



**LIW<sup>3</sup>**

Building a legacy  
of leadership

# White Paper

## Storm Leadership

*A yacht battles the storm in the dangerous 1998 Sydney to Hobart race. It is not currently heading toward its destination. With the onset of the storm, the crew changed their short-term tactics, adopting a longer route to take into account the new conditions. Everyone on board knows that Hobart is still the destination and, that when it is right to do so, they will change course and succeed in achieving their goal.*

*How does a leader create the conditions to ensure that an organisation can reach its destination despite the storm?*

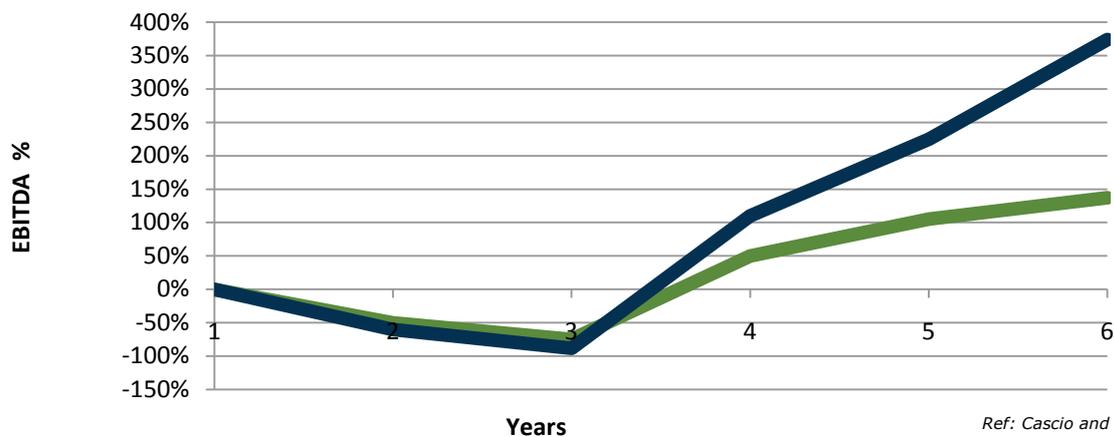
*To thrive, and sometimes even just to survive in these conditions, requires Storm Leadership.*



## Storm Leadership: don't fire them, fire them up

Take a look at the chart below. Looking ahead, which line would you most like your organisation's financial results to take, blue or green?

### Earnings Comparison



The chart tracks the progress of two groups of companies. The 'green' group cut headcount significantly during tough economic times. The 'blue' group did not.

Clearly, significant headcount cuts can damage long-term financial prospects but what can the leader do to succeed in a crisis? This White Paper sets out a pragmatic framework to guide the leader in tough times. In short: don't fire them, fire them up!

Success at any time is contingent upon leaders at all levels creating and enhancing the conditions required for success. During the storm it is *critical* that leaders maintain or enhance these conditions. Leaders can choose the short-term expediency of cutting headcount and threaten the long-term success of the organisation, or they can choose to regard the situation as an opportunity. Choosing the latter

necessitates creating the conditions for success to power out of the storm leaving shorter-sighted, less courageous competitors behind.

What are these conditions for success? They are required in every organisation, at every level, for everybody. They describe everything that the leader needs to consider, regardless of professional discipline or hierarchical level. They are Clarity, Climate and Competence – the 3Cs™.

In short:

- Clarity – What are we trying to achieve? Why, how and what are the measures of success?
- Climate – What are the physical (systems and processes, resources) and emotional (culture, leadership) components required for high performance?

- Competence – What knowledge and skills, behaviours and attitudes are required?

So, if you are trying to 'fire up' your people – especially in storm conditions – the 3Cs™ are the template for developing your plan.

The 3Cs™ apply in all conditions – but let's look at some examples of how they apply in the storm.

- Clarify the role of individuals in achieving that goal. This includes tasks, outcomes, decision rights, expectations of behaviour, and measures of success for every member of the team. Goal centricity becomes even more important in the storm. Where is my next port of call and what is my immediate course? This may not be toward the ultimate destination.

## Clarity

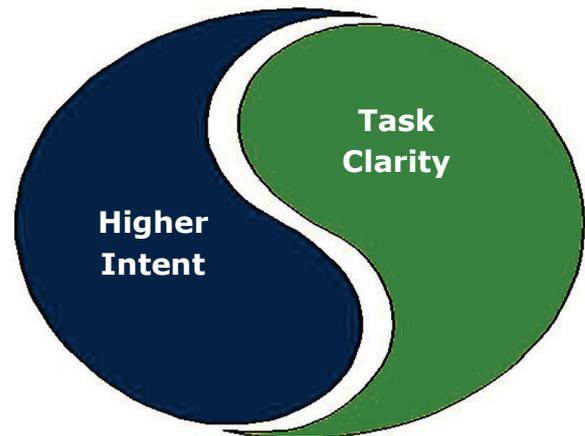
### Key elements of clarity

- Purpose – why is the organisation here beyond making money?
- Vision – what are the three to five year goals of the organisation?
- Values – what are our beliefs and how do they drive our behaviour?
- Strategy – how will the vision be achieved?
- Roles – who contributes to the strategy and what are their accountabilities and authorities?
- Measures – how will progress be tracked?

### Clarity in the storm

Establishing clarity is the first role of the leader: the storm is not the time to set your compass so clarity should be established and maintained as a matter of urgency. In the storm, your team will be effective if you can give them two key elements that appear contradictory but are equal parts of a whole:

- Communicate the higher intent: what is the light on the horizon that the team is working towards? For an organisation, this means the purpose and vision of the organisation that should be inspiring to the team even when times are hard



An urban myth from Ferrari illustrates this point. It is said that when the cleaner at the Ferrari headquarters in Maranello, Italy is asked about his job, he will reply "Ferrari's goal is to win Formula 1 races. My role in that is to keep the office clean and tidy."

The same is true in Disney World where cleaners are customer service representatives, trained at Disney University. Their real role is to answer questions for guests, enhancing the experience of visiting the theme park.

### Clarity in action: case study

Bob, the managing director at a business unit of a major pharmaceutical company, had just completed his second year. He had focused on building a customer-centric culture and this was starting to have an impact in the marketplace. The launch of a new product would deliver the growth to build strong market leadership. Bob had used the 3C™ model to ensure that the conditions for

success existed in the business and in particular, ensured that clarity existed in terms of purpose, vision, values and strategies so that everyone was pulling in the same direction.

Simple measures kept the organisation and individuals on track.

Then the storm hit. The key product was recalled just as it was gaining traction in the market. The competition reacted with new products and aggressive commercial policies, things were about to go badly wrong. Bob received the news of the recall over the weekend. How was he going to lead the company through this crisis? What could he do at Monday's management team meeting?

Bob's task was made simpler because the purpose and vision of the organization, "to improve health and to succeed by putting the customer first", were unchanged by the storm. The compass held true. The crucial management meeting went quickly from shock into action, simply by restating the vision and then jointly asking the question 'what do we need to do to support our customers in this situation?' A variety of short term team and individual goals resulted and regular one to one and team coaching ensured that these happened.

## Climate

### The key elements of climate

- Resources
- Systems and processes
- Organisation structure
- Leader's example
- Culture
- Values

### Climate in the storm

Climate in the storm may be epitomised by the words efficiency and culture.

In difficult times everything must work as efficiently as possible. There is a need to do more with less. People, systems and processes are optimised to make the most of limited resources and opportunities. People understand the boundaries and know when they are empowered to make their own decisions. Leaders manage the dilemma of developing or refining systems that combine an appropriate level of control to minimise waste, with the appropriate level of licence to pursue and exploit internal and external opportunities.

Team or organisation culture contributes to efficiency and vice versa. People who know that they are part of something that they can trust will work hard for its success. In a culture of entrepreneurship storm conditions are seen as an opportunity.

A sense of belief, pride and trust in the organisation, its people, its leaders and its purpose builds confidence in short-term survival and long-term success. This is likely to lead to the retention of the best people within the business, the attraction of the best new people and overall performance improvement.

Cascio concludes: 'instead of asking, what's the irreducible core number of people we need to run our business, responsible restructuring asks, how can we change the way we do business, so that we can use the people we currently have most effectively?'

Certainly there may be some reduction in size. But Cascio's study suggests that wholesale reductions will create only a slight, temporary advantage during the storm and may severely damage a business's ability to grow when the storm has passed.

Who drives this climate? Leaders at all levels of the organisation create the climate for those around them. The Hay McBer study cited below reports that 50-70% of variations in an organisation's climate are the direct result of leadership behaviour. The case studies below

illustrate how leaders are ensuring that the internal climate continues to contribute to organisational success however bleak things appear outside.

### **Climate in action: case study**

One company has responded to the current situation by creating a climate that is designed to ensure people perceive the work place as a safe haven in the storm. In addition to providing clarity about strategies and tactics to navigate the crisis, the leaders are investing in multiple initiatives to ensure the climate inside the business is better than an employee could possibly find elsewhere. The CEO sums this up by saying "It is tough out there, but it is much better in here." Large savings in travel budget have been made feasible by investment in state of the art web based communication technologies and other efficiencies. Investment in training and development continues. Initiatives include an increase in the number of social events, informal meeting spaces, projects around health and fitness and reduced food prices in the canteen whilst increasing the variety of food available. As a result of this, morale remains high and the outlook positive. To date there has been no reduction in headcount and the company is continuing to grow, albeit more slowly.

The American Management Association revealed that only 43% of 547 organisations using downsizing in the six years preceding the study experienced any improvement in operating profits (Lesly & Light, 1992). This means that downsizing is likely to end in reduced profits caused in part by the impact that downsizing has had on those who remain. For example following the collapse of the USSR in the early 1990s the British Government decided that it no longer needed a large standing army in Germany. Subsequently, the army was required to reduce headcount from 140,000 troops to approximately

100,000 – the number of troops based in mainland Europe. The decision significantly damaged morale (poor climate) and as a result led to significant anecdotal evidence of many talented people leaving. This led in turn to a subsequent performance reduction and on-going difficulty attracting and retaining new talent which now means that the army is overstretched. It is dealing with multiple challenging at home and overseas.

Even when reduction in headcount, or still worse, closure is inevitable, leadership can make a difference. For example, one company in the Australian sub-prime mortgage sector recently closed its doors as a result of the financial crisis. This was driven by the worsening situation in its US parent company - events completely beyond its control. Throughout the twelve months preceding the closure of the business, the leaders fell back on the values and behaviours that were clearly defined at the inception of the business. They communicated daily, made the climate even more supportive and continued to provide regular social activities and support forums alongside many other climate-driven activities. Consequently the results of their local leadership pulse survey became even more positive even after the announcement of the imminent closure of the business.

The last word should go to the Human Resources Director of a large FMCG who said recently "We want our people to know that the place for them in this situation [the global financial crisis] is here, with us".

## Competence

### Key elements of competence

- Knowledge and skills
- Behaviours and attitudes

### Competence in the storm

In the storm, some competencies come into sharp focus. Effective 'storm leaders' consider these key areas:

- **Communication:** Communicating regularly with the whole group, even if the only thing that can be said is that there has been no change
- **Feedback skills:** the effective 'storm leader' keeps a close eye on behaviours and attitudes. Timely feedback will maintain the positive and collaborative behaviours that will be needed to succeed. This means effective coaching and questioning
- **Leadership styles:** a good leader has a good style, a great leader consciously chooses their style to suit the individual, the task and the environment they are engaging with
- **Aligned decision-making:** using a simple model for aligned decision making and using a clear planning and briefing process will rapidly align the team around a plan and turn strategy into execution. These skills will also aid swift responses to changes of situation at all levels of the organisation
- **Change:** Finally, these are perfect times for making change leadership an organisational competence so that the company is more adaptable in the calm waters ahead. Neuroscience is showing us that the brain chooses routine over new activities where possible so the routine use of tools for driving change is a powerful enabler for the organisation

### Competence in action: case study

McBer Hay reports that leadership style, what the leader says and does, explains 50-70% of differences in organisational

climate. Climate, in turn explains 30% of the differences in revenue and profit. These figures together suggest that a leader's agility in adopting the correct leadership style for the situation can have a bottom line impact of 15%. That could make the difference between solvency and insolvency. The effective leader must be familiar with leadership styles and be adaptable to situations while maintaining authenticity.

One major healthcare company is investing heavily in personal, team and organisational change management. They are achieving this by creating a major initiative to help leaders and their teams through the current turbulence. They plan to emerge from the storm in an unassailable position.

### The heart of the matter: the leader's example

The Chinese Symbol for crisis combines the characters for 'danger' and 'change' or 'beginning'.

拼音

The skilled leader in the crisis will quickly recognise the danger and then create the conditions for change that lead to a positive outcome. Barack Obama did not duck the grim reality in his inaugural address but he was clear what was needed in order to find still waters again.

The first step is the leader's decision to lead meaning a new kind of leadership, 'Storm Leadership'. The leader's role is to create the conditions for the success of others through enhancing clarity, climate and competence. Thus organisations will survive to thrive in the calmer waters of the future.

*"...every so often the oath is taken amidst gathering clouds and raging storms. At these moments, America has carried on not simply because of the skill or vision of those in high office, but because we, the people, have remained faithful to the ideals of our forbears, and true to our founding documents.*

*So it has been. So it must be ..."*

*US President Barack Obama, Inaugural Address*

### **Further activities in Storm Leadership**

The Storm Leadership Checklist below can help you to assess the conditions for success in your own team and to identify areas for focus in order to emerge strongly from the storm. LIW can conduct a more detailed leadership capability analysis using face-to-face and online tools.

LIW offers consultancy, programs and coaching on Storm Leadership to close any gaps in your organisational leadership capability. For further information, please contact:

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## Storm Leadership Checklist

Clarity	Climate	Competence
<ul style="list-style-type: none"> <li>• Is the team clear about the purpose (reason why, higher intent, bigger picture)?</li> <li>• Is the team clear about the circumstances that have given rise to the storm?</li> <li>• Is the team clear about the overall plan?</li> <li>• Is everyone clear about their role in the plan?</li> <li>• Is everyone clear about the measures and decision boundaries?</li> <li>• Does everyone have actions and objectives that clarify what they will do tomorrow and the next day?</li> </ul>	<ul style="list-style-type: none"> <li>• What is the leadership behaviour necessary to encourage people through the storm?</li> <li>• Are leaders communicating readily and with appropriate optimism, even when the news is not optimistic?</li> <li>• Are systems efficient and do they provide sufficient room for innovation?</li> <li>• Are leaders living the values?</li> <li>• Are the values enlisted as a decision-making process?</li> <li>• Does the climate in the organisation reflect the real situation?</li> <li>• Is the climate inside the business perceived as better than the situation outside it, thus giving a net increase in security?</li> </ul>	<ul style="list-style-type: none"> <li>• What competence is required in the storm and is it being developed and modeled?</li> <li>• Is behaviour supporting the climate?</li> <li>• Are leaders providing the right example?</li> <li>• Are people equipped with the strategies and tactics to manage themselves during stressful and turbulent times?</li> <li>• Has the organisation been trained in flexibility, adaptability and resilience?</li> </ul>