

management focus

essential management knowledge for today's leaders

**Inside this issue –
September/October 2009**

Featured article:
*Leadership behaviours critical
to coping in times of crisis*

An interview with:
Ram Charan



<http://first.emeraldinsight.com>

Welcome to Management Focus

... and welcome to the September/October issue.

The suddenness and severity of the current economic downturn has inevitably generated a shared sense of shock and foreboding, and the media's relentless reporting of the latest bad news fuels this mood.

Business leaders face huge challenges during an economic recession. Qualities such as courage, self-confidence and the ability to make tough commercial decisions under pressure all come to the fore. However, less widely appreciated and understood is the crucial psychological and emotional role that leaders must play during periods of acute uncertainty. Read our featured article to discover which leadership behaviours are critical to coping in times of crisis and how HR professionals can play a central role.

Dr Ram Charan is a highly sought-after business adviser and speaker, famous among senior executives for his uncanny ability to solve their toughest business problems.

For more than 35 years, Dr Charan has worked behind the scenes with top executives at some of the world's most successful companies, including GE, Verizon, Novartis, DuPont, Thomson Corporation, Honeywell, KLM, Bank of America, and MeadWestvaco. He has shared his insights with many others through teaching and writing. In this interview, find out what Dr Charan has to say about his book, *Leadership in the Era of Economic Uncertainty*, searching for singles, doubles and home runs, and how to cope during the economic crisis.

Once upon a time, collaboration was looked upon as a nicety. Increasingly, it is now being viewed as a competitive necessity. There is plenty of literature available on the benefits of collaborative projects between companies, but what about collaboration within the walls of your organization? Discover more in this latest issue of *Management Matters*.

To expand on the topics highlighted in *Management Focus*, log on to our website at <http://first.emeraldinsight.com>, where you will find an extensive collection of articles, interviews and executive summaries.

Best wishes,

Debbie Hepton

<http://first.emeraldinsight.com>

Contact us

Editors: Alistair Craven
acraven@emeraldinsight.com

Debbie Hepton
dhepton@emeraldinsight.com

Customer service: emf@emeraldinsight.com

Tel: +44 (0) 1274 777700

Fax: +44 (0) 1274 785201

Address: Emerald Management First
Emerald Group Publishing Limited
Howard House
Wagon Lane
Bingley BD16 1WA
United Kingdom



Leadership behaviours critical to coping in times of crisis

Business leaders face huge challenges during economic recession. Qualities such as courage, self-confidence and the ability to make tough commercial decisions under pressure all come to the fore. Less widely appreciated and understood is the crucial psychological and emotional role that leaders must play during periods of acute uncertainty, if they are to optimize the long-term performance of their business.

Leaders must understand the dynamics that lie below the surface of their organizations and skilfully address the unspoken needs of their staff. This takes maturity and skill but will maximize the chances of weathering the economic storm and emerging strengthened when times improve. Those businesses that do not achieve this will find their commercial problems

compounded by destructive internal dynamics and underperformance.

While leaders may have had setbacks during their career, most will not have experienced a global downturn. They face a steep learning curve if they are to succeed in the new business environment. The support and guidance of HR professionals can be a critical success factor.

Organizations in a recession

The suddenness and severity of the current economic downturn have inevitably generated a shared sense of shock and foreboding, and the media's relentless reporting of the latest bad news fuels this mood.

Within organizations, negative feelings are compounded as colleagues interact. In the workplace, all employees can be

influenced by a prevailing mood of anxiety, which gradually dominates the organizational "system". Negative thoughts and feelings predominate, while more positive views become subtly excluded or difficult to express.

This negative dynamic is exacerbated by pressure on staff to work longer and harder. Many organizations control costs by cutting resources and jobs but aim to maintain output. Extra demands are placed on the remaining employees, who generally feel unable to refuse. Frequently they are also expected to demonstrate new levels of flexibility, covering the work of former colleagues or adapting to new working methods. This fuels longer working hours and associated problems.

During a recession, workers are also likely to undergo repeated experiences of loss. This is an inevitable

consequence of the cutbacks, project cancellations, job freezes, redundancies and retrenchment in which businesses engage to survive.

A “toxic cocktail”

Combined, the powerful dynamics described above form a “toxic cocktail” that threatens morale and performance. It generates damaging behavioural and attitudinal changes within organizations. Among other things, this leads to more:

- short-term thinking;
- presenteeism;
- absenteeism through sickness, stress and depression;
- addictive behaviours;
- rumours;
- politics; and
- defection of valuable employees.

There is likely to be a decrease in:

- morale;
- motivation;
- clarity around task priorities;
- work-life balance;
- productivity;
- innovation and risk-taking; and
- long-term and reflective thinking.

The psychological role of leaders

This toxic cocktail means that in times of great uncertainty it is not enough for leaders to address strategic and operational tasks. They must also address the emotional needs of their workforce if they are to improve morale and productivity.

There are four key behaviours that leaders must master in order to provide the workforce with the best possible sense of psychological “containment”. This set of behaviours takes considerable insight, resourcefulness and maturity on the leaders’ part but the stakes are high. If achieved, they will:

- reduce anxiety, fear and anger;
- build trust, loyalty and commitment; and
- generate resilience and optimism.

Behaviour 1: Prompt and considered action

When an organization enters turbulent times, the first behaviour its leaders must demonstrate is a prompt and energetic response to the difficulties facing it. The workforce needs to know that its leaders recognize the seriousness of the situation and are addressing it. However, the leaders’ actions must not be the result of

“There are four key behaviours that leaders must master in order to provide the workforce with the best possible sense of psychological ‘containment’”

impulse or panic. Leaders should immediately announce that they are making the problems their absolute priority, while explaining that they need time to finalize the best course of action.

Behaviour 2: Honest and consistent communication

Though reassured by seeing their leaders “in action,” employees will inevitably be preoccupied with what the downturn means for them. In the absence of reliable information, rumours and speculation flourish. To reduce these and build trust, leaders should provide honest and timely information (within appropriate constraints) about the challenges facing their business and the measures that may need to be taken as a result. People suffer most from uncertainty and would prefer to know the worst than imagine it.

Behaviour 3: Emotional connection

A speedy response and honest communication are not enough to maximize “containment”. Leaders must also maintain an emotional connection with their workforce. They must:

- acknowledge the painful impact of bad news on their workforce and resist moving on too quickly to something more positive out of discomfort, guilt or insensitivity;
- find an authentic way of disclosing some of their own sadness, concern or disappointment so that employees know they genuinely care; and
- let staff vent their feelings, listen and empathize.

Behaviour 4: Inspiration

The most impressive leaders go one step further. While remaining realistic about tough conditions, they find a way to motivate and inspire their followers to perform. To achieve this, they must draw on deep reservoirs of leadership energy, fuelled by a powerful combination of self-confidence, personal humility, passion and belief in the future.

The role of HR

Few leaders find that these four behaviours come naturally. For most, they must be learned and practised. This can be particularly challenging during tough times, as leaders themselves are not immune to the toxic cocktail of negative organizational dynamics and many feel anxious,

burdened and exposed. HR partners who enjoy their leaders’ trust can play a central role here.

Specific ways in which HR professionals can help include:

- presenting leaders with an analysis of the psychological, emotional and behavioural impact of the downturn on their organization;
- emphasizing the leaders’ role in helping staff feel contained in the midst of the toxic cocktail of negative dynamics;
- identifying, coaching and supporting those leaders best able to demonstrate the four key behaviours;
- identifying those who are struggling and, where possible, coaching them to gain insight and behave more effectively; and
- providing an emotional outlet for leaders to offload their own negative emotions, whether distress, anxiety, anger or guilt.

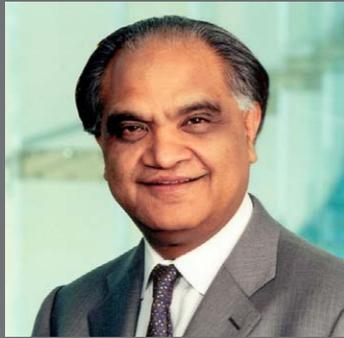
Looking to the future

Together, the leadership behaviours described will provide a sense of psychological safety and emotional containment in organizations undergoing great uncertainty, instability and often painful change. Leaders cannot avoid or prevent painful events affecting their people. However, with the support of HR, they can take charge of threatening situations with alacrity and resolve. They can deal honestly with their people, convey genuine empathy and create a powerful sense of hope.

Leaders who achieve this will help staff deal more effectively with difficult experiences and inspire tremendous loyalty and trust. They will also succeed in focusing the energy of the workforce on the job in hand, helping their organizations to emerge successfully from recession when the conditions for economic growth return.

This is a shortened version of “The psychological role of the leader in turbulent times”, which originally appeared in *Strategic HR Review*, Volume 8 Number 3, 2009.

The author is Catherine Sandler, Managing director of the Sandler Lanz Ltd, London, UK executive coaching practice.



Ram Charan is a highly sought-after business adviser and speaker, famous among senior executives for his uncanny ability to solve their toughest business problems.

For more than 35 years, Dr Charan has worked behind the scenes with top executives at some of the world's most successful companies, including GE, Verizon, Novartis, DuPont, Thomson Corporation, Honeywell, KLM, Bank of America, and MeadWestvaco. He has shared his insights with many others through teaching and writing.

Identified by *Fortune* as the leading expert in corporate governance, Dr Charan is helping boards go beyond the requirements of Sarbanes-Oxley and the New York Stock Exchange by providing practical ways to improve their group dynamics. Boards, CEOs, and senior-most human resource executives often seek his advice on talent planning and key hires.

Debbie Hepton: You are the author of *Leadership in the Era of Economic Uncertainty*. Can you tell us about the book?

Ram Charan: In the last 18 months, the global financial crisis sneaked in. The world has changed. Leaders must adapt to this change. The change is deep; it is volatile, it has caused anxiety. People have felt panicked.

The worst is over, but leaders need to prepare for a very slow growth with a bumpy road ahead and focus on coming out stronger from this recession. Look into the eyes of the storm. Confront reality. Protect your talent. Provide inspiration and sharp focus to the organization and have the zest that you will come out better than anybody else.

DH: To achieve profitable growth, you recommend "searching for singles and doubles, as well as home runs". What do you mean by this?

Ram Charan: Growth is a social process and it is a team effort. No basketball team, no hockey or football team ever wins without continuous practice. Growth builds the mental muscle of the

Leadership in the Era of Economic Uncertainty: an interview with

Ram Charan

Interview by Debbie Hepton

organization. Growth has to be profitable and capital-efficient. Growth companies always look from the outside in. They search continuously for what the customer wants or will want. These expeditions help create ideas for growth. Some ideas are incremental or, as they say in American phraseology, "singles and doubles". And sometimes some ideas are game changers ... they are big. Unless you search continuously for unserved or underserved needs, you are not likely to find big ideas or what America calls "home runs". Waiting for the big ideas alone will not get you continuous growth.

DH: You state that a leader's guiding principle must be "hands on, head in." Can you explain what you mean by this?

Ram Charan: In the dire situation where there is panic, and the companies are cash-short, they have to have intensity of management to know the daily critical details of the business – that is "hands on". Getting intelligence from the ground and using information to make timely decisions is "head in".

DH: Can you provide us with an example of a company that is coping particularly well during this economic crisis, and why? What can other companies take from this example?

Ram Charan: There are a number of companies that have figured this thing out. One company is Nalco. They are in the water treatment business. CEO Erik

Fyrwald figured this thing out early, got his team together, got them to see the new reality and he went in "hands on" and "head in".

Erik helped ensure that the company was safe from the credit crunch. His fast actions improved cash flow. He refinanced his debt earlier than most. His actions resulted contra to the prevailing environment of anxiety: Nalco's ratings went up from single B to double B.

DH: In your opinion, when do you think that we will see a reversal of this decline?

Ram Charan: The deterioration of the financial system in America has slowed now. The improvement in the economy is lagging behind. The panic has subsided. The economy is going to respond, but at a low level. While unemployment will continue to increase, the real US GDP in the first quarter of 2010 will be flat or lower than in 2007.

DH: During these tough economic times, what key piece of advice would you give to today's leaders?

Ram Charan: The most critical advice for today's leaders is to master the skill to recognize what is the change, what is the speed of that change, what is its nature and how to take advantage of it.

This is a shortened version of the interview with Ram Charan. To read a longer version of this interview visit <http://first.emeraldinsight.com>

Management Matters

Incisive commentary on topical business issues



Collaborating for success

In today's bleak economic times, the word "collaboration" is making frequent appearances in business articles.

Once upon a time, collaboration was looked upon as a nicety. Increasingly, it is now being viewed as a competitive necessity. There is plenty of literature available on the benefits of collaborative projects between companies, but what about collaboration within the walls of your organization?

Most leaders believe that company-wide collaboration is essential for

successful strategy execution, yet, while some collaborative efforts achieve spectacular synergies, many actually backfire – wasting time, money and resources along the way. In his recent interview with us, Professor Morten Hansen from the University of California, Berkeley, emphasized a key point that is often overlooked: *the goal of collaboration is not collaboration, but better results*. Failing to acknowledge this can be fatal. "Without question, my greatest surprise is that bad collaboration is worse than no collaboration. Like everyone else, I started out believing that collaboration was a good thing, so more of it should be better. But to my great shock I found that some project teams did worse because they collaborated."

Even a track record of reputation and expertise cannot guarantee success. Hansen cites the paradigm example of the mp3 music player; a market which many still think should have been cornered by Sony after its Walkman heyday. However, it was Apple that went on to dominate with the iconic iPod. Despite having the independent components required for success (an established computer line, its own music division, and hard disk players), Sony simply did not have a culture of collaboration amongst its divisions. Their iPod rival failed to topple Apple, and "Sony Connect" – the rival to iTunes – was killed off in 2007.

Hansen's research on 162 top managers found that only about one in five had a collaborative leadership style. Should we be surprised by this? Probably not. Charismatic, autonomous leaders have been revered for years, and promotion is often won on demonstrated individual achievement. "Over the past 20 years we have lived in an era that has worshipped the managers as heroes that ride into town and turn things great ... now that one-star model is becoming outdated", adds Hansen.

It seems clear that times have to change. Consider this extract from "Rx for pharmaceutical companies: internal collaboration is the key to improved innovation"^[1], an article by the IBM Institute for Business Value:

"Increased internal collaboration contributes to innovation at the early stage of discovery and bridges silos of knowledge, increasing the chances of serendipity in drug discovery and improving the skills and knowledge of employees. While these 'softer' business objectives are difficult to measure against the bottom line, informed and enabled employees, as well as serendipitous events, can result in the type of innovative breakthroughs that drive real value creation."

Hansen believes that his vision for collaboration can apply in any setting, and will become a reality if companies – and the individuals within them – treat collaboration as a perennial issue, just like "leadership" and "change." Which companies will heed the advice and become masterful collaborators?

If you would like to know more about what Professor Morten Hansen has to say about successful collaboration please visit <http://first.emeraldinsight.com/interviews/hansen.htm>

Note

1. www-935.ibm.com/services/uk/igs/pdf/esr-rx-for-pharmaceutical-companies.pdf



Emerald Management First is an award-winning online resource designed to help you circumvent the unnecessary and sharpen your focus on what really matters in management.

We bring you the latest and best ideas from the world's top companies and business schools and present them in a language that your organization will understand. Quality and topicality are guaranteed, as is our objectivity as an independent publisher. A balance of practical articles, case studies and thought-leader insight equips you with a powerful management tool-kit for the twenty-first century.

For more information visit <http://first.emeraldinsight.com/about>

Final thought ...



The best way to inspire people to superior performance is to convince them by everything you do and by your everyday attitude that you are wholeheartedly supporting them.



Harold Geneen

<http://first.emeraldinsight.com>