World and the communist world. Now these worlds are unified and financial assets all over the world have been set free.

It is worth noting that markets for basic goods have actually remained fairly static. The market for copper is commensurate to what it was in the 1960s, but now money is truly global and the potential players in the market are also global. This means that a huge quantity of financial assets can flock into one fixed market and can take that market to extremely high levels of price, up or down. People can also borrow in one currency and lend in another currency and so on. With no global system of regulation – every country has its own individual system of regulation and people arbitrage that around the world – bubbles are, indeed, likely to become more frequent.

The answer is leadership

So what are the world's senior managers to do in the face of such unprecedented and unrelenting change? Confronted with change and its range of incredibly powerful drivers, there is one unifying need: leadership. When the going gets tough, the tough exercise leadership. Equally, tough times call for soft skills. Make no mistake – in turbulent times, leadership is the prerequisite of survival and future success.

'There's a huge difference between managing and leading. The world is full of managers. They're critically important in organising, processing, controlling, making sure that things are in place and on time', John Brock of Coca-Cola told us. 'Leadership's very different and finding people who are true leaders as opposed to managers is incredibly important. Leaders think about the future as opposed to the past; they think about how things *could be* as opposed to how they are. They think about people and the kinds of things that they could achieve or might achieve if they were given the right kinds of frameworks and principles within which to work. Then they take those people and really stretch them, put them into jobs that they're probably not quite ready for ahead of time, and stay just close enough to them to give counsel and guidance. That's my sense of how you really develop world class leaders. If I look at the times I have felt that I was successful, it's generally because I've had people around me who were outstanding leaders who were smart, often smarter than me, and who had developed outstanding leadership capabilities. That's what you've got to do if you're going to win.'

The courage of leaders

'What I always tell my managers inside Thomson Reuters is when things are going well it's easy. Customers are calling. You just answer the phone and take an order. Everything seems great. The results are great. You see positive numbers that make you feel good. Papers give you an easy time and nobody begrudges paying you your bonus or share awards because the performance is there, but, of course, all boats are being lifted by that tide', reflects Tom Glocer of Thomson Reuters. 'Conversely when things are rough outside, it tests who you are as a leader. You're cutting costs. You may be firing people and retiring them earlier than they want to. There's a lot of stress. The results don't look nice. The numbers sometimes have minus signs. And guess what? At a time when you're getting the least job satisfaction, you've got people saying, well, you shouldn't get a bonus because a bonus is for good results. So you're in this ironic position of working harder and having less to show for it and so potentially you've got a lot of dysfunctional emotion coming out. This is the time to test what you are really made of.'

Just as importantly, the difficulties of leadership should never be underestimated. Leadership is tough. In a modern organisation exercising leadership is a serious, time-consuming, tiring, demanding, exciting and rewarding experience. At the top there are no half measures. You don't climb half a mountain. You don't take in half a view. You don't address half an audience. You can't run any significant organisation, part of an organisation or a team of people, unless you are prepared to give enormous and whole-hearted commitment.

Stephen Langton is global managing partner of Heidrick & Struggles' Leadership Consulting practice. Steve argues that leading in turbulent times requires a brand of leadership courage. 'Most organisations have defined leadership capability lists that sound powerful but would be barely recognised as important in environments where real leadership is required. It is indicative that in the corporate world we have to define leadership values and principles. In environments which truly require leadership, its presence or absence is absolutely clear', he observes. 'The difference is courage. Moral courage. The courage to feel fearful but to present confidence and hope; to be honest and lead with truth. The courage to make decisions for your people not for yourself. The courage to challenge the principles, behaviours and values that created the status quo. The courage to be true to yourself and lead when it can be the loneliest position in the organisation.'[3]

We found courage evident among many of the leaders we encountered. 'I can't do the job half way', one executive told us. 'This is a do it all the way or step aside and let someone else do it job. A lot of people wouldn't be willing to do that. On the other hand, there's no shortage of people who want to take on the challenge. By the time you get to the executive office, there are a lot people who've dropped out along the way, who've said hey, I'm not willing to move around the world, I'm not willing to make the time commitments to this.'

Leading in turbulent times demands total dedication and belief. This was brought home to us when talking to Jim Skinner, CEO of McDonald's. When Jim became CEO he was the company's third leader in seven months after Jim Cantalupo and Charlie Bell. He brought with him the dedication and enthusiasm of a true believer. 'If you can't believe in your brand, you can't do your job with enthusiasm. I believe strongly you work for your company; you don't work for the boss. And I always felt that paid great dividends in McDonald's, not only in terms of my ability to contribute, but the support I received from the leadership of the organisation – or, as our former chairman used to say, if we all agree all the time, then we don't need one of us. I love the company, what it stands for, what we mean to the public, what we're responsible for, and what we're accountable for delivering.'

3 Stephen Langton, *Time for Leadership Courage*, Heidrick & Struggles, 2009.

It is reassuring when you meet up with someone like Jim Skinner. The commitment and belief is infectious. The lure of leading in turbulent times, as you will see, is not about money. It is about changing things. It is about beating the odds. It is about making a mark. It is about stewardship. It is about testing yourself in a leadership role during one of the most challenging times of the last century.

In times like this leadership matters. Leaders can – and should – make an incredible difference to an organisation. Professor Nitin Nohria and colleagues at Harvard Business School found that the leader accounts for 14 per cent of a company's performance (based on examination of a group of companies that had an average of three CEOs over 20 years; interestingly, figures ranged as high as 40 per cent for the hotels sector).

Other research found that nearly 50 per cent of a company's reputation is linked to CEO reputation (based on a survey of 1155 business leaders in the United States). Harvard's Rakesh Khurana estimates that anywhere from 30 to 40 per cent of the performance of a company is attributable to industry effects, 10 to 20 per cent to cyclical economic changes, and perhaps 10 per cent to the CEO. Ten per cent is still a great deal for one individual to be responsible for.

In turbulent times leadership can make the difference between survival and biting the corporate dust. Multiple and balanced skills with true passion make up the hard to duplicate leadership equation for success.

Resources

Rob Goffee and Gareth Jones, *Clever,* Harvard Press, 2009

Gary Hamel and Bill Breen, *The Future of Management*, Harvard Press, 2007

Henry Stewart, Cathy Busani and James Moran, *Relax! A Happy Business Story*, Happy, 2009

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