



## Does your leadership team have what it takes to lead your business out of the recession?

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### Lessons from Oxford and Cambridge University Boat Race

Each year two teams of eight extremely fit athletes compete in the Oxford and Cambridge University Boat Race on the River Thames in London. Traditional (Olympic) rowing eight races take place over 2000 metres on a straight course with no flowing water or tides. The Boat Race takes place over 4.5 miles on a twisting tidal and sometimes fast flowing river. Speculation as to which team will win the race typically rides on an analysis of the abilities of the individual oarsmen. They are compared like heavy-weight fighters—how big they are, how much they weigh, how much strength and endurance they have, how many years of experience.

Often overlooked in the analysis of the individual participants is the simple fact that the two sides are fundamentally equal in ability. Yet, sometimes the race is a rout; once it was a dead heat. Six times, when the tide and current produced a choppy surface, a boat was swamped and did not finish the race. Any outcome is possible on the day. What distinguishes success in The Boat Race, then, is something less tangible than height, weight, and years of experience. What distinguishes success are three things:

1. The strategy chosen for the race
2. The judgment of the Cox in adjusting to the elements on the course
3. The ability of the oarsmen to row as a team over a winding, arduous course



Boat Race fans know that in spite of all the pre-race analysis, the race is always decided on the river by a combination of the above three elements.

The comparisons to today's business climate are too close to ignore, and a look into the conditions that breed success on the river might give us some additional insight into what can lead to survival or even success in the most hostile business climate in years.

For purposes of this article, we have chosen to concentrate on the third element of success—the ability of a group of extremely competent individuals to pull together as an aligned team. In our experience how the leadership team functions is crucially important and is often overlooked as companies simultaneously strive to survive and use a downturn as an opportunity for strategic advantage.



We are now confronted with some of the most challenging conditions that today's generation of business leaders has ever faced and it is very apparent that merely riding out this recession will not be enough. Business leaders will need to rebuild confidence, not just market share; to make decisions in the best interests of all stakeholders, not just shareholders; to re-earn the moral right to engage in open commerce without being hamstrung by regulation at every turn. Business leaders will need to lead their businesses, not merely preside over them.

Some companies have already been overwhelmed by these conditions. Few are doing extremely well. Those who are going to do best over the long run will be the ones that can apply the lessons of The Boat Race whilst their competitors become distracted by the volatility and uncertainty that surrounds them.

One of truisms of all sport is that an average group of athletes playing as a team will consistently turn in an above-average performance. Alas, the opposite is also true. So it is not enough to field the strongest group of individuals possible. They have to be able to row together. If a leadership team can be aligned around a common strategy it helps the company create greater focus. It is a big 'if'. Lack of alignment among leadership teams is a major cause of the failure of a company to execute its strategy.

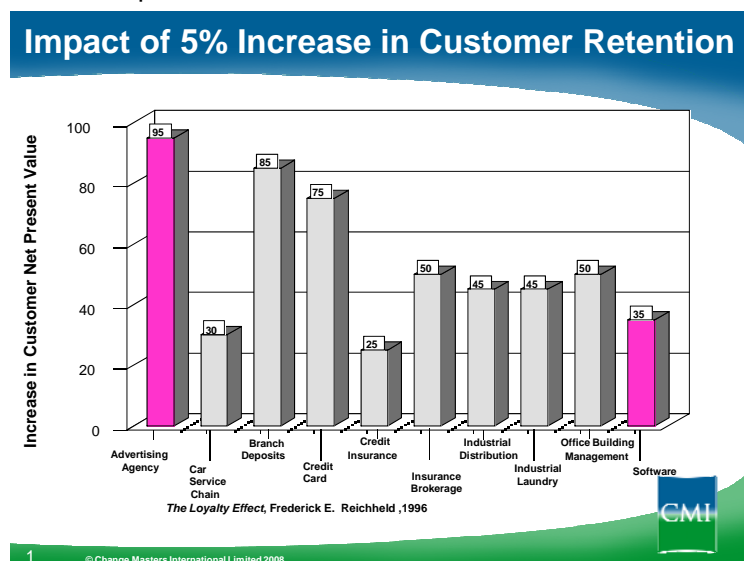
Disagreement at the top translates into warring factions in the middle, and just plain confusion in the ranks of the organisation. Talented people at any level have a limited tolerance for this type of work environment. Once that tolerance level is crossed, they tend to leave for more focused—typically more customer-focused—companies. Aligned leadership teams create a distinctive competitive edge because they make communication more effective, create fewer decision bottlenecks, and give individuals further down the ranks clearer accountabilities. Thus, they grow faster and have happier employees. Gartner Group, for example, have identified that these organizations can perform as much as 20% better simply because of this alignment.

We have uncovered five transitions that leadership teams must make if they are to use the recession to gain competitive advantage. Making these transitions is heavily dependant on an effective strategy and strong leadership at the top. But they rely most heavily on senior management's ability to pull together as a team.

## Crucial Transitions

### 1. From internally-focused to customer-refocused

It is quite well established that customer-focused companies are the most successful by almost any measure—profits, customer retention, employee satisfaction, to name three. In his highly regarded book "The Loyalty Effect" Fred Reichheld showed that the single biggest driver of profitability is customer retention. What is not so well understood is how the effects of a volatile, uncertain business climate can drive even the most successful customer-focused companies to revert to inward looking behemoths. Yet that's what is happening in this recession. Fears of job loss consume even the most committed of customer champions.





This means that companies in defensive mode will need to re-learn the importance of customer focus to ward off a downward spiral that leads to inward focus, cost-cutting, lower productivity, and more inward focus.

If leadership teams are to help their companies accelerate out of the recession, the first thing they will need to do is ensure that they are modelling concern for the customer. This kind of thinking will not just be good for the customer; it will help the entire organisation get re-energised around a common purpose.

#### **The Boat Race and a business**

differ in one fundamental way: the race is over in a matter of less than 20 minutes. Competition in business is non-stop. Boat Race strategists begin planning for next year's campaign the minute the race is over. In business, execution of the strategy *and* preparation need to happen at the same time. There is no race time followed by reflection and preparation followed by another race. Companies struggle with this action-reflection paradox, and those that get it wrong most often get it wrong by skimping on reflection efforts. What this does, of course, is limit the ability of a company to learn from experience. What is learned can be put to work immediately, which gives businesses an immediate advantage over competitors that continue to repeat mistakes. If there is no learning, then improvement the next time is down to luck. In our work we sometimes see companies not learning; too often the response to failure is to repeat the same methods hoping to get a different result. When there is learning, and where learning accumulates, a layered approach to competitive advantage begins to emerge.

Modelling concern for the customer must go well beyond slogans. The most effective companies we've worked with are those that turn their commitment to customer focus into an explicit understanding of what customers value. They then translate that understanding into everything from work processes to reward systems. Perhaps most importantly of all, they run their business using a scorecard that aligns the entire company to those things that customers value most.

## **2. From Contraction to Growth**

Companies that are successful in a recession tend to contract more quickly than those that aren't. This means that measures of success in a downturn tend to emphasize cuts, not investments. However, companies are built on an economic assumption that expansion is better than contraction—that growth is the preferred mode of operation. There's a reason we call sales people 'business developers'. Development (read 'growth') is a good thing.

Leadership teams need to be aware of the contraction assumptions that have crept into their decision making over the course of the recession. In short recessions, growth assumptions tend to reassert themselves relatively quickly. But as this recession drags on—as contraction activity is rewarded and reinforced—leadership teams will find themselves needing to re-establish a growth mentality among large numbers of people in the company who have come to think of growth as an unattainable goal, and perhaps the wrong thing to aspire to.

There are several ways that leadership teams can help their companies focus on growth. Once again it starts with understanding how to improve customer relationships. Recessions don't just wreak havoc on your company they wreak

havoc on your customers as well. Understanding how customers have been affected in a recession is a critical first step in refocusing on growth. Other approaches such as strategic account management, more rigorous forecasting, and marketing management become tools for the leadership team to monitor its way out of the recession.

## **3. From Risk Aversion to Opportunism**

One of the lessons that recessions teach all too well is that in recessions more things go wrong than go right. A risk that would be taken in normal times is more likely to create problems during a recession; this often leads by default to a "blame" culture. Hence, risk taking tends to dry up. Who wants to make mistakes? But since success in business relies on taking risks, risk aversion can become a major source of stagnation as opportunities begin to emerge.

As companies come out of recession, leadership teams that take advantage of opportunities (bolstered by customer focus and a growth mentality) tend to make prudent risks that pay off. Those that continue to approach risk as an unsafe business practice find themselves only making one mistake—missing the opportunities that are out there. The Chinese word for "crisis" is also opportunity, but in Western



culture this is not an easy message to deliver. We find that leaders must raise awareness of the benefits of taking prudent risks before much else happens.

#### **4. From Isolation to Trust in Others**

Bad times don't just cause leadership teams to take their eye off the customer. They also tend to force each person in the team into isolation. Communication lessens; individuals withdraw; suspicion rises. This phenomenon tends to happen throughout the organisation, but when it happens to the leadership team, it magnifies the effect on the entire organisation.

Research has shown that senior leaders have difficulty developing trust even in the best of times. They're too used to having their own way; fighting their own corner. However, we have found that without trust among the leadership team, the strategic alignment that the company needs to lead the way out of a recession is severely hampered by missed opportunity, decision delays, infighting, and downright subversion. This can manifest itself in the so-called "Silo-Effect"; a lack of ability to communicate across functions although delivery of the products and services to customers relies on horizontal process flows. Ways need to be found to break through the silos in order to establish shared accountability that cuts across different functional areas. In our work we use what we call the Cross Check. The Cross Check defines shared results and accountabilities among different functions so that processes are executed smoothly.

#### **5. From Reactive to Forward-Looking**

Leading through a recession is not all drudgery. For many, a recession is a time of intense concentration. It can be a time when the juices are flowing; when things get done at a rate of speed that does not happen in normal times. For adrenaline junkies, a recession can be highly motivating. There is one thing missing from this recession-induced high, however. The high is brought on by reactive behaviour. The leadership team has traded off control of its destiny for short term wins.

When the leadership team becomes the crisis response team, it is no longer leading. Leadership teams must be aware that to come out of a recession with a stronger company, they will need to look beyond the cut and thrust of the short term win and become forward looking. In a recession of this magnitude, being forward looking will probably mean introducing fundamental new strategic direction for the company. This in turn means that they will need to align their company to a new strategy and lead the company in an entirely different direction.

### **Conclusion**

These five transitions must be carried out by the leadership team if the company is to turn its experience in the recession to its advantage. This will be far from easy. With new and different challenges emerging daily, leadership teams are faced with the need add more rigour to their analyses and more speed to their execution. Usually these two actions are thought of as a trade-off. In the present environment, the winners are likely to be the ones who pull both off simultaneously. Leadership teams will need to engage in disciplined hard work that will affect how they analyse the business, how they work with the people down their organisations, and how they work together at the top.

Once again the lessons from The Boat Race are relevant. The leadership team plays a crucial role, but the team can't do it alone. The strategy needs to be robust enough to create the possibility of winning, and the overall leader of the team must exert a unique blend of forceful direction accompanied by an authentic show of concern for the strain that such difficult conditions is putting on the team. When all three elements are present—right strategy, strong executive leadership, teamwork among top executives—then the conditions are right for leading an organisation through choppy waters wherever they may be encountered.

#### **About the authors**

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**CMI** undertakes client engagements that require enterprise-wide execution to ensure their success. CMI has proprietary tools for strategy development and implementation, customer and employee research, creating executive alignment, programme management, and leadership development.