

## Leadership post-crisis

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*Business has been through the toughest downturn in seven decades with a recession that has tested the leadership qualities of the world's chief executives.*

It is a topic that has been questioned intensely during this crisis after a series of bad decisions by top executives led to ruin in industries as diverse as banking and carmaking. That has put a premium on good leadership advice, which will be just as important as the global economy starts to improve.

But with some signs of cautious optimism returning to the world's markets and some major economies emerging out of recession, how should business leaders prepare for the post-crisis world?

Benoît Potier, chief executive of Air Liquide, one of the world's largest makers of industrial gases, speaks for many when he says leaders need to be "a little bit schizophrenic".

The first instinct is to prepare for a recovery. "Now we are already preparing the exit, and it's a matter of lighting all the engines again and putting more fuel in all the engines," he says.

But, he adds, managers need to take a split approach. "You need to manage costs on a tight basis at the same time as you talk about growth," he explains. "So you need to be very close to your people on the field, talking to people, explaining what you do."

Management experts highlight the need to prepare for a recovery without actually automatically assuming there will be one. "[You need to] avoid complacency. Maybe you should avoid the word 'recovery' completely," says Rob Goffee, professor of organisational behaviour at London Business School.

The apparent speed with which economies have returned to growth has once again underlined the need not to put too much trust in forecasts. Mark Thomas, head of strategy and marketing at PA Consulting, says companies should prepare for three potential scenarios: a quick V-shaped recovery, a much slower L-shaped rebound or the dreaded double-dip recession that is W-shaped.

"It is an uncomfortable situation for leaders ... [but] if they are banking on a V then they could be really caught out," he says. Such a nuanced message may put a premium on real leaders rather than managers who are only able to transmit a more straightforward direction.

As part of the reflection, executives need to reassess what has changed in their industry and how they need to adapt. "I think people have got to realise that there has been a paradigm shift," says Sir Nigel Knowles, chief executive of DLA Piper, the world's largest law firm. "Life isn't quite going to be the same again, and they've now got to look at where they want to be and how they're going to get there based on 2009, 2010 and beyond, not what their strategy used to be before the downturn."

That implies a strategic rethink with at the least a few tweaks. Jeff Immelt, chief executive of General Electric, has called this the "reset world". The business world, he argues, from regulation to management, cannot go back to operating the way it did before the crisis.

Prof Goffee adds: "It could be that sections of the economy never recover in the way we understand them now. Financial services will not be the same. Consumers will think about value harder."

It also requires executives, if they haven't already, to move from questions purely of short-term survival to longer-term issues. Bruno Lafont, chief executive of Lafarge, the world's largest cement maker, says: "I think one of the big challenges is to be very much short-term driven, and at the same time not forgetting the long term. In a crisis like this, to be focused has been really efficient. To remain calm is very efficient."

Gerard Kleisterlee, chief executive of Philips, the Dutch conglomerate, describes the shift needed: "When you move into a crisis, you tighten the reins with tighter controls simply because it's necessary to quickly get your cost levels down. When you move out of a crisis, then you need to free up a little bit of space again for some more entrepreneurial freedom in the front line to really capture the opportunities so that you can really benefit from the upturn."

He adds that the subtlety of rebalancing the style of leadership is in "where you control tightly [and] where you give space".

Equally important is for leaders to be visible. During the crisis, one of the crucial messages was for managers not to disappear internally. Mr Potier, for example, says he has doubled or trebled the amount he communicates to employees.

After bunkering down for most of the past year, leaders need to start to peer out of the parapet as a possible recovery beckons. "It is a time to stop being introspective and look outside to see what is happening," says Mr Thomas.

According to Prof Goffee, part of the bunkering down involved huge numbers of workers and managers making sacrifices through things like pay freezes to keep businesses afloat. Now is the time to start to reward such workers for their sacrifices.

He adds that companies should also be thinking about how to retain talent as competitors are likely to start poaching as the recovery takes hold. "Keep your organisation valuable for the really valuable people. You need to make sure you keep hold of your best people," he says.

But as much as the changes in behaviour, it is also important for leaders to keep the focus on some areas that gained importance during the crisis, not least over financing.

With warnings of a credit crunch still ringing out, Mr Thomas describes an ongoing priority as "making sure that, come what may, you will remain liquid". He also encourages investigating whether companies can better redeploy their capital as studies suggest as much as 50 per cent of it is "dead capital", tied up in poorly performing businesses.

To those leaders who manage all of this, there may well be opportunities. Many commentators had expected strong companies to find buying opportunities during the crisis, but with credit so tight little happened. Now, moves such as Kraft's takeover approach to Cadbury and consolidation in the telecoms, chemicals and microchip sectors give rise to new claims that the best companies will be able to profit.

"Start to take advantage of companies who have struggled," says Mr Thomas.

Finally, leaders may want to loosen some of the restrictions they imposed in worse times. Air Liquide's Mr Potier refers to the cutting of all discretionary expenses. "We are travelling in coach class," he says. "How do you manage that in the future? You have to reopen the valves."

Asked if that means the return of business class travel, he replies: "Hopefully, yes!"

### Tips for preparing for an (eventual) recovery

- Prepare for a recovery, but don't assume it is here yet. Things could still get worse so plan for that, too.
- Be schizophrenic: maintain a close control on costs at the same time as preparing for the return of growth.
- Take a look outside your company and see what has changed in your industry and the world generally. Has the behaviour of your customers changed semi-permanently? Do you need to change your strategy or just tweak it? Don't rely on old assumptions.
- Value your workers. Reward those who helped keep the group going and get ready to fight to hold on to your best employees.
- Continue to keep a close eye on cash and finances.
- Begin to loosen some of the restraints put in place during the crisis and give more freedom to employees.
- Avoid complacency.
- Communicate with employees honestly but don't paint an overly optimistic picture. Good leaders will get across the subtlety of the situation.

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