Weathering the Storm: Straight Talk from the World's Top Business Leaders

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What must top business leaders do when they encounter the 'perfect storm'? What are the most effective modalities for weathering the storm without getting blown away? What must they do to reinvent themselves and their firms? These then are the three main questions that are addressed in this attempt at sharing experiences by top business leaders. It is important to remember at the very outset that there is a structural element to a business downturn, and therefore firms must be emotionally and financially prepared for it in terms of being willing to rethink their strategic approaches. So, for instance, J.W. Marriot Jr. of Marriot International argues that his group reinvented itself by focusing on managing hotels rather trying to buy and own hotels. This made it possible to build a more effective brand rather than waste capital in property transactions which were subject to the vagaries of the market. So it was by clarifying and re-defining wherein lay their core competence in the hotel industry that made it possible for the Marriot group to make a breakthrough amidst economic downturns. William Harrison of J.P. Morgan Chase cites an interesting instance of a perfect storm which hit his firm when they tried to merge with Chase Manhattan in the year 2000. A merger, Harrison argues, is the ultimate test of leadership, but when it is accompanied by a storm that results from the bursting of a bubble, as was the case for his firm, it is easy to become a 'lightning rod'. What sort of a mind-set does a leader need to help his firm survive such an excruciating ordeal? That is the question which worries Harrison who argues that an inherent sense of calm and a belief in 'positive outcomes' is an absolute prerequisite to survive a storm. And, furthermore, as Errol Davis Jr. of Alliant Energy points out, a storm is an opportunity to find out what stuff the management team is made of. It is important for a leader to be able to drawn upon his innermost strengths by being 'self-reliant and resilient'.

Sir Michael Rake of the BT group argues that developing such attributes is an important aspect of effective leadership training and team building; and furthermore, it is important to understand how leaders respond to 'bad news' to gauge whether they will be able to weather heavy storms or whether they will duck their heads in denial. What all these leaders emphasize however is the need to differentiate between 'exogenous variables' that are beyond their control, and actually demarcating a space within which they can make the strategic interventions that will make a difference. And so, as Sir Nick Scheele of the Ford Motor Company argues, it is important to work on what is within the leader's control. When Sir Nick was in charge of Ford Mexico, the company could have been engulfed by the inflation crisis in Mexico (1988-89), but since that was not within their control, he decided to focus on building vehicles in as cost-effective a manner as possible thereby making it more likely that Ford will pull through, and which, as the record shows, it did. The takeaway here is to only work on things that you can control, and 'let the rest happen'. This sage piece of advice is often forgotten both during peace time and when there is a crisis. As Lynda Gratton of the London Business School points out, there is always a plethora of suggestions on the part of consultants when they are asked for advice in such trying situations. She found herself lost amongst a large number of flipcharts - while ideating with her clients - when she was just starting out. It then dawned upon her that it is important to sort out the flowers from the weeds. What this means is that the firm must focus on just three or four initiatives that represent a strategic imperative; these imperatives must be 'tightly aligned' to the firm's over-all 'business strategy' so that these strategic efforts are not squandered. What this process of effective weeding out requires then is a strategic filter to maintain focus. Only then will the firm, as Ping Fu of Geomagic points out, rise from the ashes after a crisis. When Fu was confronted with a cash flow problem in the aftermath of the Internet bubble, he single-mindedly went after Align Technology and offered them the technology that they needed to launch an IPO; this deal raised two million dollars for Fu, and not only solved the cash flow problem decisively, but led to a 'win-win' situation for both Fu and Aliant. But, needless to say, not all situations will be susceptible to such decisive interventions, especially when decision rights are not vested with the leader.

Dame Barbara Stocking of Oxfam recounts a situation when she had to address the concerns of employees during a downsizing effort at the National Health Service (NHS) in the UK, but there was not sufficient clarity in the system on how exactly the system should be re-organized. She therefore argues that it is important to be absolutely candid as she was when she had to re-assure anxious employees (even when she was forced to admit that she didn't have too many answers or even the basic amount of information that they were seeking in order to plan ahead). It is important to be candid in a crisis or in situations that are inherently uncertain rather than mislead everybody by pretending to a sense of certainty that is elusive. In addition to being candid, it is important to be honest as Jimmy Wales of Wikipedia found out when the biography of a journalist was vandalized in his on-line encyclopedia. Acknowledging that there was indeed a problem did not lead to a decline in trust; instead it aroused even more interest in the product. The same logic applies in talking to investors as well so that they do not feel mislead. Blythe McGarvie of Leadership for International Finance points out a rather difficult moment when an important building that was crucial to Hannaford Brothers, where he was employed at the time, collapsed. The firm hit upon the innovative idea of 'digital storytelling' to explain what was happening in as 'forthright' a fashion as possible to anxious investors. The takeaway for Garvie then is that 'how you respond to a problem or an opportunity is more important than the problem itself'. A good instance of this is the situation that Richard Santulli of Net Jets found himself in when the recession hit the aircraft market in 1989; nobody was willing to buy a plane then and to complicate the problem further, Santoulli was almost bankrupt. That is the point at which he moved into the idea of selling fractional ownership instead of declaring bankruptcy or selling planes when the market made that impossible. Fractional ownership of aircraft made a turnaround possible even during a recession; the idea was so appealing that engine manufacturers and aviation fuel dealers were willing to co-operate to keep Net Jets flying. As Sir Gerry Robinson of Allied Domecq argues, it is extremely important in a turnaround to treat the process of downsizing with decency and streamline finances quickly. It is also important to be clear on what the three most important strategic initiatives are that will turnaround the firm as Santoulli did when he proposed the idea of fractional ownership. Turning an organization round is tantamount to reinventing it if all goes well.

Maurice Lévy of the Publicis Groupe discusses an 'economic revolution' which his ad agency launched during the French recession of the early nineties. Here all the employees of the agency met daily for a month to brainstorm solutions; the goal was not to 'stabilize' the firm, but to capitalize on the instability during a downturn and convert that into an agent for bringing about change. And, finally, in a similar vein, Shelley Lazarus of Ogilvy & Mather Worldwide recollects a situation of extreme despair when she was asked to take charge of the New York office in 1991. The firm was not able to find the strategic direction that was necessary to move forward. Shelley hit upon the idea of designing tasks that were within the motivational scope of an employee by asking whether they could at least get a particular account, for instance, instead of worrying about the firm as a whole. While the idea of breaking a huge task into little chunks is not an insight per se, what worked in this case, I think, is linking it to the motivational scope of a given employee. Within that scope - if properly delineated - there wasn't a motivational problem since the employees did not feel strategically overwhelmed by the task ahead. Multiplying instances of such tasks and seeing them to strategic fruition however will lead to a situation that will set up a virtuous cycle of belief in overcoming even seemingly impossible odds and set up important precedents for 'weathering the storm' successfully.

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