

The Company Agency

Not shaken, but stirred

Ten Commandments for
Leaders in Tough Times

November 2008

A Report by The Company Agency Leadership Council

During September and October 2008, we spoke to fourteen leaders in business and public life about leadership in tough times:

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Karen Geary, Group Director of HR and Corporate Communications, The Sage Group plc

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Simon Walker, Chief Executive, The British Private Equity & Venture Capital Association

We are grateful to them for their time and attention (and in many cases the opportunity to work for them over the years). Thanks also to Thomas Burns Jr for his effortless management of the research and to Jonathan Chenevix-Trench for reading and offering sage advice on an earlier draft of this report.

This is the second in what we intend as a series of short papers on issues of topical concern to leaders. It is published under the guidance of The Leadership Council.

The Leadership Council was established by the Partners of The Company Agency in 2008 to bring together senior figures from commercial and public life. Chaired by Lord Janvrin, the Council provides a powerful perspective on the leadership agenda. Individual Council members also act as senior mentors for The Company Agency's clients.

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Over the past two months, we have talked to former and current FTSE CEOs; strategic communicators at the heart of the financial world; leaders in mass market retail and leaders in luxury goods; global manufacturers and technology businesses; and professionals with experience of managing a “brand” which thinks in centuries as much as it does in headlines - the British Royal Family.

We asked them very simple questions about what skills leaders need in a downturn, and the answers we received give fresh proof to the classic definition of good advice: common sense, backed by the authority of experience.

Our first observation is that there’s never been a better time to, in the words of one of the CEOs we interviewed, *talk to other people*. And that’s what this report is all about: sharing perspectives at a time when perspective is the most valuable commodity in circulation.

The remarkable consistency of the answers, across sectors and generations, gave us the confidence to draw out a set of Ten Commandments for Leaders in Tough Times. Combining the predictable with the provocative, we hope they will serve as a useful checklist for leaders and all those who advise them. We would particularly draw your attention to some of the crucial areas where The Company Agency may be able to help: through our panel of senior mentors in The Leadership Council; through our communications coaching work; and through the discipline of narrative.

Setting out on a research exercise, one expects to be challenged, intrigued, and enlightened – as well as reminded of some basic eternal truths. All of those

have been true for the team working on this short paper, and we hope for you now reading it.

What we didn't necessarily expect, in such bleak and uncertain times, was to be inspired. We were inspired by the conviction, shining through all our interviews, that now is a moment of immense potential for leadership. For anyone who has struggled to get an organisation to wake up and shake itself into decisive action, for anyone who has fought for excellence in the face of a complacent average performance, the current climate should be seen as providing a once-in-career opportunity to stand up and show that leadership can make the difference.

The mood we're sensing is not shaken, but stirred.

A handwritten signature in black ink that reads "Martin Newman". The signature is fluid and cursive, with a long horizontal stroke at the end.

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1. Be honest with yourself

Intellectual clarity and objectivity are rare at the best of times. An atmosphere of urgent immediacy makes it particularly difficult to find space for calm reflection. At the same time, the need for it has never been greater: when the climate changes, the likelihood is that you will need to re-evaluate much of what you have until now taken for granted. This advice, however, comes with a caveat: as one communications leader told us, *never fool yourself into thinking that you can reinvent yourself totally*. The balance between on the one hand remaining true to yourself, and on the other hand being radically honest about the implications of what's changed, is perhaps the toughest and most fundamental challenge for leadership.

"The first priority for outstanding leadership is absolute intellectual honesty. When your answers come up in a way that confounds your intellectual thinking, you've got to have the rigorous discipline to accept that, even if the new argument makes everything you've said up to that point seem foolish." - CEO

"You need sound analysis, a full understanding of the potential threat or changed environment, and you need to map that onto your core business competence. Understand the external market and the internal reality and never fool yourself into thinking that you can totally reinvent yourself." - Communications leader

"Be sensitive to the different impacts on your different stakeholders: looking after yourself means looking after your customers and your supplier base." - CEO

"One has to be dispassionate and take a very rational view of the business. The danger is of being the frog in the beaker: if you drop the frog into boiling water it jumps out, but if you heat the water gradually the frog just gets used to it and is boiled alive. You have to stay a little detached and formulate a ruthless assessment of the health of your business and the relevance of your customer proposition." - CEO

"The good thing is that there is no option but to focus on really understanding what is core." – CEO

Some danger signals:

You're rejecting an idea because it's unfamiliar or alien – not because you're convinced it's wrong.

You have learned to live with something you saw as a major problem yesterday, instead of fixing it.

You're doing something to please shareholders without thinking about the impact on your customers or suppliers.

2. Be visible

It's a truism that leadership isn't leadership unless you can see it. For years, in our coaching sessions at The Company Agency, we have impressed on leaders – political and commercial – that they are the embodiment of their brands. When people are in a room with them, their personality, behaviour, and words are the brand – for good or ill. At moments of uncertainty or perceived danger, visibility becomes hugely important. An interesting dimension of this is the emphasis repeatedly laid on showing up in person: as one Communications leader put it, *people want to look into the whites of your eyes*. But beware: everything is under maximum scrutiny, *every twitch of ... facial expression is interpreted*.

"Stop hiding, face the problem and be more visible than you have ever been. The sight of the leader is very important. Spend more time on communicating, with a very few short sharp messages." - CEO

"People want to hear from you, and the signal they get if they don't hear from you is that you're in a bunker or you're fired!" – CEO

"Employees don't like vacuums. They make things up to fill them. People like to feel connected and engaged with what's going on, so now is the time to engage more with employees, to listen to what they are saying (remembering they are generally the people closest to customers)." – Communications leader

"Be more visible inside your organisation. At times of uncertainty you have to be seen." - Chairman

"It's a brilliant opportunity to avoid the dependency on media and technology and go back to the basics of face to face leadership communication. So often communication starts to involve complex mass electronic communication, but in a downturn people want to look into the whites of your eyes. You need to be out there on the shop floor, in the town hall meetings, face to face with the folks." – Communications leader

"There is still nothing as compelling, convincing or stabilising as hearing it from the boss. No channel or level of media replaces hearing it straight from the leader. It's as much about behaviour as message: people observe their managers and take their cue from how their manager is behaving." – Communications leader

"People are much quicker at spotting inconsistencies when times are tough. CEOs should never underestimate that every twitch of their facial expression is interpreted. When people are looking at leaders, they are constantly trying to interpret them in ways that are often subliminal." – Communications leader

Some danger signals:

You are spending more time with your advisors than with employees.

You spend most of your communications time fighting rumours.

'All user' mass emails are your new favourite channel.

3. Tell it like it is

Honesty, it seems, really is the best policy: a professional in the financial sector told us, it is about *treating people like adults*. Many go further: it's not good enough to tell the truth, you have to make every effort to tell the whole truth – *get all the bad news out ... and tell it as soon as you can*. UBS, and for those with longer memories British Airways, are classic examples of the dangers of drip-feeding bad news. A deeper insight into the internal value of telling your employees the truth is that any idea that their leaders are not being straight with them immediately undermines all trust and motivation. Don't underestimate the value of giving people the basic reassurance that you get it, and you're doing something about it.

"Five words: tell it as it is. People are not stupid and obviously you have to adapt your message, but if you tell it as it is you won't go far wrong." – Communications leader

"People hate to feel that they are being left in the dark, but also they are realistic about the fact that you won't have all the answers. Just be honest about that." - CEO

"The people who work for you share all your concerns, they go home and watch the news and read the papers. They want to know that senior management is aware and is telling them the truth. They want the reassurance that you understand the problems, you're addressing them, and you see them as part of the solution." - Chairman

"Tell them the truth and tell it as soon as you can. Get all the bad news out quickly, don't drip feed it for months. If you have to lay-off a quarter of staff, tell them: don't cut 10% and then come back again and again for further reductions. Years back, British Airways went through a period of 'shark's teeth' downwards share price movement because of this gradual chipping away at problems rather than taking decisive root and branch action." - Chairman

"We need to learn the art of honesty. For example, in a merger everyone knows there will be lay-offs, but we don't always make that clear. Telling people there will be a reduction in headcount, what criteria we will be using to make those decisions, in fact treating people like adults, is vital. Attempts to bury bad news almost always backfire." - Communications leader

Some danger signals:

When reviewing a message, your main priority is to work out what you can get away with not saying.

You believe that letting the full truth emerge gradually will be less damaging.

4. Be clear

Clarity at a time of extreme uncertainty sounds as though it could be a counsel of unattainable perfection. If the rules have changed and yesterday's impossibility is today's probability, where can we look for clarity? The answer may lie in Escoffier's great command to chefs: *Faites Simple*, or in corporate speak, Keep It Simple Stupid. Clarity, simplicity, repetition, a strong and relevant narrative: these are the themes which emerge time and again. Narrative is particularly important: *you don't get a sense that the business world has come out to explain clearly what's going on and what is being done to make things better*. That vacuum remains to be filled and we believe the rewards for the first leaders to be able to articulate such a narrative will be substantial. And narrative has a fundamental role to play in creating alignment: if you're not telling a single compelling and credible story, you won't be able to fight the fifteen negative stories that are being told about you.

"I know I need to get the core message out every time: what are the 5 or 6 things I need to communicate to my team?" - CEO

"It's about both being very transparent about what's going on, and presenting a vision of what the future will look like. Keeping everybody knowledgeable, and preventing them from panicking, is incredibly important." - Communications leader

"The first thing you need to do is stop uncertainty. Crisis generates uncertainty, and the best way to fight that is communication." - Communications leader

"You focus on what your business is about, what your customer proposition is about, on vision, values and behaviours: everybody needs a road map and a single direction." - CEO

"You don't get a sense that the business world has come out to explain clearly what's going on and what is being done to make things better. People want to know how we're going to get out of this. There's a lack of leadership." – Communications leader

"When you've got tens of thousands of people not just employed by the company but who are also shareholders, the ability to explain to people what might happen not only to their job but also to their personal wealth is very important."
– Communications leader

"You need the ability to use a narrative to explain a circumstance and to create a specific challenging context for action." – Communications leader

"This is the moment to watch out for internal and external dissonance. People will believe more what third parties say about us than what we are saying about ourselves. When gaps appear between those two, that needs resolving urgently." - CEO

Some danger signals:

There are twenty things you need to say and they're all equally vital.

Immediate actions are more important to communicate than context or consequence.

You won't say anything until you're certain about everything.

5. Stick to Plan A wherever possible (but have the courage to move on when it's not)

The temptation to abandon strategic ship can be intense. Don't. Assume that your Plan A has the strength and flexibility to work in changed circumstances, and then test that assumption in action, before moving to Plans B, C and beyond. *Your course may change but your destination should not*, in the words of a communications leader. The value of consistency, of knowing your strategic strengths and of doing as much as possible to continue to play to them, should not be underestimated. Doing so, and telling people that you are doing so, can be hugely reassuring. Clearly this comes with a caveat: if you do stick to the original plan, make sure you tell people why - otherwise people may think you're in corporate denial.

"It's vital not to be shaken from your central purpose by temporary problems. Know your long term strategic plan and stand by it. Don't be panicked into sudden measures or announcements." - Chairman

"You have to be very flexible, hang loose. There may be times when you absolutely have to sit on your hands, not panic, not rush into cutting jobs – but you must be aware there is a crisis at your doorstep and that you need to act." – CEO

"The most important thing is courage: the courage to not panic or be forced into changes by the circumstances around you. You need to stand up and be true to your ideals. When you set a course you take into account that at some time winds will blow you off that. So your course may change, but your destination should not." – Communications leader

“You need a certain amount of balls and confidence in your stated aims and strategies. As the atmosphere and context changes, it’s easy to panic, to succumb to the temptation to change course. You need clear thinking in order to navigate through.” – Communications leader

“We have to avoid special sporadic communications. A letter from the CEO saying, effectively, ‘we’re still in business’ can be very negative.”- CEO

“The skill is a long term view, both backwards and forwards. There is a tendency in a downturn to make sacrifices to the long term health of the organisation in order to meet a short term crisis. For example, all these nice things we’ve been doing around sustainability, stretching our business models or lowering our hurdle rates because of a long term business imperative and opportunity: arguably we need this thinking more than ever, but equally it’s bound to come under pressure. You have to think about what’s needed to smooth out potential downturns in the future, and that means continuing to make long term investments during the course of the current turbulence.” – Communications leader

Some danger signals:

You’re worried that restating previous strategic positions will make you look stupid.

Your big idea to solve today’s problems is by shelving long term investments.

6. Be tough

When the going gets tough... . One major opportunity for leaders is that tough times create a license for an approach which can be dramatically more robust than would be acceptable in more normal circumstances. As one CEO told us, in a crisis, there's less time for consensus. That does away with ambiguity and allows you to move fast and decisively. Knowing how and when to take that opportunity is as valuable a skill as knowing how and when to return to normality.

"A well run business will become more efficient: more objective about poor performance, more selective in taking on additional costs, more prudent in its decision making process." - Chairman

"Now is the time to focus on performance. When things are difficult you can't carry passengers. We have some redundancies in our own business, and we have been surprised with how vague performance management has been. We need to be much more clear about what is expected, driving the accountability culture, a lot less open ended with things and a lot more direct." – Communications leader

"Establishing a course of action is always done through a balance of consensus and top down direction. In a crisis, there's less time for consensus. That does away with ambiguity and allows you to move fast and decisively." - CEO

Some danger signs:

You won't move on this until you have total team alignment.

You believe that challenging people to be more accountable may fatally de-motivate them.

7. Use confidence to create confidence

In a normal environment, you can and should encourage a more open, self-critical culture, where leaders encourage challenge, and can show vulnerability: not so in a crisis. Leadership calls for a somewhat countercyclical approach, showing the real strength and calm confidence when it's really needed, and otherwise keeping a more subtle approach, and letting your senior team flex their muscles. To call today's business environment a confidence game may sound cynical. But so much of leadership is simply that: the creation of confidence, by exuding confidence. Unless there's substance behind that, of course, the results can be disastrous (as we've seen in the markets). But without confidence, you don't stand a chance. Even the most cerebral and objective of your internal and external stakeholders will almost certainly be more emotionally swayed in tough times: recognising that emotional dimension, and feeding it with a sense of solidarity and confidence is vital. Knowing how to use this double edged sword lies at the heart of leadership in tough times. Showing vulnerability, a devastatingly effective leadership behaviour in happier times, only sows doubt and fear in times of difficulty.

"Being positive and decisive is important because it's all about confidence." - Chairman

"Optimism is vital. Remaining optimistic and communicating optimism. Shackleton should be our role model!" - CEO

"When things are falling around you, the last thing you want is to see a leader wobbling. You need to show strength of character, clarity of purpose, and decisiveness." - CEO

“You need to create a strong idea that you are in control, that you are not simply at the mercy of external events. Get your people engaged in the issues facing the business and use their resources to help you.” - Chairman

“When life is rosy, it’s easy to become complacent about communicating achievements. Now you need to be far more proactive about positive messages, strengths in the business, positive successes.” - Chairman

“People want to be lead. Strategic leadership is about stating what you want to do and mobilising all the forces at your disposal to achieve that. If you have clarity and strength of purpose people will follow you. Unite your people behind a common cause. It aligns them, raises their spirits, and makes them feel they can do anything.” - CEO

Some danger signals:

You feel that communicating positives will be seen as glossing over the truth.

You feel it’s important to show your personal vulnerability.

8. Balance enthusiasm and experience

The need to maintain youthful energy alongside the wisdom and caution of experience has never been more apparent. One Chairman expressed this in terms of an opportunity to *broaden our management briefing*, ensuring a better two-way flow of information and ideas between senior management and a new generation. Others repeatedly pointed to a deficit in mentoring and coaching – both as a potential cause of some of today’s problems, and as an opportunity to put them right. Not surprisingly, there is some tension between this and our sixth ‘commandment’ to Be Tough and have the confidence in moving fast and decisively. Of such tensions, and knowing how to live with them, is leadership made.

“Enthusiasm times experience is a constant.” – CEO

“A fresh approach is a great asset. Leadership is a lonely business, particularly if you feel that all the problems are on your shoulders and it’s all up to you. Having a broader church of younger people to bounce ideas off makes a lot of sense. We have just broadened our management briefing group: that spreads information faster through the company, feeds better ideas into our decisions, and creates more motivation.” - Chairman

“It’s about balancing the imagination and the art of the possible which come from a younger outlook, with the experience of knowing that events have their rhythm.” – Communications leader

“This crisis highlights the absence of proper mentoring and coaching for many leaders. We’re coming across several leaders with high responsibility but no knowledge of past downturns: the experiences of more senior or even retired figures who have lived through such times simply haven’t been passed on.” – Communications leader

"The board must be kept up to speed: much more information, much more regular meetings, much more hands on involvement. Use their experience and also understand that the whole climate of corporate governance has changed overnight." – CEO

"Sector knowledge suddenly looks a whole lot more important. The idea that a good CEO or CFO can be a good CEO or CFO anywhere is not true in this climate. In the good times when it's all about growth and opportunity, maybe. But at times when understanding risk matters so much, you need deep sector knowledge." – CEO

"The average age of a CEO has dropped. Checking back through the history of the business, and talking to people who were in your business in the 80s and 90s, having the humility to pick up the phone and ask what they did and how they coped is no bad thing." - CEO

"People with experience have a huge coaching role. People are seeking out mentors that they respect. We've been working on using the stories of senior leaders for training and development, so our people can learn from the experiences and lessons of a Chairman or a CEO." – Communications leader

Some danger signals:

You are convinced that this situation is wholly unprecedented.

You don't have the team who led your business in the 80s on speed dial.

You've stopped listening to junior management.

9. Seize the opportunities

Opportunities come in many forms at times of crisis. Opportunities to develop human potential through 'battlefield' experiences; opportunities to put big business back in touch with its entrepreneurial roots; opportunities to make big important long term decisions that have never been properly confronted; and, as one Chairman pointed out, *opportunities to launch or re-invent a business career. You can only go up.*

"Leadership development is about accumulating experience, and there are many more experiences in times of crisis. This is the moment to put people in the front line and make them accountable. That's where they will grow." - CEO

"Everyone is focusing on the negative issues, it's too easy to ignore opportunities. Entrepreneurial spirits will focus on those." - Chairman

"This environment is an incredible learning experience. There will be ways of doing business that are demanded by the current circumstances which can improve the health and strength of the business going forward." – Communications leader

"Hard times force us to focus and think objectively. We'd all like to think that we do this on a continuous basis, but the reality is we need a jolt. The actions we need to take are not just for the short term, they are about survival for today and for the future. This environment creates the stimulus to make the right decisions." – CEO

"There are potentially opportunities to pick up distressed assets – but a great deal of care is needed." - CEO

"There's no time like a recession to launch or re-invent a business career. You can only go up." - Chairman

Some danger signals:

You can't stomach anymore risk.

You see frontline positions for key people in your business as a poisoned chalice in the current climate.

You secretly wish you'd taken early retirement earlier this year.

10. Learn to cultivate peripheral vision

Most of our 'Ten Commandments' are deliberately simple and blunt: our final commandment isn't. We call it *peripheral vision*: the systematic discipline of being aware of what's happening at the margins (of business, of consumer behaviour, of society at large) and training your mind to ask 'What if?' – what if something currently marginal swiftly becomes mainstream? Without that, the mental flexibility to respond to the unexpected is likely to be limited in the extreme, and practical preparations for the unexpected probably non-existent. Scenario thinking, as a fundamental leadership discipline, appears from these findings to be woefully underused. Yet the need for 'peripheral vision' is perhaps the biggest single learning that we can take from the events of the past few months. However, we frankly query whether right now leaders have the time and space to do such broader thinking. Our advice is that, if you can't focus right now, make sure that when normality returns you come back to this as a basic long term insurance policy against groupthink and linear perspectives. And, in the meantime, perhaps get a little help from people who can do this for you.

"This is beyond everyone's worst expectations in terms of scenarios. It shows that scenario planning needs to be pushed to the extreme. Boardrooms need to engage with this more. Everyone wants to look intelligent and well prepared in the boardroom, that's human nature – so you tend to focus on what you know and not talk about what you don't know. Scenario planning gives you an excuse to talk about these things." – CEO

"A few months back it would have been tempting to say that there has been an improvement in how people plan, with better tools and greater ability to assess large volumes of information. That analysis just doesn't stack up today." - CEO

"People think of scenarios in too simplistic a way – for example how to cope with an immediate tactical crisis like a bomb. They don't think in terms of seismic changes which impact the business model such as the economic landscape, technology, consumer behaviour, an economic gravity shift from west to east. We should try not to be so linear or blinkered. We need to create a culture of wider thinking." – Communications leader

"It's good to have worked in an airline where being ready for any disaster is second nature. But that readiness is worryingly rare. Northern Rock hit the buffers on a Friday. I went onto their website on Friday night, and the only news item was a promotion for a new mortgage offer. I realised immediately how deep their problems went. There was simply no preparation." - Chairman

"If you look at Northern Rock – how do experienced people miss that their key resource, access to cash, can become scarce and undermine their business? People talk a lot about risk, but few step back and take a look at the real underpinnings of their business." - CEO

"Maintaining a neutral and challenging mentality is vital. It's very easy to fall into the trap of thinking 'we just can't do that'. You have to look to the future and call the future, and you have to do that objectively." - CEO

Some danger signals:

You pride yourself on having no areas of ignorance in front of the board.

You think more about what you may be able to sell in the future than about what people will want to buy.

You can't imagine a scenario in which the key inputs to your business are switched off.

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- 3. Tell it like it is**
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