

Leadership insights from three continents

“Waves are not measured in feet and inches, they are measured in increments of fear.” Buzzy Trent

Leaders talking with leaders across three continents in January and February 2009 revealed insights on leadership, innovation, key strategic drivers and operational alignment for effective leadership in turbulent times.

These insights and the underpinning need for leadership as a deep competence were identified by Craig Yeatman, Chief Executive Officer of the WorldsView™ Holdings group, during his recent visit to WorldsView™ Consulting’s global partners in the United Arab Emirates [UAE], the United Kingdom [UK] and Australia.

Yeatman engaged with a variety of leaders across a range of sectors including engineering, financial, tourism and government. All his conversations with more than 20 leaders from each continent started with one question: “What are the key strategic responses that we should expect from leaders in the next six months?” Opinion differences appeared to be influenced by perceptions of how long the downturn would last. On the one hand, seasoned leaders said it might last as long as three years and, on the other, a view of three months or less was seemingly informed by the bravado of those for whom this is a ‘first’.

In turn, the ‘story line’ depended on whether the waves of the downturn have fully hit the countries where the conversations took place. The late legendary surfer Buzzy Trent said: “Waves are not measured in feet and inches, they are measured in increments of fear”. In the context of the economy this appears to be true. In the UK, where the wave broke very visibly a few months ago, leaders now seem to be less fearful and are already surfing a ‘post-crash’ business strategy. In South Africa and Australia, large businesses are responding but are not yet living with the ‘post-response’ structures and many smaller businesses are still in denial. In the UAE, every leader with whom Yeatman met in late January showed characteristics of real and immediate fear. Dubai was experiencing the crashing waves of collapse at the end of January. For the leaders that Yeatman met, this was even more shocking as they had been half- convinced that the crisis would pass them by.

Despite the differences in underlying perceptions, several themes emerged from the conversations. According to those leaders, there are four central actions leaders should take:

- Stick to your vision and review your strategy
- Redefine and rebuild your core communities
- Ensure that every cent and every minute is deployed in alignment to strategy
- Explore new opportunities for leadership and innovation.

Vision and Strategy

Many of the leaders felt that this was a time to test organisational strategy for appropriateness. While several leaders stated that appropriate strategies would guide organisations through soft or hard market conditions, Francene Kavesh, founder of ETC Networks and Storage in

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Germany, cautioned that leaders should not be “slaves to previous decisions”. She also said: “Focus on growth – all the way through the tough times.” That spirit seemed to characterise the resolve of many leaders – from Carmen Carey, CEO of Coppereye to Michael Kinnane, Director-General in the Department of Local Government in Queensland, Australia. Kinnane said: “Our 2007-2012 strategy is on our walls – we’ve interrogated the strategy and have made no changes. Our approach is to be more tactical with simple and better execution.”

Many leaders cautioned that failure to stick to fundamental business purpose and values carries a price. Barry Sanders, Director, Northern Region of Aker Solutions Australia, feels that many of the resource projects undertaken around the world in recent times were unnecessary and unviable. They were driven by “the insatiable urge of financial institutions to lend money to people and projects that should never have had it”, said Sanders.

Jan Kwak, Managing Director of Hatch Australia agreed with Sanders’ view. Kwak said that Hatch invests in “long-term things”. “At the half-year review, our plan was as robust as ever. We have always had a long-term view and a focus on the client’s long-term interest has always been the Hatch way. We only work on projects we believe in and we stay out of projects that we don’t think should be built.” Many other leaders echoed the underlying sentiment of staying anchored by a clear sense of the organisation’s purpose and values in the heady rush of good times and in the grim slog of tough times.

Yeatman heard that companies who have drifted away from their core purpose are now likely to be paying a stiff price. As John de Canha of Al Manzil hotels in Dubai said: “This is a time that cuts out the greed, calling for increased transparency from organisations.” Basic values are appreciated in these times, as is a return to the fundamentals of clear business purpose and clear business strategy.

Core Communities

Two sub-themes emerged relating to organisational communities. On the side of internal organisational communities, some of the advice from the leaders was unsurprising – to display positive leadership and to eliminate fear in the workplace. However, there was some disagreement about the appropriate levels of transparency that leaders should employ. While many of the leaders felt that transparency was critical in order to eliminate fear, experienced leaders were more guarded than the younger leaders on this issue. The experienced leaders felt that it was important to disclose only what was necessary and to consult only on appropriate issues. That group felt that leaders must make the tough decisions fast and hard and then consult with the ‘survivors’ on how to move forward. The tension seemed to be between prolonged uncertainty and high levels of consultation and between full disclosure and sufficient disclosure. In either case, all the leaders agreed with the sentiment that it is the unknown which makes people unproductive. So while there was consensus on the need to consult, there was disagreement about the topics and timing of consultation.

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Many leaders pointed out that this is the first time that young leaders will experience a downturn and advised a review of the talent management and high potential programmes in order to make sure that they are appropriate for the time we are in. In addition, the tendency to centralise decision-making in a crisis should be counter-balanced by exposing younger leaders to the waves of the downturn to prepare them for the future. In this time of crisis there is potential for tremendous learning for and development of leaders throughout the organisation.

In the same way that Yeatman heard about projects that should never have been implemented, he heard about people who should never have been on board in the first place. A senior leader from an audit and consulting firm in Australia said: “The downturn is one of the best things that have happened. For the last three years, a conversation with consequences has been so hard to have. You just got lip service – people were just lazy. Now you can say there have got to be consequences! Who listens to common sense when the money is rolling in?” In the words of one leader from Dubai: “A lot of people are suddenly no longer around – but I always wondered what they did anyway!”

The second sub-theme Yeatman heard related to the external communities of the organisation. As is typical in times like this, there was plenty of advice relating to getting close to your customers – especially your most important customers. Some organisations are engaging in unusual interactions with their customers. Global engineering firm Hatch is using its senior leaders to help solve customer problems outside of the traditional engineering solutions. “We have great business people in our organisation. It makes sense for those people to assist our clients in ways that go beyond the engineering solution,” said Jan Kwak. According to Kwak, the approach has seen the leaders of Hatch Australia assisting a mining client with business development solutions that help find new customers for their product. As a public sector example, the Queensland Department of Local Government telephoned all its clients and asked a simple question: “What do you need from us to help you through these tough times?”

A few leaders extended this philosophy by advising that it is important to identify and get close to key vendors and key partners for outsourced services. Many leaders acknowledged that their businesses have become increasingly ‘networked’ over the last few years and that the lines between staff and key partners have become increasingly blurred. Very few leaders were aware of the financial health of their key partners. Given that many small business leaders appear to be in a state of denial, all leaders would be wise to check in on their key small partners and vendors.

Alignment

Two sub-themes also emerged in discussions with most of the leaders on alignment – strategic alignment and operational alignment, bound together by a central message: ‘cut the fat, not the muscle’. According to the leaders, the difference is foretold by your strategy. Reactive instinct in times of recession is to cut generally rather than to optimise resources and

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redeploy where needed. Strategic alignment requires that you first test every cent of operational expenditure and every minute of human time against their contributions to strategy. In certain areas there will be excess and in others there will be shortages – redeploy resources first.

Only six months ago, every organisation in the world seemed to be shouting about skills shortages. Strategic alignment includes quickly identifying the areas that need resources and then redeploying resources to gain whatever strategic ground might be available. In the words of Richard Weilers, Chief Executive of Southern Sun Hotels Offshore: “Check strategy for simplicity and velocity – execute with speed.” Only after that process has been completed should you trim away whatever resources remain idle. This operational alignment should not be a long process either – it requires quick consultations with execution following a few days thereafter.

According to the leaders with whom Yeatman met, there is little doubt that general business revenues are coming down by an average of 20-30%. For businesses that traditionally bring 10% of revenue to the bottom line off a 30% gross profit, that means a 12,5% cut in expenditure just to break even – or a 25% cut in expenditure to satisfy shareholder desires of a 10% EBIT [earnings before interest and taxes]. From whatever perspective, business is downsizing and doing it quickly in order to survive. Rewards are great for quick and wise decision-making. One large organisation told Yeatman that they were able to complete the steps of strategic optimisation and operational rationalisation in 14 days and within 21 days were working with the remaining employees to drive the business forward.

Innovation

The most powerful insights and ideas often come from the most unexpected sources. In London, on a particularly frozen afternoon when schools were closed due to severe snowstorms, one of the leaders brought along her 14-year-old son, Ben. WorldsView™ Consulting’s philosophy is that there are no ‘spectators’ so Ben was invited to join in the conversation. Given his turn to contribute, Ben advised that we “should look for new options” to deal with the tough times we are facing as business leaders. Yeatman took Ben’s challenging wisdom around the globe, the result of which was message themes relating to using old networks in new ways or the creation of new networks from old acquaintances.

All leaders acknowledged the extent to which they rely on networks. The leadership groups in Dubai seemed to be most aware of this. “It’s time for new alliances, new partnerships ... to change the nature of old relationships. Meet with your old competitors – maybe it’s time for them to be your allies ... renew old acquaintances ... collaborate – even across competitive lines”. These comments flowed from the discussion between a group of leaders that included representatives from Southern Sun International, Time Machine Corporation, Mövenpick, TNS and F1X.

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The theme was best summarised in the words of Alan Savin, Vice-President of Bentley Systems (Australia): “You have to leverage your networks really hard now to get the best possible delivery at the greatest level of variable cost. Collaborate with all the players in your value chain to add value jointly to your clients – but don’t forget to be grateful for the good years we have just had.”

Whether leaders were watching the wave coming or are patching themselves up after being dumped on the reef, everyone seemed to recognise that the last few years had been a ‘hell of a ride’. The tide may be out for now but the memories of those glorious days’ in the surf will keep a few leaders paddling out for a while longer, waiting for the cycle to turn and the tide to come back in. While they wait, wise leaders are dusting off their core strategy and returning to a more pure form of their business purpose. They are paying careful attention to their core communities – reinventing some and inventing others. They are also focusing closely on alignment and execution – there is no room for waste at the moment. None of this is blinding them to the opportunities for innovation in every aspect of their response to the crisis.

These are the experiences of ‘ordinary leaders’ – the ones with their ‘feet on the surfboards’ – not the big names we are used to hearing from, yet their views and actions are wise in these turbulent times.

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