Effective leadership in uncertain times

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It is hard to dispute that we are living through the worst economic crisis since 1929. It is much more than just a trade cycle downturn. The global financial system is changed forever and we do not yet know what the new paradigm will look like. We do know however that leadership is more important than ever. Organisations – and nations that are well led – have much more chance of surviving in these turbulent times. This is not the occasion to take your eye off critical processes of leadership development – and smart organisations know this.

Perhaps the most significant contribution of good leadership is the provision of meaning and purpose. As the great – and sadly departed – American writer Studs Terkel famously observed, “work is about daily meaning as well as daily bread; for recognition as well as cash; in short, for a sort of life rather than a Monday through Friday sort of dying…we have a right to ask of work that it include meaning, recognition, astonishment and life”. If we are not careful in the downturn poorly led organisations will become miserable places to be. Creativity and innovation is inextricably linked to energy, edge and fun.

In the downturn, organisational attrition is in danger of crushing the creative spirit which is essential to drive us out of the current malaise. In the knowledge economy, critical to the future of Western Europe, the challenge is not to follow tradition and attempt to “get more” from your clever employees. Open any conventional management textbook on organisational behaviour and you will see an obsession with extracting more value from recalcitrant workers through the latest fashionable techniques of “motivation”, “engagement”, pursuit of “discretionary effort” and so on. Our view is almost the opposite. The task is to make organisations more attractive to your already valuable, clever people. While researching our new book, ‘Clever – Leading Your Smartest, Most Creative People’ we have frequently observed talented individuals turned off by bureaucratic process, by internal politics and - above all – by inadequate leadership.

What are the essential ingredients of successful leadership in these troubled times?

The conventional wisdom has it that in uncertain times the role of the leader is to provide certainty. To be a rock against which the waves of disruption will crash. Our observations of leaders suggest that the most effective offer not the illusion of certainty but the promise of constant change and adaptability. They are like squash players bouncing on the soles of their feet ready to move off in any direction. If we have learnt anything – not just from the current economic difficulties but from the economic history of the twentieth century it is that no sector is immune from the threat of disruptive change. Capitalism remains an aggressive and acquisitive social system. As Marx put it “one capitalist kills many”.

Leaders cannot see the future but they can and must communicate a compelling picture of what the future might look like. It is an over-used concept but vision remains important. The leader must communicate what the organisation stands for, what is its purpose and which values give it coherence. It is when organisations are in difficulties that their true commitment to core values can be most severely tested. In addition, in a world awash with information overload the leader’s visionary voice must be distinctive in order to excite others to exceptional performance. Barack Obama exhibits just that quality of exceptional communication skills which has convinced the American public that despite the turmoil, change is possible.

He repeatedly resisted the temptation to engage in dirty politics. As organisations contract and inevitably become more political there is a lesson here for business leaders. They must on the one hand understand the political manoeuvring and on the other they must remain - and be seen to remain - above it.

One preliminary conclusion from these observations is that in turbulent times steadfastness is a leadership virtue. Not in the sense of having a fixed view of what will happen next, but by being true to a set of core values. A naïve reading of this point would suggest that all the leader has to do is to be their authentic self. But that’s not enough. Change will require that they play different roles in different contexts. In our previous book, ‘Why Should Anyone be Led by You?’ we noted that effective leadership involves a complex balancing act between using your authentic differences and adapting your behaviours to context. Being authentic is not about being the same all the time. The most effective leaders are authentic chameleons. The chameleon always adapts to context but remains a chameleon.

Effective leadership in these difficult times requires managing a series of inspirational tensions. Three are especially significant in a downturn.

First, since leadership is always contextual - leading in a pharmaceutical company is different from leading in a shipyard –
the ability to read and adapt to context is vital. Effective leaders have a real sense of “what’s going on” – to use an English idiom, they can “smell the gravy”. Remember the old fad of “managing by walking around” – it contained one great truth. You need to be in a position to collect soft data, to know what’s going on before the management information system tells you.

In the political realm, compare Mayor Giuliani and President Bush in the immediate aftermath of 9/11. One was in the right place at the right time, on the streets with the people; the other – no doubt on good security advice – was in the skies. Bush made similar errors with New Orleans – it took too long for him to sense – and communicate - the gravity of the disaster.

Arguably, the past year represents the commercial equivalent of the Twin Towers – but this time it is large financial and industrial institutions that are collapsing around us. Business leaders will be tested not only by their ability to know what is going on – but also by their capacity to articulate meaning; to make sense of the situation. Giuliani was not only in the right place, but he offered New Yorkers hope for the future. As the tragedy unfolded he assured them that New York would be back.

In much the same way, the Finance Director of Tesco, Andrew Higginson, recently signalled that the current unpopularity of the retail banks represented a significant opportunity for them to further apply their popular brand to the financial services business. Pugnacious boss of Ryanair, Michael O’Leary, welcomes the recession. In his view it will kill off poor operators and show what a great business Ryanair really is.

Each of these examples demonstrate that effective leaders both read context and rewrite it. In difficult times the danger is that our business leaders become entirely trapped by circumstance and reactive. The leadership skill is to not just react but to proactively and constructively reshape.

Second, it’s obvious that right now strong task focus may be a pre-requisite of survival. Today will be quite difficult enough. Leaders will be energetically focused on hard nosed, tough prioritisation – including cutbacks and cost control. These actions are likely to be painful. They are the familiar accompaniment to recession.

But they should not be at the expense of team or organisational cohesion. If people must leave, they must leave with dignity. Recessions are not an excuse to be nasty. Nor a time to throw away the cultural characteristics which hold organisations together and make some of them special. BMW, along with many other automobile manufacturers, faces very difficult times. It may mean layoffs. But the task of the leadership is not to lose the passion for great motor cars which characterises the organisation. They must go on believing in and articulating “the ultimate driving experience” – not a strapline but a core value.

Finally, it is inevitable that sensing situations and building team cohesion will require social closeness; a degree of intimacy and identification between leaders and followers. A sense that “we are all in this together”. The criticism attracted by some senior business leaders stems from the view that they continue to pay themselves bonuses while others suffer.

But “strong identification with the troops” should not limit the ability of leaders to step back and see the bigger picture – indeed, paradoxically, this is a key situation sensing skill. They will need to make tough decisions and social closeness cannot get in the way.

Leadership is never easy – nor recipe driven. But right now we need it more than ever. As we have argued it necessarily involves several tensions. Don’t claim to know the future – but articulate a vision. Understand the politics – but remain above them. Respond fast to situational demands – but act to reshape them. Focus relentlessly on task – but build team cohesion. Identify with your followers – but be prepared to be distant. Finally, be your authentic self – but recognise that you have different, and difficult, roles to play.

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