

MAKE STRATEGY HAPPEN
MiL DAYS 2009

Strategy is Much More of Thinking and Execution than Planning

Peter Lorange

MiL
INSTITUTE

Strategy is Much More of Thinking and Execution than Planning

Peter Lorange



What happens when new strategic propositions (primarily from research) “meet” the best of practice (prescriptions)? How is strategy created in the “meeting place” dialogue (propositions and prescriptions)? Why is this meeting place often not working? The presentation draws upon practical experiences from IMD, a Lausanne-based business school, which has achieved a strong position when it comes to academic value creation. To make leading academics and top caliber executives work together in a “we, we, we,” mode while, at the same time respecting these top performers’ need to have a “me, me, me,” profile has led to a unique implementation of challenges that are discussed and illustrated with examples.

Peter Lorange, Dr. Dr. h.c. DBA Harvard University, also has several Honorary doctorates, including one from Lund University in 2008. Peter is Professor of International Shipping at IMD and was President of IMD from 1993 until March 31, 2008. His areas of special interest are strategy, global strategic management, strategic planning, strategic alliances and strategic control. He is Chairman of Global Praxis, and serves on the Board of Directors of several corporations. His latest book is *Thought Leadership Meets Business* (2008).

Extracts from a forthcoming book:
(Draft, February 3, 2009
Not to be quoted)

**To Lead in Turbulent Times – Lessons
Learnt and Reflections on the Future**

by

Dr. Dr. h.c. mult. Peter Lorange
*Kristian Gerhard Jebesen Professor of
International Shipping, IMD*

Section Four : The Critical Leadership Tasks

There will, of course, be a virtually endless amount of decision-making tasks that an organization with its leader will face. I shall not attempt to make a listing of that here. I also realize that to come up with a comprehensive list might be next to impossible! Still, as I see it, there are three sets of decision-making tasks that may be particularly important to address during periods of high turbulence. Let me discuss each of them here:

- Strategic choices, to enhance the revenue.
- Decisions regarding the organization – is it right-sized? Is it too complex?
- Decisions regarding the organization’s mode of functioning, how to impact the chemistry in the organization – more speed!

The strategic refocusing task is undoubtedly the most critical. I shall discuss this first. The other two tasks must also be dealt with, to have a realistic possibility to impact the organization’s ability to survive – even thrive during crises!

IV-1 The three critical decision-making tasks

Focus on key strategic choices – to enhance revenues

Perhaps the most critical decision that leadership must focus on would be *which* major strategic paths to follow (choice of niches), to generate more immediate revenue, focusing on “low-hanging fruits”, and how to *reconcile* the (analytical) left-brain leadership focus with that of the right brain (more humanistic). There are strategic processes where the leader may want to be active, such as revenue planning, controlling around this and HRM around the sales/field force. Even issues relating to finding a balance between work life and private life, including pursuance of hobbies for the leader, are indeed important strategic choices would have to be linked to the strategic focus of added revenue generation, critical during periods of high turbulence. Let me now discuss all of this some more.

A good strategy implies which segments to focus on, and how to compete in these segments. I have earlier argued that to pick business segments that offer growth, without too excessive competition, will be key. *Within* the chosen business segments I have argued that another key is to apply a balance between new business development and taking advantage of well established business positions – top line *and* bottom line growth (see Chakravarthy and Lorange, 2007). But during turbulent times the bottom-line (shorter term) focus will, of course, become relatively more important.

Strategy thus means *choice*. Focus is needed, both in order not to spread one’s resources too thinly, as well as in order to allow for the people in the organization to come to understand how to generate revenue within each key niche. A rather simple basic strategy is thus called for. More complex strategies – elegant as they might be on paper – might not result in the necessary buy-in from the people in the organization – in practice, they would simply be too complex. What matters during a high degree

of turbulence would be relatively straight-forward revenue-generating strategies – above all if they can focus on “low-hanging fruits”.

Strategic choices are not always popular. You lead because you have a mandate from the organization – people *want* you to be in the lead when it comes to choices that need to be made – easy ones as well as more difficult ones. In this context, it is key that a leader will always be exposed to inputs from members of his own organization. It would be critical that such bottom-up “facts” are checked out through several sources. If not, the leader might be trapped by following one side’s point of view, in extreme cases even opinions or, worse, manipulations. To continue to be open to further strategic developments – not to become defensive – would be key. But the strategic focus must of course always be there, namely strong, realistic revenue-generation, not merely untested strategic concepts. To allow “all flowers to bloom”, and to okay all bottom-up initiatives, will not do it.

Strategic processes, such as those focusing on planning, control, information technology and HRM have come to play central roles in many large companies. I shall, of course, not discuss them in full here (see Bottger, 2008) but rather focus on how these might assist the leader in making strategic choices during turbulent times.

Planning processes might facilitate the choice of strategic direction, the selection of which niches to follow, and may be particularly compatible with a meeting place process where systematic bottom-up inputs get reconciled with the leader’s top-down view. This process should thus be interactive and iterative. It can lead to a stronger sense of legitimacy for the strategic choices being made – now done broadly by the organization and not imposed by the leader. The focus of the strategic processes – and on the strategic choices – must of course primarily be on revenue-generation.

Similarly, the control processes would be built up to enhance interaction and iterations around the revenue side. These would provide a vehicle for the leader to see to it that financial resources are allocated to the strategies of choice. Similarly, the control processes will give the leader a realistic way to gauge how the revenue-enhancing performance is accruing – of fundamental importance during turbulent times.

The IT strategy might give the leader a view on underlying factors for generating revenues, such as relevant costs, purchase prices, etc. that could establish corporate-wide views, rather than allowing various organizational entities to follow their own ways of collecting and reporting on information. As such, the overall leader might become much more focused on top of the revenue-generating issues (Killing – Globe cases).

The HR processes have already been alluded to. To have a strategic focus on “who” gets assigned to “which task” will be key. As discussed, HR processes often tend to be non-strategic, rather bureaucratic instead. What will be called for during periods of turbulence is to identify and further develop those who can sell, who can bring in the revenues. Those who might not have this ability should be asked to leave!

It will be key that all of these processes provide fair and open bases for dialogue. There will always be a danger for the leader that “owners” of these processes take on views that might further their own interests, rather than those of the leader. This

might be particularly key when it comes to HR considerations, where one person's view might often be subjective. Careful multi-source checking out of HRM "facts" might save the leader many regrets later on! This should be relatively easy to achieve during turbulent times: Does an executive have a propensity for revenue generation or not?

It seems critical, in summary, that a strategy, chosen by the organization under the auspices of the leader offers sufficient opportunities to grow in revenues. It could be seen as "grow revenue or die". Why? Why is growth in revenue such a key dimension for the leader?

Growth in revenue allows for new opportunities for the members of the organization. Even during super-turbulence, there might be new opportunities, with novel eclectic challenges. New human talents can thereby also be attracted to the organization. It will be easier for the leader to enhance renewal and creativity – a particularly difficult leadership task during periods of stagnation or shrinkage. But with a reasonable positive revenue flow, there would be more options!

Clearly, revenue growth is key from a business renewal point of view too. New business seeds need to be planted today – to enhance top line growth - and in turn become the basis for the generation of free cash flow some time in the future. Growth is thus synonymous with the very survival of the organization – not only for turbulent times but for always!

It is perhaps paradoxical that many rank-and-file members of an organization might be less than fully committed to revenue growth. It may perhaps be seen as easier – in their eyes – to achieve their bonuses in less-to-no growth contexts. They might be comfortable with the status quo, rather than pushing to increase the quality of the existing average through growth. The good leader must therefore be prepared to push for revenue growth during super-turbulent times. A laissez-faire attitude to this among people in his/her organization may in fact put the very firm in danger!

Regrettably, one has seen in the past that some leaders might go for "easy profits", to boost own bonuses, and then perhaps plan to leave. Several of the scandals over the past years within the financial service sector, above all, seem to point towards this. Many top leaders took out enormous individual bonuses during the recent years, preceding the present crisis.

We saw earlier that a strategic decision might be viewed along two lenses – an operational focus, as well as a symbolic level focus. This can perhaps be seen as analogous to the left brain and the right brain. It is well established that the left side of the brain is analytical. Here, tasks such as to pick growth segments are key. The right side of the brain, however, is more human, focused on interaction and true listening. The right brain is concerned with building bonds! Both sides are, of course, critical – one cannot go one way or the other. Here are three tradeoffs that call for this balance:

- What the leader instinctively may want to do vs. what he/she feels that he/she can do when thinking about the consequences. For instance, can he/she go for easy growth, if this involves what can be seen as utilizing weak arguments?

- How can he/she reconcile the external, business side *and* the internal, organizational side? For instance, growth might come from products that one internally might judge as substandard, outdated, even unsafe!

- The leader will only have a finite time-and-personal energy resource. Both sides must be handled well. This requires that the leader must be realistic when it comes to his/her energy. It must go to both sides! This implies that only so many strategies can be pursued. If too many, both sides might not adequately be addressed.

As we have seen so far, it goes without saying that to be a leader clearly requires hard work. The leader must be willing to put in a full effort. A dysfunctional consequence might be that the private life might suffer. This is thus an important strategic choice. The leader cannot expect to be effective unless he/she puts in the full energy that the task requires.

Still, it is a matter for the leader to use common sense in how he/she spends his/her time, say, on travels, during the weekends, etc. A strong family life would be critical too; it is likely to provide the leader with an added perspective, a better judgment, and a more effective way to generate revenue. Thus, many good leaders increasingly recognize the importance of a work – family balance. Since most leaders are driven, it can be hard to maintain a good balance over time – the leadership task may take more and more! It remains clear, however, that a leader who faces turbulence will probably be better equipped for the task if he/she has a balanced work-family life.

Hobbies can equally provide a sense of balance in the leader's life which might – in the end – be critical for better judgment regarding how to handle turbulence and then also his/her ongoing motivation. There are many sports that can lead to this type of balance. Let me, however, here focus on three sorts of sports that I have found to be particularly rewarding in terms of created the above-mentioned balance, so as to better cope with turbulence.

- *Sailing*: This can enhance an individual “me, me, me” dimension as well as group one, as a better understanding of the “we, we, we” dimension. For several years I sailed the single-handed Finn dinghy, and represented my home country – Norway – in two Finn Gold Cups. The pleasure of concentrating on handling the waves and the wind was fantastic! Later I became a crew member with my father in Ocean Racing. We were 10 persons onboard. This created a great sense of bonding, a strong feeling of the importance of the team! Both sports experiences gave impulses to set crisis management and super-turbulence in perspective.

- *Skiing*: This involves the development of coordination to be able to tackle different conditions at some speed, to be in control. The sense of control, coupled with a strong outdoor life experience, provides unsurpassed inspiration – also critical to tackle super-turbulence.

- *Golfing*: Most of us know that in this exceptionally demanding game, a new game starts at each hole. Bad plays at previous holes must be put behind! One must be modest. One must concentrate on the future. The past is irrelevant! These are

equally key insights for handling turbulence, to create more balance, so as to enhance the ability to deal with difficult times.

All these sports provide potentially excellent inputs into a leader's life. Above all, it is about *balance*. Individual performance, teamwork, control, modesty and concentrating on the future are all key learning points for the leader, invaluable strengths for coping with turbulence.

In summary, it is all about developing strategic niches that can generate revenue. Low-hanging fruits are fine! It must be realized that strong revenue-generation – a good cash position – is particularly important during turbulent times. Revenues/cash provide a source of flexibility and robustness in crises! The strategic focus must shift toward this, and less toward short-term profits. The top line matters relatively more during tough times of crises!

2. The organization unit – is it right-sized?

As stated, superior organizational performance is likely to come about when there is a strong interaction between new propositional ideas and established prescriptions. These two would meet in the “meeting place”. We have seen how the emphasis on one side of several dilemmas versus the other can impact the chemistry of the “meeting place”. And the four basic characteristics of good leadership must, of course, also themselves be a place for the “meeting place” to work.

If the organization is excessive, then a good “meeting place chemistry” is less likely to work. What does excessive mean? Either it could be that there are simply too many people in the organization. Only with lean-ness can the “meeting place” work – only then can turbulence be handled effectively. Too many people – too much slack – would probably hamper the coping with high turbulence.

It could also be that the mix of people might be dysfunctional for coping with super-turbulence. Maybe there are too many propositional new thinkers? Or too many prescriptive, best-practice-focused traditionalists? Or too many left-brainers/operatives? Or too many right-brainers/symbolists? To have a reasonable balance of these competences, so as to cope effectively in turbulent times, is key. I shall spend a lot of focus on organizational right-sizing to achieve this, in my discussions in the next sections.

So, right-sizing is the major second decision that needs to be debated at the “meeting place” during super-turbulent times. Such a decision would need to be approached by reconciling propositions regarding new ways of approaching this, with prescriptions regarding how this has been solved through best practice until now. Restructuring and right-sizing might perhaps be seen to fall into four areas. Obviously, this would include decisions relating to the shape and form of the organization itself. Let me now discuss each of these.

The right-sizing tasks would be those that have to do with the very delineation of how the organization should look, including focus on teams as (hopefully) the backbone for structuring the organization, the issue of size, including global reach, etc. How

large and complex should the organization be? Here, as always, it should be noted that our leadership dilemmas take on different shapes in different organizational contexts!

- The team in the organization is key, as always. And how do we instill leadership into a team, to set the base for higher organizational performance. This would be in contrast to the more traditional, focusing leadership on individuals, say, grouped into formal SBU, departmental and/or divisional structures, perhaps more fundamental during more normal times.

- Size, i.e. how leadership seems to be different in smaller vs larger organizational entities. Why should leadership attempt to achieve *scale* advantages in some contexts, while this might be less critical in other.

- The attitude issue would be key here, namely we – we- we, *not* me - me – me. Leadership plays an important role achieving this. For instance, when members of the organizations give presentations it is important to observe that they must talk about “our team”, not “my team”. The latter indicates that that particular leader may see himself as different, perhaps as superior, and/or that he has a sense of status-seeking, even need to show power which would be dysfunctional in turbulent times. It is the entire team that matters during a crisis! As the President, Chairman and CEO of 3M, Robert Buckley says: “We value individual performance. But we value team efforts equally much. Giant egos are not welcome here”. (Source: Buckley, G., Presentation at Nikkei Conference, Tokyo, November 28, 2007).

It is then up to the leadership to develop this “we - we- we” attitude. Partly the leader at the top must practice this himself, by talking and dealing with “one team/one organization”, not *his* hierarchy! Partly he/she be consistent in pointing out that he/she does not accept organizational members who talk about and/or practice a “me, me, me” approach, rather than “we, we, we,”. In the end, the leader must be willing to remove those members of the organization that are unwilling to/unable to live up to this. Arrogance and bureaucracy can be strong signals that something is “wrong” with the culture during turbulent times. When the sailing is smooth this might pass, however. Leadership to enhance a “we, we we attitude” is thus needed both internally and externally. Internally it is key that all members of the organization consider themselves as being part of the team. The performance of the organization will probably be less if not all members are on board – fully committed.

Externally, it is of course the same. Partly, this can be seen as selling the capabilities of the organization, not of one of particular members. This is critical for revenue generation and is a matter of coordinating efforts vis-à-vis key clients. Selling is thus often done by several members of the team, even at different locations. It is the coordinated efforts of many members of the team that makes a sale happen. Leadership is clearly needed to break down tendencies of individual “kingdoms” here – to foster a more team-based sales-force. Also, some managers consider themselves too important to be with customers. This is a clear sign of lack of leadership – the customer should be – must be – in central focus. All of this is central for organizational survival during turbulence.

- Right-sizing does also have a lot to do with responsibility to team and to society.

Leadership is also needed to develop a sense of broader responsibility among its members – to the broader team, as well as to society. An individual is thus *not* responsible only to him/herself. This would be an important stimulator of performance – that the team, even to society in a broader sense, depends on each individual doing his job. Lord Nelson’s famous message to his men at the opening of the battle of Trafalgar says it all: “England expects everyone to do his duty”. (Italics added)

- How do we deal with non-team players? What does the leader do? Here are two useful “principles”:

- Action must be taken, as already discussed – first feedback, but eventually dismissal. But it will be key not to bring this person down, to build oneself up.

- A good leader must not be taken hostage by difficult persons, but bond with them, dialogue with them, neutralize their hostility. A “me, me, me”-oriented sub-leader must not be allowed to get away with this because of other strengths that he/she might have.

While it might be easy to suggest that non-team players should be asked to leave, this would typically represent a too simple solution. Instead the leader would need to work with the individual in question. Maybe even a slight change to the better could be achieved. In the end, what matters is the degree of positive contribution that the non-team player might contribute. Patience would be asked for, to see through the fingers regarding some of this, as long as a positive contribution is there. And, it will be key, of course, that this is not seen as a show-down with the leader as a loser! In the end the organization must thrive on variety – to have only “yes persons” aboard would not lead to top performance. As Mandela says “you need to work with the enemies too!” The problem is that there might not be all that much time when things are turbulent.

- I have been building much of my approach on one or more well-functioning “meeting places”. These are committees. How can they be more effective so that speed is kept, and that top-down direction is still maintained? Committees can of course end up consuming endless amounts of energy and time. This is almost always the case when there is no top-down direction. The leaders thus will have an important job to help instill top-down direction, be involved, encourage action orientation, moving forward, etc. Speed and efficient use of organizational energy are key! This represents a particular leadership challenge when it comes to times of turbulence.

The size issue has to do with how leadership seems to be different in smaller vs larger organizational entities. Why should leadership attempt to achieve *scale* advantages in some contexts, while this might be less critical in other?

- An important area of concern will have to do with what would be optimal size itself. While I have come to believe that size is key, there might nevertheless be a certain beauty of smallness. Bureaucracy can be killing, perhaps, particularly when times are tough. Smaller and nimbler can be particularly key then. So, is there a scale effect and when would scale really matter? Would there be a minimum efficient scale when it comes to various activities, such as finance, marketing, accounting, etc.?

- Maybe that leadership in smaller contexts might have many of the real challenges of leadership, more so than for leadership in larger, more bureaucratic organizations? Focus and simplicity seem particularly key for smaller organizations. Perhaps a focused niche approach might work, where size may not be that much needed, except for perhaps when it comes to *brand recognition*. This seems to be the case with IMD, for instance.

3. Mode of functioning and creating a strong chemistry in the organization

This class of leadership tasks would be those that relate to the mode of functioning of the organization. It is perhaps particularly key that these types of issues are addressed during turbulent times. They can easily be overlooked, but this can lead to dysfunctional outcomes!

The first set of issues for the “meeting place” calls for organizational openness, and tolerance for honest feedback. It seems important that the leader actually takes feedback – listens and learns! These issues may be sensitive to bring up in the “meeting place” debates. Hopefully, there is enough of a culture based on trust to allow for this. Such a culture becomes particularly key during turbulent times. He/she must also give feedback him/herself on a regular basis. This must be thought through, and signifying that the leader shows interest. This will, in turn, stimulate excellence.

The leader will have an important task in shaping the culture of the organization. This would reflect his/her basic views on several aspects of culture, such as:

- Openness and trust

- Attempt to avoid unnecessary bureaucracy. It is essential that he/she focuses on to keep it as simple as possible, down to the basic values! Such pragmatism would be particularly key during difficult times.

- A strive for the best, and to accept only this. This might be labeled “elitism” but to go for the best is key, even with this potentially negative connotation. One should not forget that this may be particularly valid during adverse times, with perhaps many temptations to compromise on quality – with time – and/or cost savings as the excuse.

In order to actually achieve the culture that the leader might want to see, he/she may have to put particular emphasis on frequently repeating his/her messages regarding the organization’s core values. It will be important that he/she is consistent with these messages – and they must be simple and clear in order to work! The “meeting place” agenda should have room for this – perhaps at every meeting!

As discussed, now and then the leader may, of course, have to take tough decisions, particularly when it comes to the staff side. While, on one hand, a good leader must be prepared to work with both friends and foes, it may, on the other hand, be finite limits to how much opposition he/she might tolerate before it becomes dysfunctional. It could slow down decision-making and cause confusion. Also, it may simply be that a particular individual may not be deemed as strong enough for the organization. Whatever the reason is, decisions to let someone go tend to give definite signals regarding the expectation for constructive performance from the rest of the team!

Such dismissals come at a cost for the leader, and must only be done when it is relatively easy to understand for all. The leader cannot risk divisiveness during downturns!

Let me now once more return to the “we, we, we”, not “me, me, me” issue – this time in the context of culture. Perhaps the former can be seen as analogous to *farmers*, while the latter as analogies to *hunters*! The former would be people that tend to *collaborate*. It is important for the leader to be consistent regarding what type of collaboration he/she would prefer here. For instance, cooperation on marketing, selling, i.e. *revenue generation* may be particularly key. The organization’s strongest profile may thereby be presented to the customers! He/she can definitely signal his/her preference, have an impact regarding this, when it comes to feedback, appointment decisions, etc. There is a potential dilemma here. While my sense is that, on an overall basis, a “we, we, we” culture should (and must) be the dominating one, I also recognize that each individual must be of top caliber. Some individuals may, for instance, be particularly effective with specific clients. Still, there are not “my customers” but the firm’s! Individual excellence is true both for individual leaders in a business organization, as well as for individual faculty in an academic institution. The challenge would be to strive for a culture that encourages individual performance *within* a team context. A prima ballerina is outstanding as an individual, but must recognize that she is nevertheless part of the corps de ballet, the team. The same is true for all members of the organization.

Discipline is another side of leadership. While we all probably agree that hard work is key, it is important that the leader shows the way through his/her own example. The leader would typically have to work as hard as everyone else, to gain the respect from the others in the organization. Only then can *they* be expected to work hard. Also, however, to keep the organization from mushrooming, the leader must simply put in long hours.

But it is, of course, not a matter of hard work only, but also to set good priorities – to pick those battles that can relatively easily be won during periods of crises, to focus on the low-hanging fruits. While many leaders may be busy working on internal processes, priority number one – it seems to me – should still be to work with the customers. Revenue generation will be key during difficult times. Internal tasks, say, strengthening the IT system or the HRM system must not become sources of escapism. Speed is key here! Too often one sees that the culture becomes nothing more than an internal “debating club”. It is important to keep in mind General Schwartzkopf’s words: “When in doubt, do the right thing” and “When put in command, take charge”! Or, as a former senior leader of Nokia said when comparing Nokia and Ericsson: “We have equally strong technologies, and equally strong marketing. But our decision-making styles differ. We both discuss and debate only. This leads to a decision, which we then attempt to implement. At Ericsson the debate starts again, i.e. slow implementation”! The leader will have a major responsibility to push for speed, get things done but, of course, in such a way that proper analysis and discussion can take place – another dilemma!

So, leadership will definitely have to be concerned with the fundamental chemistry in the organization –its soul, its spirit: curiosity, creativity through eclecticism, and to see to it that it is offering an interesting and attractive place to work, including

opening up for meaningful career paths. To focus on these issues must not be forgotten during difficult times – they are part of the “meeting place” debates but must, of course, be dealt with through focused dialogues.

It should be recognized that in today’s business world most problems tend to be cross-functional. This calls for eclecticism. To pick teams when all relevant competences are included is critical – above all in a crisis! Highly specialized functional teams tend to be less effective. Thus, to appoint eclectic teams might counter-balance a silo tendency. What is important is to encourage an “out-of-the-box” thinking – a “can-do” approach! This will have important implications for what might be individuals’ development paths and career patterns, namely based on being transferred around, not to specialize within a narrow function, not to be part of a silo-based organization! The HR function becomes particularly critical when it comes to putting together such teams during periods of crises. The “meeting place” can prepare the ground. In the end it is, of course, the leader who will have the ultimate say.

To foster curiosity is also a key task for the leader. Obviously, this implies a search for newness, and the welcoming of new ideas. But beyond this the leader must create an acceptance for “the curiosity associated with a meeting place”. He/she must encourage research for new propositions, and this must be met with the best-of-practice prescriptions. The dialogue between the two – between propositions and prescriptions – can only flourish if the organization is driven by curiosity. This too means that executives will have to be expected to be moved around, not to “hide” within functionalistic silos! This curious optimism is particularly key during difficult times. To fight pessimism, and instead foster a “can do” spirit will be key!

This issue of careers can be particularly key during adverse times, above all to avoid losing key people. This has at least two sides – both when it relates to the careers of those who are in the organization, as well as of the leader him/herself. For both one would call for a focus on the potential upsides in the future. To avoid a sense of favoritism will be key. To follow seniority will not work either. Crisis times simply require the best persons to be picked for the tasks!

Let me first discuss the career development issue for those working in the organization. I have already in part touched upon this, to create interesting and challenging tasks through job rotations, new tasks, broadening of one’s horizon, rather than functional specialization. It is thus also important that, within this context, the leader sees career issues as a way to both give feedback – in the case of promotion – on what constitutes exceptional performance, and also make use of it as a way of motivating and developing the people in the organization. Even though things are tough, the members of the organization should be given challenging tasks and with sufficient variety!

Partly too, adherence to a stimulating culture will have to do with the career of the leader him/herself. His/her career may appear to be random, but is it really? The leader must prepare him/herself for the next move, be positioned, be ready! To strive for a broad experience base is key here, including a positive view regarding international assignments! But he/she must of course have a purpose! There has to be a genuine commitment to the organization rather than to “me, me, me”!

But he/she must also be opportunistic - take it when offered! He/she must *like* to be a leader! It is a common say that it is “lonely at the top”! In my experience, this might not be so. The leader likes being with others – internal *and* external stakeholders. He/she should not be introverted! To go through an eclectic career development that ensures this is key. The leader must thus not be reserved – he/she must enjoy being with people! This is, of course, particularly key during difficult times – the leader’s openness and positive spirit would be a particularly key motivator here!

I have now discussed the key decision-making tasks during periods of crises, and attempted to demonstrate how the leadership dilemmas can be applied to address these, above all in the “meeting place” debates. We recall that here key decision areas are:

- Key strategic choices – above all for how to realistically boost revenue.
- Right-sizing the organization around simplified organizational units.
- Mode of functioning of the organization through creating a strong culture.

For each of these three classes of decision-making challenges, I have thus attempted to discuss how each of the four major leadership dilemmas might play out by setting the tone of the deliberation – in the “meeting place” and in general.

IV. My own journey toward leadership insights for periods of downturn

My own experiences have been many too during my long tenure – some successes and some failures. I shall now attempt to relate back to some of the major ones here. To talk about one’s experiences, including failures, can help us. But, sadly we often fail to learn! To have the stamina to learn from initial failures is perhaps particularly key – I, for one, often lacked this! The good leader *has* stamina! To learn from failures is perhaps a particularly important dimension during downturn periods. In many cultures – and for many leaders – one will *not* get a second chance if failing! The result may be less learning and a more timid leadership style! But learning is perhaps particularly key when times are tough.

I shall above all attempt to draw on several salient experiences I had as the president and senior leader of IMD – a leading business school located in Lausanne, Switzerland. These observations may have some relevance, given the fact that IMD has obtained a top ranking among leading business schools – see Exhibit 1. As also noted, the downturn periods should not be seen as hard and long during my fifteen-year tenure as IMD’s President, compared to what we see from mid-2008 and onwards. Still, I believe that my experiences may be relevant.

It should be clear, however, that my sense of what might be good leadership during periods of crises has also been influenced by my more than 20 years within U.S. academia – first as a student at Yale and Harvard, then as a professor at the Sloan School, and at the Wharton School. At Wharton I found myself in the role of an actual leader for the first time – as a Department Chair, head of the Lauder Institute of International Business and the W. Wurstler Center for International Business Research. Subsequently, I became the President of the Norwegian School of Management (BI) for four years, before taking up the Presidency of IMD. While my role within these academic institutions thus shifted from faculty member, department chairman, center head, institute head and later president, I was nevertheless able to see

– from different angles – how downturns impacted institutions. Let me now discuss what might be some key learnings from these experiences, even “mistakes”, and how this led to new insights for me. Above all, I shall attempt to share what I came to see as some particularly key insights regarding leadership during turbulent times.

Let me first analyze the events that led to my being terminated as a faculty member at IMEDE in 1973. I was hired as a young faculty member at IMEDE (now IMD) in 1971, upon completing my doctorate at Harvard Business School. One might recall that the period of the early 1970’s was one with economic difficulties and stagnation, particularly in the face of heavy competition from Japan. I spent most of my time at IMEDE primarily writing articles, cases, etc., including publishing my doctoral thesis as a book. I was not given many opportunities to teach, and did not ask for this either. When my contract was up for renewal after two years, I was fired with the then Vice Dean, citing that I was “too aloof”. Here are some lessons that helped me later, when I was in a leadership position:

- To secure revenue was, of course, key for IMEDE’s leadership, even though Nestlé at the time generously covered all end-of-the-year red ink. To secure revenue meant that all faculty members would have to be “billable”, i.e. teach, ideally a full load. And each faculty member would have to develop a profile to attract the attention from the clients (students, firms) to be in demand. I did not do this. I did not understand that I thereby became a burden on IMEDE financially. A key lesson would be that everyone should be in a position to positively bring in revenue. Without such a market value the person might easily be disposed of, particularly in turbulent times, when the pressure on all to contribute toward revenue-generation would be great.

- Every organization has its core values – at IMEDE teaching was particularly key. One must stick to these core values, and I did not! I did not even understand! To have consistency between an organization and its members is key! I can only assume that this must have been discussed among the school’s senior professors – the informal “meeting place”.

After this I was then virtually immediately hired by Sloan School of Management, MIT. A core value here was “publish or perish”, and I fitted well in with this. Again, the values were aligned!

Then in 1979 I was denied tenure at Sloan, after having been promoted to Associate Professor in 1976. I had worked hard at publishing, including also preparing a synthesis-driven book manuscript on strategic planning. I had mostly worked alone, or with Professor Richard F. Vancil at Harvard Business School. There are important leadership lessons from this too:

- While largely individualistic research outputs would be key at a business school, such as Sloan, one must also *fit* into the team, to be someone who is part of it, and who is contributing to the organization. To work with colleagues should be natural, a *must* when an institution is considering giving you life-long employment. The core values at Sloan were “me, me, me” *and* “we, we, we”. I did not understand this. I was primarily working alone – in a “me, me, me” mode. I was not part of what would have to be a strong team to bring Sloan through the turbulent times.

I was then offered a position as an Associate Professor, with tenure, at Wharton, and stayed there for ten years. After several years I was offered the position of director of the Lauder Institute at the University of Pennsylvania, which was offering a dual MBA/MA degree, focusing on developing international competences, including the mastering of foreign languages. After two years I notified to the then Chairman of the Lauder Institute – Mr Leonard Lauder – that I would leave, to become President of the Norwegian School of Management (BI). I was surprised that the Chairman from then on adopted a much more distance tone toward me. In retrospect, I think that I understood why, however:

- The Lauder Institute was struggling to adapt, to find its place within the turbulent environment of Wharton and the University of Pennsylvania. Key members of the team must show commitment and dedication, above all during turbulent times. When I announced that I would leave the ship, I had effectively excluded myself from the organization. I was no longer seen as having the full commitment to my old organization that would have to be called for during turbulent times!

As noted, in 1989 I was elected the 4th President of the Norwegian School of Management (BI) in Oslo, Norway. The election outcome was as close as it could have been. Support given to me from the students and the administrative and maintenance staff was critical. I did not have much support from the professors and the academic staff. I had announced my candidacy from my base at Wharton and was not able to be present in Oslo until a year after. I had been proposed by the outgoing President (and old friend of mine from Sloan) who might no longer have full organizational support. I did not understand that management succession to a large degree meant developing trust and proof that one would be belonging vis-à-vis the new team – *not* coming in from the outside, and perhaps be seen as a half-hearted person, or even seen as possibly lacking respect for existing values. However, when I was settled into the job, then hard, dedicated work, backed up by practicing a consistent commitment to clear academic values, helped me to have this initially skeptical attitude turned around. What can one learn from this, again with particular reference to downturns and turbulence?

- A leader can only be effective if the key members of the organization *want* him/her to be effective. He/she must be “welcomed” by the core! In an academic institution, such as BI, the academic staff, with the professors, are the key actors – the core. To be elected, or to be appointed by the board, would not guarantee that a leader is effective. He/she must be “wanted”, particularly if he/she is to operate effectively during difficult times.

Then I became President of IMD in 1993. There was nothing less than an organizational crisis at the school. Partly this seemed to have its roots in a less well implementation of a 1990 merger between IMEDE (Lausanne) and IMI (Geneva). Partly too, the revenue base seemed to have become weakened, nonetheless due to the recession in the early 1990s. The market was not growing, as had been anticipated, due to the economic slowdown. The staffing levels at the new school thus became too high – too high cost. This was accentuated by faculty members undertaking executive development work on their own rather than through IMD – in effect competing with their own school! Above all, an atmosphere of “free-for-all” seemed to exist, which

meant the throwing out of allegations about colleagues and the school, without perhaps feeling a corresponding sense of responsibility which seemed to be prevalent, above all among the faculty.

I invited all faculty members to provide their critical inputs – in writing, both in terms of the three most critical “must do’s” as an agenda for me, as well as 3 most critical “must not do’s”, i.e. issues not to be on the agenda. While this helped set an agenda, I still underestimated the degree of skepticism among many.

Several faculty members were then asked to leave, and several others left voluntarily. This then set the course for a more progressive direction. There were several lessons regarding managing during periods of turbulence:

- A clear agenda must be set during periods of crises. This must be focused on raising revenue, above all. While the agenda is put together from the top, it is clearly more effective if it is grounded in the organization. Participation by many in the setting of the agenda is key, for it to become effective, particularly during times of downturn. There will always be key persons who may attempt to block what you are doing. While one must clearly attempt to work with both friends and foes, in the end, there may be no alternative but to ask these who do not buy in to leave. If some members do not agree with the agenda set, then it is perhaps best for all that they leave.

I was on the Boards of Kvaerner (from ___ to ___) and of Royal Caribbean Cruise Lines (RCCL) (from ___ to ___). In ___ I was asked to step down from Kvaerner’s board, and in _____ to step down from RCCL’s board. What happened? I felt that I had worked hard at both boards. In each case I had taken actions, which perhaps by coincidence, aligned me with the President/CEOs of the companies, and also with the Chairmen. I did this because I was comfortable with what they stood for. What could be the learnings from this, again as applied to periods of downturn:

- When I was asked to leave Kvaerner, there was a new Chairman, and the President left soon thereafter. I did not understand that leadership means also being aligned with the powers to be. I was simply not aligned with the future leadership, but rather with the past. My inputs to the realigned board-cum-“meeting place” were no longer seen as adding sufficient value. And all members of this important “meeting place” – the board – must be seen by the rest to contribute! While being asked to leave the Kvaerner board was painful, it turned out to be rather good for me, paradoxically, in the sense that I avoided being embarrassed by a number of controversial board decisions to come later. An important lesson is: Always leave a board when the majority of this body is no longer in appreciation of what you are standing for!

- Re RCCL, one of the leading ownership groups, a family had nominated me. Later they wanted my seat to be taken by a member of the family. This was natural! Again, the lesson was that one must be able to contribute to what the board at any times sees as relevant and constructive. A new generation came in, and I was not part of this!

Let me now turn to lessons that can be drawn from my shipping company, S Ugelstad. The company had been working for Phillips Petroleum (later Phillips/Conoco) for 20 years, with several ships on long-term t/c to them – the latest being the large platform supply ship Active Girl, on a 10-year t/c. Gradually, the tone of the relationship

shifted, from predominantly relationship focused to more and more transaction focus. I approached Phillips in 2002, attempting to ameliorate the trend of less relationship focus to more transaction orientation, based on tenders, bidding and competing solely on the rates. I did not succeed! Cooperative relationships must probably be worked out at the very top, not at the operating/chartering level, where there might be little or no authority for relationship-oriented deals. Except at the very top, there may be less and less room for such relationships too, given the clear shift in competition regulations, which call for more open competition. Executives will thus want to cover their backs by sticking to more easily defensible transaction deals. This may thus represent a true paradox. It would be during periods of downturn and difficult economic times that longer-term, stable relationships would be needed, to safeguard revenue streams. While not in any way breaking the law, the leader must engage him/herself to build such relationships with his/her counterparts at the top.

So far I have tried to highlight some lessons of learning for turbulent times, where I have been rather centrally involved myself. An important additional source of insight regarding what might constitute effective leadership in turbulent times has come from several senior key executives that I have met and worked with. I have attempted to draw on some of what various accomplished leaders that I know have tackled as various leadership challenges during downturns. Which are the useful sides of leadership that these have inspired me to see? What can one learn from these persons when it comes to leadership in turbulence?

Here is a synopsis of insights that some leaders, in terms of key learnings.

Kaspar Kielland (Norwegian), was the former President/CEO of Elkem A/S, former Chairman of Kvaerner A/S, and a board member of RCCL. He focused heavily on addressing the structure of the firm to simplify it, and its business strategies. A planning process built up around SBUs – and not around legal entities – was key. This allows for an effective dialogue between business management and senior management. Many critical issues can get resolved through this bottom-up/top-down process, including some overdue. The firm’s overall portfolio strategy was strengthened, none the least because of a better overall view at the top regarding the totality of the firm’s business strategies. Above all, the structure of the firm and its strategies was simplified. It became clearer what was the core, and what could/should be spun off. Speed was gained with this simplification! A key lesson was that a well thought out planning process might provide the basis for a more effective “meeting place” and then also for simpler, more focused strategies for the core.

Helmut Maucher (Germany), former Chairman/President/CEO of Nestlé, stresses the importance of generating revenue as a key leadership task. Effective marketing, and thereby securing top-line sales, is the most critical function, as he saw it. To establish a global market organization, covering virtually all parts of the world, would allow Nestlé to introduce new products on a broad basis, with strong positive revenue-generating ramifications. Mr Maucher saw acquisitions as a particularly fast way to gain control over additional products to boost revenue. His approach made Nestlé much more robust to withstand downturns in the end, in the sense that the revenue that was generated per head increased and came from more and more regions and businesses.

Fritz Leutwiler (Swiss), former President of Swiss National Bank, former Vice Chairman of Nestlé, and former Chairman of IMD, emphasized that leadership is a job that needs to be done, with pleasures *and* pains. He felt that one must not be given the job as head of an organization to be popular with one's people as such, but must be prepared to take unpopular decisions! What are key lessons for periods of downturn?

- The leader must show courage, and be determined to follow through. He/she must have the “guts” to do this. This does not imply that the leader should act as a “dictator”, however. He/she would be well advised to make use of a “meeting place” focus. But he/she must be firm here, not wishy-washy. To show his/her clear determination regarding direction when he/she would like to take the organization forward must be key. A good leader does not wish to risk being wishy-washy to gain popularity. Firmness is key during periods of crises!

Vito Baumgarther (Swiss), former President/CEO of Caterpillar International and former Chairman of IMD, sees the reward process as key, particularly for the leader, above all to be effective during difficult times. He feels that extraordinary performance should qualify for extraordinary pay – bonus. Bonus should, however, be earned each year. It is not an entitlement. The bonus part of the overall payment package should, in principle, be large! The basis for the setting of the bonus should be a combination of measurable factors and the CEO's review and judgment. To develop appropriate performance measures that would be seen as fair and just would be critical for this.

At IMD, for instance, there was a combination of a group bonus for all, based on the financial result for the year, and of individual bonus, based on research outputs (50%), teaching excellence (30%) and citizenship (20%). With a more difficult and turbulent environment, the teaching and citizenship dimensions might perhaps be given relatively higher weights, to stimulate enhanced revenue generation.

Heini Lippuner (Swiss), former President/CEO of Ciba Geigy, and former Chairman of IMD, emphasizes that research and new thoughts are critical for the long-term success of the corporation. Only heavy involvement by the top leader can safeguard this. This too can be seen as having potentially positive implications for revenue generation during periods of economic turbulence. The research activities should of course be focused on enhancing what can yield reasonable results with some certainty, i.e. better existing products, and even some new products. Pfizer is a company that has shifted to this approach (Fortune, _____). But, more fundamental mega project-oriented, open-ended research might be curtailed. The result might be better products, which then more easily might find customers, i.e. increased revenue. Better products and services are, of course, preconditions for revenue—generation, particularly when things are tough!

Matti Alahuhta (Finnish), President/CEO of Kone, former Executive Vice President of Nokia, emphasizes that to create a “we, we, we” culture is key. However, even in a “we, we, we” culture each executive must be personally accountable. There is no substitute for individual accountability. The good leader depends on this – to be able to trust that each key executive delivers! He has been able to make use of this culture to enhance the revenue side! Kone seems to do the best among the few tough global

competitors it has, most notably Otis and Schindler, in coping successfully in turbulent economic times!

Peter Brabeck (Austrian), Chairman, former President/CEO, of Nestlé, and a board member of Hoffmann-La Roche and Crédit Suisse, stresses that better overall corporate-wide transparency regarding costs, purchasing, etc. is key. An overall IT system (Globe) is of great value for the leader to obtain a unified view of all such key facts. This can also be of great value, particularly during periods of turbulence, because of the positive effect on costs and the breakeven level. While we have primarily emphasized strengthened revenue generation as an effective weapon to make use of during turbulent times, i.e. the top line, the bottom line is, of course, important too. Hence the need to control costs. A low breakeven point is a good source of protection during periods of high turbulence.

Six effective leadership approaches at IMD

I have now discussed what we might learn, to manage in a better way during turbulent times, based on examining some of my own experiences – perhaps above all – mistakes made, as well as insights from six renowned leaders. But I should not hide that my fifteen years as President of IMD also led to insights that might be of value during turbulence. At IMD I attempted to address several management challenges that came from adverse environmental circumstances through leadership efforts:

- To create more curiousness in the organization – above all through creating “meeting places”! Dialogue around how to enhance revenue, how to restructure, and how to improve the organizational culture required creativity and curiousness!
- To instill more of a sense of *doing* things, try it out, learn from potential failures, and elimination of fear of not succeeding. It was key to allow people to try – when they had an initiative! The aim was to increase the *speed*!
- To work more proactively with the Human Resource organization and with controllers, so that this might become more strategy-oriented, less bureaucratic. This turned out to be a formidable challenge, but I believe that progress was made. Again, it was key to have the best persons at each position, with less bureaucracy and more speed!
- To encourage more academic entrepreneurship, above all by backing up those organization members who showed particular initiatives and real propensities to get things done during difficult times! These individuals were also coached to work with designated teams, and to manage this in an inspirational way.
- Although this has been touched upon already, I wish to stress, as a separate point, to work relentlessly to keep things as simple as possible is crucial – decision-making routines with rapid feedback, organizational structure, decision-making processes, and administrative routines.

All of these issues are, of course, particularly critical during times of high turbulence.

Let me now discuss each of these leadership approaches – in some more detail.

I saw curiosity-orientation as a key issue to create *meeting places* at IMD where new propositional thoughts, primarily from research, could “meet” the best of practice, solid prescriptive viewpoints, as discussed. It was this very interaction – between new thoughts and best practice, between propositions and prescriptions - that seemed to create high creativity value. In line with this, my energy as a leader seemed to be well spent on contributing to more effective meeting places. Here are some examples:

- In the classroom, the professors were encouraged to bring forward his/her latest new thoughts – typically from research. This would then be discussed among the outstanding group of leading practitioners that typically attended IMD, signed up for a given course, and from all over the world. In many cases, interaction among these two sides would then lead to new insights, a deeper understanding, better learning, and also higher quality research!

- *Discovery Events*. These were shorter events where specific research results – propositional insights from faculty members – would be presented to groups of qualified executives – to get their reactions, their prescriptive inputs. Again, the idea was to create interaction between the two sides – a meeting place. Often it worked well – deeper understanding and better research too!

- *Webcasts*. Here new ideas – new propositions – would be presented by faculty members on the web. Practitioners from all over the world could then react – by providing their own prescriptive insights via emails. This was thus a virtual meeting place and, at times, it did not lead to the hoped-for results. But now and then it worked – with outstanding outcome!

To strive for more action orientation was another aim. Those members of the organization who proposed particular initiatives were generally encouraged to try things out and, above all, to do this in an expeditious way. Analyzing the pros and cons, perhaps to virtual paralysis of such initiatives was discouraged beyond a certain point. It was better to try it out and to learn from it!

When things did not work out as we all might have originally intended, and this was of course often the case, then it was a key job of mine to help minimize criticism and stigmatization. It was allowed to fail, as long as the initiative was well thought out and intended, and also as long as one learnt from it, and then to hopefully come out even stronger. But to fail on a consistent basis, i.e. allow the time, was not tolerated!

To develop more action-oriented Human Resources Processes and control was also a key aim. For me it was particularly important to ensure that IMD would attract the best talents we could get in all positions, as already mentioned. Even though it was impossible to measure, every new hire should ideally be felt to lead to an increase of the *average* capabilities of the entire organization! Similarly, importance was attached to achieving more meaningful job assignments, job rotations and job developments. What was seen to fundamentally matter was the brain capacity of each person, much more important than whether he/she possessed specific skill sets. A strategic focus would thus clearly also be needed, so that everyone would get an opportunity to work in positions where he/she might contribute the most to the organization. The bottom line was to attract the best brains, however, and that this

generally would give better results than filling a specific job description.

Top management's leadership comes into play when it comes to working with HRM assessment of performance too. I spent about six weeks per year to go through every faculty member's research output. Jim Ellert, IMD's Senior Associate Dean, spent a similar amount of time going through the classroom contributions and contribution toward citizenship. The faculty members would get individual feedback every six months, when Jim Ellert and I had one-hour individual meetings with each.

There were bureaucratic elements of HR, but I allowed these – perhaps mistakenly – to move forward nevertheless. Most notable was an 8-page performance assessment form for staff members, to be filled out by their superiors. This not only took a lot of time, but it also caused broad-based agony. Many of the “answers” in the end seemed to duck true performance deficiency issues. In retrospect, I learnt that an important leadership task is to work against the mushrooming of bureaucratic practices - however well intended they might be.

Control processes, particularly budgets, are of course useful and needed. But they must be kept within a reasonable focus. For instance, budgetary targets were generally useful when it came to the revenue side. When it came to costs, it was probably more effective to appeal to everyone to act “as if he/she would own the organization”, however. Spending limits, say, for airline travel, hotels, restaurants, etc. were useful, to some extent. Good judgment always works best, in the end. Thus, the budgets should be seen as guidelines, not as vehicles, allowing for senseless spending.

Similarly, when it came to faculty's bonuses and incentives, these were deliberately decoupled from the budget. After all, there would be a lot of randomness if linking bonuses to budget fulfillment. For the so-called “field force” (sales force) incentives were for a while closely linked to the budget, but this did not seem to work well. First of all, revenue targets were perhaps deliberately set low. Also, the sales efforts for a given year were typically diminished when the target was reached. Instead there seemed to be more of an effort to build a revenue pipeline for next year! When things are turbulent, in particular, it seems to be critical to go all out regarding revenues to be achieved, i.e. *not* the approach just outlined.

It was important, above all, when it came to the establishment of unique strategic initiatives that the budgetary process should not be allowed to dominate. For instance, when IMD attempted to start new research centers in Shanghai and Mumbai, I was faced with the dilemma that there were no resources earmarked for this in the budget. My response to the controller was “to find a way”, which indeed was done. In the end there was enough slack in the budget to make this happen. A tight budgetary discipline, at the outset, might have killed these initiatives.

My advice would be to either follow a budgeting process with a lot of slack, which was done at IMD, with the potential dysfunctionality that to effectively control all aspects of progress, according to budgetary milestones, might be harder then, *or* to develop a rather tight operating budget coupled with a strategic budget, under the discretion of the leader, and for strategic initiatives and purposes only. While we did not follow this approach at IMD, my recommendation would still be to adopt this.

It will always be critical to have internal entrepreneurs in an organization, i.e. those persons that can spearhead, come up with good ideas, and carry them out! As a leader at IMD I always looked for those that would have such drive and insights, such as willingness to expose themselves. As long as the idea was generally in line with IMD's strategy, I almost always supported it. Those that came up with new initiatives were backed up. To say no here would carry a high cost!

There were two *quid pro quos*, though. First, the idea initiator – the internal entrepreneur – was asked to nominate a team that would work with him/her. This team was typically cross-functional, not merely consisting of the internal entrepreneur's friends. Second, the internal entrepreneur was "tested" regarding his/her leadership approach to the given project. If he/she talked about "my team", I typically came up with reservations, even withdrew my support to this entrepreneurial project. When he/she stressed "our team" I felt reassured. It seems key that the internal entrepreneur understands that the likelihood to succeed tends to realistically much higher if he/she leads the team through an inspirational approach rather than in an authoritarian way. "Obnoxious Einsteins" typically do not make it!

As the leader I saw it as a perhaps most important task to back up and stimulate such internal entrepreneurship initiatives. Often these would run contrary to power bases within the organization. Hence, support and "ground coverage" was needed. What truly mattered was the fact that the effective internal entrepreneurs *got things done!* As long as their bottom-up initiatives were roughly in line with IMD's overall strategies, this was fine. Progress was made towards the overall goal, even though perhaps within slightly different directions than I had preferred.

I have already alluded to the fact that issues often tend to become perhaps unnecessarily complex, take too much time, and too many meetings, before a decision can be made. Some of these issues keep on being debated, even after a decision is taken! They keep taking organizational energy!

As a leader, I was always attempting to keep the decision-making processes as simple as possible. Partly, this had to do with discipline in getting back to various members of the organization promptly, especially in case of email requests. Many decisions could thereby be effectuated more or less immediately, without holding up the organization. This type of "real time" management would be particularly critical during difficult economic times.

Partly too, all key meetings were mostly held on the last Friday of each month – the so-called "Operating Committee", where all those directly concerned with the marketing/administration of IMD's offerings were present, the "Faculty Recruitment Committee", where the hiring of new faculty members was discussed, the "Strategy Committee", where major strategic initiatives were discussed and finally the "Faculty Meeting" (six times per year) where policy issues of particular interest to the faculty were debated. These were in fact "meeting places", and held in a time-and-energy-efficient way, particularly important during downturns, when the members of the organization would be particularly sensitive to not wasting time and energy. This structure thus led to *both* decisiveness and speed, *as well as* enough time to meet and debate. My sense is that the organization appreciated this sense of simplicity to

achieve decision-making closure.

Conclusions

This book has addressed the particular leadership challenges that may arise during periods of economic super-turbulence. There are, of course, several leadership principles that tend to be valid during all circumstances. These are not discussed in this book. Rather, I have attempted to address approaches to leadership that might be particularly effective during periods of crises.

A fundamental cornerstone of the approach that I shall recommend is the “meeting place”. This is a forum where executives get together to discuss particular decisions, based on a positive tension between two sets of issues – new thoughts for how to approach this given issue in a different way – propositions, *and* what seems to have worked best in practice, prescriptions. It is this positive tension between propositional and prescriptive thinking that can lead to even better approaches.

For such a “meeting place” to function it will be necessary with a team approach, “we, we, we”. All members of the organization must be expected to participate with their very best efforts. But, the individual’s unique capabilities and energy are key too – “me, me, me”. It is a combination of both – “we, we, we” *and* “me, me, me” that is called for. While the concept of the “meeting place” and the balance between a team and an individual focus will be useful in general, I have argued that the benefits may be particularly significant during super-turbulent times. It is then that radically new approaches might be particularly critical. And it is then that the entire team must pull in the same direction, but still allow for each individual’s unique capabilities to come into play.

We have identified four leadership dimensions that may be particularly critical during such super-turbulent times:

- The need for the leadership to have a high degree of integrity, so that they can be trusted.
- An ability to simplify and focus, so that speed and positive momentum can be kept.
- A stakeholder approach that spans wider than to primarily serve financial means, to now in particular include a focus on the customers, to secure the revenue stream – the top line.
- A positive view, realistic optimism, based on a better understanding of the business cycles. Things go up and down rather than going only up (super-optimism) or only down (super-pessimism).

These four leadership factors would then have bearings on how the meeting place might function. But things are not this straight-forward. Each of the four critical leadership issues can take on different values - they are, in fact, dilemmas! And these dilemmas will then flavor how the “meeting place” might function. It will be up to each leader and the team around him/her to decide how to respond to each dilemma –

optimistically or more conservatively. This will then set the tone for the “meeting place” deliberations.

There are above all three types of decisions that would be particularly pressing to address during times of high turbulence:

- The strategy of the firm. How can more focus be placed on what will now be truly critical, namely the raising of revenue? Which are the most critical clients, and which are promising new ones? Where are the “low-hanging fruits”? Similarly, how can costs be curtailed, so that the breakeven point, the burning rate, would be lowered?

- This brings me to a second important decision-making arena, namely for how to right-size the firm. How can focus be added on what would truly be the core? How can non-core activities be spun off and/or closed down? How can employee levels be reduced, perhaps particularly among support staff? The aim with all of this is partly to add focus, more speed, and less complexity. Partly, it is to reduce the breakeven point, and the burn rate, similar to what we saw when it came to the first decision-making arena.

- A third key decision-making area will have to do with how to develop a new focus for the processes within the firm - more appropriate for these now difficult times. Partly, this will have to do with deciding on planning, HR and control processes that are less complex. To make choices regarding “we, we, we” decisions, through composition of teams, backing of internal entrepreneurs, etc., will also be part of this. The bonus payments too, now more focused on the revenue-generating side, will also be key.

The concluding parts of the book reported on several incidences for how to cope with specific challenges during times of turbulence. Partly, I drew on seven important experiences that I have encountered – with elements of failures in them, and with heavy emphasis on learning. Partly, I reported on key insights from five senior leaders that I have worked with, and how they coped with severe turbulence. Finally, I drew on several experiences regarding how to cope with turbulence from my time as the head of IMD.

Let me attempt to summarize, in once, what may be the salient conclusions regarding how to manage during super-turbulent times, from these three sets of sources.

Here are some generalizations regarding how for the leader and his/her teams to cope during super-turbulent times:

- The importance of an open mind set, not a blocked one. The leader must realize that “good must always be done better”. This would in particular apply to reassessing the customer base and for coming up with better revenue-generating decisions. What may be an appropriate strategic initiative today may not be so tomorrow – and the leader must stay open to this – not get trapped in the past.

- Not allow power to corrupt; still listen, still be open to new ideas! For most leaders, perhaps, this can become more and more difficult over time, as the leader gains tenure in his job. He/she may increasingly become to resent viewpoints that might be in

conflict with this own. And this would, of course, be particularly dysfunctional during times of turbulence. To learn and to be able to inspire, through renewal of oneself, is critical!

- Maintain an ability to ask questions! This assumes that the leader can maintain a genuine sense of curiosity. Again, it may be difficult for him/her to maintain such an open mind, as time goes on. The “meeting place” depends on this – where propositional ideas for doing things in new ways “meet” prescriptive ideas, from best of practice! Open-minded questioning will be key. A leader must thus make sure that its organizational members basically share the same values and that they all understand what these are, to make the meeting place work.

Leadership during periods of high turbulence may thereby more than ever be to ask for trust from the people in the organization, for the organization’s confidence. An effective leader will have a much harder time to come from the outside during such times, particularly if he/she is becoming perceived to act in an aloof way!

But when the leader receives such endorsement from his/her organization this implies leadership power too. As we have seen, to exercise this may certainly be hard, even uncomfortable to be a leader. For instance, those that are not contributing to the team effort might be asked to leave. They may be required to put in additional efforts. If the leader realizes that players are no longer part of the “we, we, we” group in the firm, then he/she should work hard to bring them back in – leadership is to work with friends and enemies. If consistently unsuccessful – and it takes two to tango – he/she may have to ask this person to leave. These types of decisions may be among the hardest for the leader. But paradoxically, the good leader tends to grow in esteem from this, when seen from his organization’s vantage point. They typically also feel that such decisions would be justified!

Leadership is thus also to be realistic regarding what might be done during times of turbulence. Some solutions simply cannot be imposed on others – attractive as they might seem in the mind of the leader. Realism is achieved by having the leader’s propositions tested out through the organization’s prescriptions – listening and dialogue are key! Again, an effective “meeting place” is key! Effective, genuine leadership must thus be in agreement with those that are being led’s own standards, their common purpose/aspirations! Only this would bring out the best in people! This brings us back to integrity and trust, which is always critical, and during periods of crises, in particular. For the leader it is thus a matter of being humble, avoid focus on one’s own ego. The development of one’s people would be at the center. While leadership is certainly not a matter of being popular per se – tough decisions must be taken – it is of course a key challenge to be close to the stakeholders.

Openness, friendliness, to demonstrate a sense of interest for each in the organization would be key. Being accessible is important – leadership is to thrive in a social network, particularly during turbulent times! The stakeholders must see the leader as one that relishes this task! A key insight is that I realized that leaders are not lonely – you and the team are together! I realized that to lead was indeed stimulating – even fun, and not a burden. The energy to lead came from the people one was set to lead!

Consistency, attempting to do what is best for the organization, would be critical – not

necessarily agreeing with the one “that was in the office last”! This is perhaps again largely a matter of developing people. Members of one’s organization should simply not ask for favors – and he/she should always say no, if/when he/she perceives this to happen. Fairness is key – a perceived phenomenon!

Leadership is thus *not* so much bureaucracy; *not* so much control; *not* so much formal processes; not excessive rigidity, although, as we saw, there must be some of this too! Rather, inspirational leadership must be achieved, perhaps above all by demonstrating a combination of strong human and conceptual skills – what matters is the quality of the thinking process more than formality.

To focus on an attractive *niche* is key though. Leadership has a global scope; must span several contexts – to encompass multicultural sensitivities. This is perhaps above all linked to strive for *exceptional results* – this will typically have to be a global issue. Turbulence calls for this strong global focus more than ever!

When I ran my own shipping company for more than two decades, I realized that leadership was fundamentally network-oriented, and with a strong external focus – toward charterers, banks, brokers, shipyards, etc. To play a driving role in making business project happen – to generate the business – would call for leadership in the form of orchestrating external stakeholders. In the end this was all about generating revenue and cash flows! Many approaches to leadership seem to focus on leadership primarily as an internal, organizational task. In contrast, to generate revenue to maintain/support one’s business is perhaps the more critical leadership challenge, particularly during turbulence.

To put an external stakeholder focus in the center is consistent with some observations regarding effective leadership during turbulence that I have made as a board member of several companies – some smaller start-ups (Marsoft, Preferred Global Health, StreamServe, Zaruma, Omniwatt) and the boards of some large, publicly listed firms (Kvarner, Royal Caribbean Cruise Lines, ISS, Seaspan) as well as at some academic institutions (EFMD, Copenhagen Business School, BI, IMD). Key leadership issues here would be:

- How to have the board support the organization and *not* allow individual egos to drive the process? The board’s role should primarily be one of enhancing speed and innovation, i.e. contributing to a successful future, rather than one of over-controlling, slowing things down, being satisfied with the status quo. For this a “can do” culture/attitude in the board is key. Many boards find themselves “trapped” in what they see as constraints, and many end up not pushing for urgency and propositional innovation.

The effective board should function as a “meeting place” too. It should enhance the dynamic culture – not control, not overrule! A positive, opportunistic attitude of the board is key too. This does not mean that the board should be utopian or unreasonable. To safeguard the organization’s progress is key. Still, it is key that the board instills an attitude of “the glass being half full”, i.e. “can do”, rather than “half empty”, i.e. not worth trying.

The “can do” attitude of the board can be illustrated by the circumstances surrounding

the proofs of the simplex algorithm in linear programming by George Danzig. His mathematics professor at UCLA wrote down mathematical problems at the beginning of each class, for the students to solve for the next class. For the last class George came in late – held up in L.A. traffic! He copied down that day’s problem from the blackboard, having entered the classroom too late to hear that the professor had said: “This problem has no solution, and will never be solved”! George went home and solved it! He did not have any preconceived blockages – an important lesson of learning for today’s boards!

Leadership during turbulent times is all about this, it seems – a “can do” attitude based on integrity and trust, based on a fast, simple strategy around generating revenue and cash, being focused on key stakeholders, primarily in the environment such as critical customers, and maintaining a realistically optimistic outlook based on a good conceptual understanding of the business cycles. Turbulent times thus give rise to exceptional opportunities – good leadership means to *take* these!

Peter Lorange Dr. Dr. h.c. Norwegian

DBA Harvard University. Honorary Doctorates (Dr. h.c.) Pecs University Hungary, State University of Management, Moscow, Russia, Copenhagen Business School, Denmark, Lund University, Sweden, and Estonian Business School, Tallinn, Estonia. He is also an honorary member of EFMD and Groupe d’Ouchy. MA Yale University. Siviløkonom Norwegian School of Economics. Formerly President of the Norwegian School of Management. Previous teaching experience at the Wharton School, Sloan School (MIT), IMEDE/ IMD and the Stockholm School of Economics. Strategic management consultant to major corporations worldwide and board member of various companies.

Research interests: strategy, strategic planning, entrepreneurship for growth, and shipping management.

Dr. Peter Lorange was President of IMD from July 1, 1993 until March 31, 2008. From April 2008 he is the *Kristian Gerhard Jebsen Professor of International Shipping* at IMD. He was formerly President of the Norwegian School of Management in Oslo. His areas of special interest are strategy, global strategic management, strategic planning, strategic alliances and strategic control. In management education, Dr. Lorange was affiliated with the Wharton School, University of Pennsylvania for more than a decade in various assignments, including director for the Joseph H. Lauder Institute of Management and International Studies, and The William H. Wurster Center for International Management Studies, as well as The William H. Wurster Professor of Multinational Management. He has also taught at the Sloan School of Management (M.I.T.), IMEDE (now IMD), and the Stockholm School of Economics.

Dr. Lorange has written or edited 18 books and over 135 articles. He has conducted extensive research on multinational management, strategic planning processes, strategic control and strategic alliances. He has taught at the undergraduate, Master and Doctoral levels, and worked extensively within his areas of expertise with U.S., European and Asian corporations, both in a consulting capacity and in executive education. He is Chairman of Global Praxis, and serves on the Board of Directors of several corporations including: *Christiania Eiendomsselskap A/S, Marsoft Inc., Preferred Global Health, Zaruma Resources Inc., Seaspans Corporation, Omniwatt* and *CoCoCo*. Dr. Lorange is Norwegian. He received his undergraduate education from the Norwegian School of Economics and Business, was awarded a Masters of Arts degree in Operations Management from Yale University, and his Doctor of Business Administration degree from Harvard University.