

[[youtube:http://www.youtube.com/watch?v=a3K5P8mgKiE](http://www.youtube.com/watch?v=a3K5P8mgKiE) w auto]What is Leadership? - How to be a Strong Leader - Video Comment

I work with [many of the world's largest multinationals](#) , with CEOs, boards, global leadership teams, heads of business units and so on - and all these leaders are grappling with similar issues.

The industry may vary, competitors and customers may differ, but we all face the same basic challenges. Many of these challenges are also being felt by small to medium sized businesses.

How do you grow a business in unstable times? How do you sharpen your ability to see ahead? How can you reduce [risks](#) and seize opportunity? How can you grow your business during a prolonged economic downturn? How can you make responsible long term decisions, when the markets are shouting for the next 12 weeks' figures and your share price is fluctuating wildly? How do you motivate teams and lead effectively when under pressure to deliver instant results?

Here are some practical keys to leadership success, leadership styles and management tools, to help you achieve rapid change in your business Steps all leaders need to take, to be ready for recovery while staying stable in crisis. How to prepare your teams for great open doors and new markets.

Success often comes out of crisis

History shows us which people are most likely to make money during economic crisis – those with

- Vision
- Courage
- Rapid-thinking
- Talent
- Cash

They make these gains at the expense of others who are held back by:

- Narrow perspective
- Fear of change
- Rigid thinking

- Limited skills
- Debt

How to manage uncertainty - clear vision

You can have the greatest strategy and change management programme in the world, but if the situation changes in a way you do not expect, you will just end up travelling fast in the wrong direction. As we will see, despite huge areas of uncertainty, there are many things we should plan for. And areas of uncertainty must be actively managed.

Here is a fact: most business leaders are thinking very short term right now, but global recovery will come. Most executives I talk to, in a wide variety of industries, expect a significant upturn within the next two years. And when it does, the combined impact of 3 trillion dollars of stimulation may well drive much of our world economy into a short-term boom. Billions will be made on the upturn – and lost again in the inevitable downturn that will follow.

Here is another fact: In every downturn, there is a silver lining. Every time one person loses money, someone else has the opportunity to gain money – even if that gain may mean waiting a while.

When prices head for a collapse, there are two main ways to make money:

- [youtube:<http://www.youtube.com/watch?v=aH2ajfH4uN8> 300 250]a) sell out at “bubble” prices just before the crash
b) buy back at “bust” prices just before recovery starts

As we all know, the worst thing to do is buy in a falling market, get into trouble or panic, and sell. And of course, those who borrow most of the money they need to buy assets are rewarded with huge capital gains in good times, and huge losses in bad times.

So where are the big opportunities likely to be to “buy back at bust prices” for your business? Remember the greatest opportunities often come at the shortest notice. But we need clear vision and flexible strategy to be able to respond fast and accurately when the time comes.

Identify trends that will continue beyond crisis

Take a long, hard look at the basics of your business. What is really changing in the global crisis? It is just that there is less money around, so volume and sales are down, or is there a

fundamental shift going on at the same time? Will your business bounce back, or will the world have moved on and left you behind?

Take luxury foods: sales fall when people worry about paying their daily bills, but you can be sure that tomorrow's population will still want to eat nice food. As incomes grow in future, the number of people looking for those kinds of products will also grow. The business is fundamentally unchanged – even if competitors may come and go.

But this may not be the case for – say – business travel. As we saw in the last downturn, when finance is tight, people find innovative ways to run teams virtually, saving time and money, improving work-life balance, and speeding up decisions. They also find ways to empower international teams, with decentralised decisions, so they need less day-to-day managing. When recovery comes, these new leadership patterns are likely to remain.

"Waste of time to try and guess the future" - lazy nonsense

Some people say that life is so uncertain that planning is impossible. This is dangerous and lazy nonsense. Every successful company spends a huge amount of time thinking about the future, interpreting trends, anticipating what customers want, how competitors will act.

[youtube:http://www.youtube.com/watch?v=_kZl15houUc 300 250]Sure, some things are very hard to foresee, but most major trends in the world are relatively easy to spot, change relatively slowly, and will dominate our future. And many rapidly changing trends are also easy to follow – take for example the evolution of online communities such as FaceBook or Twitter. Online communities are taking off fast now, but have been there for all to see for the last few years.

Demographics is one of the most powerful business drivers in the world. How many children there are in your country? How many people over the age of 80? How many young professionals? And so on.

Demographics tells you the size of the market for different products and services, and how that will be likely to change over the next 20-30 years. Take Turkey. A quarter of the population is under the age of 14. This is a young nation. Children are everywhere and very few people are over the age of 70. Compare with Russia where less than 15% are children and where the average man lives to the age of only 57.

Another huge and relatively predictable driver is digital technology: telecom calls are falling towards zero in cost, together with computer chips and online access. This is part of a trend we have seen for thirty years, and one which is likely to continue in one way or another for at least 30 years more.

Yet another is rapid economic growth of emerging economies compared to industrialised nations, due to their low cost labour force, coupled with global [communications](#) and very efficient shipping and air freight. This trend will reshape our world over the next 30 to 50 years.

Another major driver is pressure to supply our growing global population, and the desire of most people to consume more. Hence long term trends in energy use, water use, infrastructure spending, and ever-deepening concerns about global management of our planet's scarce resources in a sustainable way.

More than one strategy

The world is changing faster than you can arrange a board meeting. So do your thinking in advance. The days of having just one business strategy are over. Plan with contingencies to stay one step ahead of events. Think about what will happen if a major supplier goes bust, or if a competitor folds and becomes available at a bargain price. Make sure you have thought through both major [risks](#) and opportunities.

Some people say that there are too many possibilities to be able to plan for each one. This is dangerous and foolish talk. As every risk manager knows, you can develop strategies to cover a group of possible events with similar impact. Take for example business disruption from a terrorist attack close to your offices. Your planning for such an event will also be useful if there is a burst water main, a major flood or earthquake, or massive power cut.

Think ahead – get ready now for upturn

[youtube:http://www.youtube.com/watch?v=seir4MfAmzQ 300 200]In a crisis, one of the greatest [risks](#) is short term thinking. Institutional blindness – where you are surrounded by people from the same company, same industry, with same culture, same thinking. In a crisis,

managers are often too busy and stressed out to think beyond the end of their own noses. They stop looking at the wider picture and lose perspective. They can end up making really bad decisions, which look fine for the next three months, but damage the longer term outlook.

Managers can manage day to day decisions in a crisis, but real success requires leadership, which takes a wider view, gives people hope, lifts beyond the situation, [motivates](#) and encourages.

Most business leaders in normal times think ahead around three years. And when you ask business leaders during a recession how long they think it will last, the answer usually far shorter time than that. So what happened to planning?

It is true that a business in crisis can lurch from day to day, right on the edge of folding, and every effort needs to be put into stopping the bleeding of cash. Running out of cash is what kills business. But we also need to have an eye on recovery, so that cost-cutting is used to get ready for growth when it comes – as it always does, unless the industry itself is in major decline.

Define areas of greatest risk and take action

Make sure you map out clearly all the major areas of risk. Face up to bad news early. Create an open climate – make yourself as accessible and approachable as possible. Too many businesses fail because junior managers are slow to reveal early indications of bad news eg possible insolvency of a major customer, likely loss of a large contract to a competitor, potential problems in refinancing a corporate loan.

Make sure you keep close to those you are working with, rather than locking yourself away for endless crisis meetings. Your teams rely on you. So show you care about them. Take an interest in what they are doing and how they are feeling. Be as open as you possibly can be about the state of things in the company, and don't be afraid of admitting that you don't know all the answers.

Flexible teams and rapid decisions

You are going to need to take really smart decisions at higher speed than normal so:

- a) Consider meeting more often
- b) Be very focussed
- c) Make sure you have all the people you need in the room to make fast decisions
- d) Be prepared to over-rule in a crisis – the time for long term consensus building will come later
- e) Review decisions you have made – be ready to change if the situation alters significantly
- f) Get some really smart thinkers into your team to challenge and help find ways through
- g) Look for radical options – it is easy to be seduced by traditional thinking

Use downturn to reshape your business for future

The future will not just be more of the same. When recovery comes, what kind of company will you need to be? If you had a blank sheet and started from scratch, what kind of structure would you create? A downturn is an ideal opportunity to deal with long-standing problems. Close that unproductive business unit. Get out of that area of work that people have been so emotionally attached to, and has taken up so much time. Leave intact the team which could be your greatest strength in five years time.

80:20 rule – cut costs and have bigger impact

[youtube:<http://www.youtube.com/watch?v=l1t3yh6la00> w]I am astonished how many people have heard of the 80:20 rule, and how few of them actually live it out. It is based on the observation that in many activities, you will find that most of the impact (maybe 80%) happens from a very small proportion of the effort (maybe 20%). Most of the sales of a product are usually to only a few of your customers. Most of the work by a team is done by a minority. 80% of your own personal impact may come from less than 10 hours of your working week.

So if you know what your own 80:20 is, you may be able to boost your own impact by 100% by doing more of the “20%” and less of the “80%”.

Cut out product lines that are expensive to maintain and have only marginal impact on the survival of your business. The only exception to this is if you have a range which costs almost nothing to maintain - a so-called "long tail". An example is this website. It costs nothing to keep a load of old "archive" videos online, and nothing to maintain them, but they all add to the site traffic and popularity, and can generate new corporate enquiries.

The 80:20 rule means: add to a small team that produces more revenue than all the rest of the organisation put together. Invest an extra half day a week in mentoring two or three key team members who have the potential to drive the business forward.

Use the 80:20 rule to reduce costs by 20% and increase output by 30% - without half-killing those who remain in the organisation.

Getting the best from your team

The greatest team challenge in a downturn is motivation. It is depressing when you think another round of redundancies is around the corner. You watch colleagues leave for other jobs and wonder if you will be the last rat left on a sinking ship. There are always questions about why a particular person has been made redundant and not someone else, or about generosity of pay-offs.

For all these reasons, a downturn is a real test of leadership. Managers just get on with the job, following processes and procedures, but the role of leadership is to provide moral strength, a sense of purpose and direction, and give confidence that the right things are happening.

Keep motivated and focussed

If you want to motivate others, keep motivated yourself. Remind yourself why your team is important. Help them to see the value of what they are doing. Connect them to the end customers, to those who actually benefit when the job is well done. Help each person in your team to understand why their own role really matters.

Life too short to waste on things that don't matter

Life is too short to waste on things that don't matter, on things you are not passionate about. If you don't think the fight is worth it, look for another job and leave as fast as you can. Yes it is harder to make a personal change in a downturn, but at least make a decision today and start looking. You will find it impossible with integrity to lead others to do a job which deep down you think is a waste of time.

New leadership styles for tomorrow's challenges

Old ways of working break down when life is changing very fast. So be flexible in your thinking and in how you put teams together. Look for unusual ways to solve problems. Include radical thinkers in the mix. Make sure you are clear about your objectives, and review them regularly. Be open to new ideas and welcome criticism. Don't be defensive when someone challenges the old ways. Reward those with fresh ideas, who develop innovative solutions.

Make sure you take your team out on a regular basis to review the bigger picture and develop new, practical ways to solve problems.

Take every opportunity to delegate and empower, within clearly understood boundaries, so that you also minimise risk at the same time.

Stop checking your e-mail every 45 seconds. Often I ask executives this question: if you were involved in a major car accident and were in intensive care for two weeks, do you think your team would collapse, or do you think they would probably rise to the challenge and grow in their own leadership? Usually their answer is they think the team would grow.

One of the fastest ways to prevent leadership growth is to micro-manage: replying to hundreds of e-mails a day about things that have been delegated already, or should have been. Commenting into large numbers of areas where people already have skills, competence and experience. Leaders often assume that efficiency means intensive 24 use of Blackberry or other hand-held communicators, but the opposite can be true.

Yes, communicated around the world at the speed of light, monitor changes and respond fast, but don't confuse electronic noise with powerful leadership. The stronger your lead, the less time you need to spend picking up the pieces.

Cash is King – but only if you know how to use it

Remember that the greatest opportunities of all come from decisive use of cash to buy up assets that will have great future value, at very low prices. That requires clear thinking, teams with imagination to leap from the known to the possible, attention to detail (easy to make a big mistake in a hurry), and making sure you do not over-extend yourself. Leave enough margin for

unexpected costs both in the existing business and in sorting out the one you have just bought.

Out of the fire comes pure gold

In twenty years time, thousands of MBA students will be doing case studies on companies that rose from the ashes. Corporations that defied analyst predictions and managed to re-invent themselves through the crisis, emerging lean, fit, and well adapted to the future. Corporations that went on to grow rapidly in a sustainable way.

Will you be one of them?

Article by [Patrick Dixon](#) - updated May 2011, updated June 2011