



Leadership in the Era of Economic Uncertainty

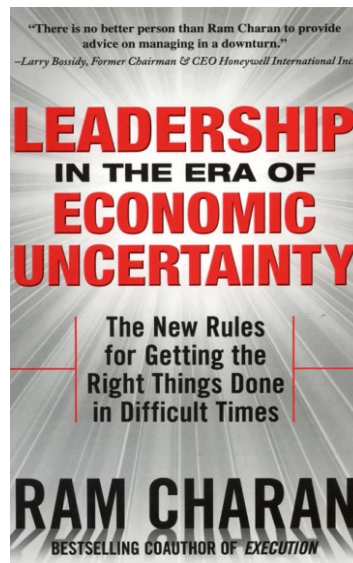
The New Rules for Getting the Right Things Done in Difficult Times

By **Ram Charan**, McGraw-Hill Books, 2009

Economic turbulence has arrived with a vengeance, and only companies that face it head-on at the beginning of this worldwide crisis will be the ones left standing once the dust clears.

Renowned consultant Ram Charan traces the causes of the crisis, identifies the essential priorities managers need to focus on now, and offers clear guidelines for top executives and managers.

From executive concerns to finance, marketing, sales, and manufacturing issues, "Leadership in the Era of Economic Uncertainty" is the necessary primer for seizing opportunity and preserving profit in today's global economy.



About Ram Charan



Ram Charan is a highly sought after business advisor and speaker. For more than thirty-five years, Dr. Charan has worked behind the scenes with top executives at some of the world's most successful companies, including GE, Verizon, Novartis, and Dupont.

He earned MBA and doctorate degrees from Harvard Business School. After receiving his doctorate degree, he served on the Harvard Business School faculty.

Dr. Charan's books include "Execution: The Discipline of Getting Things Done" and "Confronting Reality", both co-authored with Larry Bossidy, and "What the CEO Wants You to Know". A frequent contributor to Fortune, Dr. Charan has written two cover stories, "Why CEOs Fail" and "Why Companies Fail." His other articles have appeared in the Financial Times, Harvard Business Review, Director's Monthly, and Strategy and Business.

[Click here for more on Ram Charan](#)

Inside This Book Summary

The Big Idea

Why You Need This Book

The Six Essential Leadership Traits for Hard Times What CEOs and Business Unit and Country Managers Must Do

Mind Over Money: The Chief Financial Officer

Human Resources

Moving Forward





Why You Need this Book

This book offers clear guidelines for seizing opportunity and persevering in today's global economy. Fight your fear and anxiety – and take your leadership to the next level, now.

Inside, Charan describes steps you can take right now to steer your organization away from pitfalls and position it for a new future. You'll find practical techniques that will help you cope with:

- Cash and credit crunches
- Shrinking budgets
- Collapsing markets
- Sinking workforce morale
- Disappearing suppliers
- Nervous stakeholders

Great business thinkers like Ram Charan see opportunity in chaos. His innovative,


commonsense way of approaching problems has made him one of the world's most sought-after consultants. Here, he provides help to leaders at every level, from the CEO and country managers to department heads in finance, marketing, sales, and manufacturing.

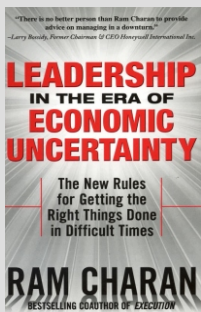
The Six Essential Leadership Traits for Hard Times

Which among the many important behaviors and traits that characterize a good leader are most important for managing in this downturn of downturns? Following are the six essentials along with their reasons why:

1. Honesty and credibility. Level with people and tell them how you see the world, acknowledge the limits of your understanding, and ask them for their own views. Doing this may take courage, but together you can piece together better probabilities than any one person can.

2. The ability to inspire. Start with your own team. They are the ones who will have to inspire the rest of the organization. Inspire your team to focus on the new priorities by doing so yourself, fearlessly. Inspiration will also come from making decisions that produce incremental successes. These are considered high energizers.

 **About the Book**



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3. Real-time connection with reality. In this volatile and uncertain environment, reality is a moving target. Gather it from unconventional sources. Don't get locked into one view of things. Allow the picture to change as you gather new information.

4. Realism tempered with optimism. This is where leadership becomes a performing art, introducing that touch of optimism that taps psychological reserves to deal with bad news and transform fear into action.

5. Managing with intensity. Only through deep personal development can you acquire ground-level intelligence, share and discuss it with your team, and act with the speed that is required in a volatile environment.

6. Boldness in building for the future. It will take imagination and guts to place strategic bets with no guaranteed payoffs when there's so little money available and so much uncertainty about the assumptions your plan is based on.

What CEOs and Business Unit and Country Managers Must Do

To meet those daunting responsibilities, there are several things that can and must be done:

RECOGNIZE REALITY.

Looking in the rearview mirror at how things used to be serves no purpose and will distract you from the challenges ahead.

An equally dangerous form of denial is wishful thinking, the tendency among many of us to say to ourselves, "This will end soon, and we will be back to normal." Don't believe it. Although we don't know what the new world will look like, we can be certain it won't look the way it did before. There is simply no question that you and your company will be different two years from now. If you don't believe that, you're condemning your company to the ash heap.

CHANGE YOUR COMPANY'S PSYCHOLOGY.

This task requires you to walk a very thin line without slipping over onto one side or the other. You need to present a compelling argument and a credible plan to show that the problems the company faces can be solved and that the company can emerge from the troubled times in even better shape.

Although employees are the most important target for your message, investors will hear it too. They need reassurance and explanations about how the company is meeting the challenges and reshaping itself for the future.



BE BOLD.

Your actions have to be bold, not tentative, if you're going to convey confidence. You also should be transparent, explaining how you reached your decision, why you think it is the best decision, and how your actions will move the company toward your vision of what it needs to become.

Also, be constantly alert to the sudden availability of talent. The best and brightest will always be mobile, and you stand a better chance of attracting top talent if those people can see that you have a plan to emerge from the crisis stronger as well as a plan for their personal growth.

REALLOCATE YOUR TIME.

The point is to become more operational. Of course, you cannot do everything and make every decision in this tumultuous period. Instead, entrust some tasks to proven subordinates who, within the parameters in which they can make decisions, are able to work quickly and skillfully.

But you must interact with those subordinates much more frequently, so that there are no slip-ups in execution.

PROTECT THE CORE.

In every business there is a central set

of invaluable assets, including certain customers; people who know technology, operations, or logistics; and in many companies a brand identity that is solid and established. You need to identify what is at the core of your company – constituents, for instance – and protect it from loss or damage during the crisis.

Ask yourself: What is it that we cannot afford to lose? The answer is your core. Look for ways to strengthen or sharpen the core and drop the rest.

REASSESS YOUR TOP TEAM.

Your job is to evaluate your top people with a new lens and under a different light. Do they have the skills and mind-set to lead under current circumstances?

You cannot afford to keep those who are indecisive, those who tend to be loners, and those who are frozen in analysis paralysis. People like that drain energy from an organization. The entire organization knows who these people are and will welcome change.

BE TRANSPARENT.

You have two major responsibilities that must be met through communication: information flow and motivation. The message is seldom heard the first time. It is essential to repeat it time and again to be sure



everyone gets it. The message must be consistent to all audiences and throughout the period.

BE VISIBLE.

You can inspire everyone in the company by doing something as simple as being visible to the troops, encouraging them with a smile or nod, or noting a recent accomplishment.

This means of course that you have to get out of the office and walk the corridors and visit the factories.

You need to be listening to your people at every level to discover what is on their minds, what they are worried about, and what new ideas they have for doing something better.

Listen especially for the ground intelligence they may have but do not appreciate fully.

KNOW THE DAILY NUMBERS.

It is critical that you have a firm picture of the company's financial position on a real-time basis.

Setting up a process now to do budgeting more frequently to adjust resources and get it done quickly will pay huge dividends in the future because it will give you much more flexibility.

MANAGE FOR CASH.

This means that you almost certainly will be required to give up some customers or products. Any time you are trimming your revenue, goals have to change.

Be careful though, when you think about ways to conserve cash. Large layoffs may make sense as a way to reduce costs, but if you're eliminating veteran employees or those who have a union contract, the severance costs may be a big cash drain.

REDUCE THE COMPANY'S CASH BREAK-EVEN POINT.

In determining the actions you must take, think about whether you may be creating potential obstacles to refinancing or reducing your debt rating. Then decide what the cash break-even point is.

The objective is to cut costs before revenues decline and to get ahead of the curve. Timing and speed matter.

PARE YOUR CUSTOMER AND SUPPLIER BASE.

A key part of your comprehensive plan is the determination of which customers to keep. Even in a downturn, not every customer is worth having.

Customers can put demands on your cash when, for instance, they require



you to carry a lot of inventory.

You may decide cash is more important to you than a revenue gain.

KNOW WHEN TO CHANGE YOUR STRATEGY.

CEOs call the shots on strategy, with the board's approval. Yet they also should be alert to where sudden opportunities may appear.

They need to have a finger on the pulse of the external environment, seek input from other people about what is happening, and develop a point of view about it, always seeking a way to emerge stronger in the aftermath of the slowdown.

SET SHORTER-TERM MILESTONES.

Conditions are changing so quickly that an annual target can be hopelessly unattainable only a week or two after it is set.

You're going to have to work within a much shorter time horizon, demonstrating flexibility and agility by setting targets on a quarterly, monthly, or even weekly basis.

Even when you set those targets, be prepared to make course corrections as circumstances change.

Mind Over Money: The Chief Financial Officer

Most managers have never faced decision making under these conditions and will need some training.

Here are the things you need to be doing:

First, you will need to exclude the honest conviction that the company will come through the storm successfully.

Second, you will need to present facts and details of the company's financial health under different scenarios of future demand and market conditions in a format people can comprehend.

Third, you must be constructive and very specific in demonstrating how resources have to be redeployed. This is an area in which you can make a huge difference in the company's ability to survive and eventually thrive.

Fourth, just as you will be interacting much more closely with leaders in other areas, you need to train your people to do the same thing at lower levels of the company, making use of not only their analytical skills but also their leadership abilities in engaging in debate and getting faster decisions.



Human Resources

HR will bear the brunt of the transition to crisis management in the early stages because so much of that transition will affect people at every level of the organization.

There are several areas in which you will be tested, and here are some measures you can elect to take to respond to these challenges:

HEAD COUNT REDUCTION.

You know that head count has to come down and come down fast, but you can't eliminate people willy-nilly or you'll wind up dismissing the wrong ones and have to struggle to replace them later.

Instead, the reductions have to be done as part of an overall plan to reshape the organization.

COMPENSATION.

As the HR leader, you must ensure that people have a clear understanding of their individual goals and the company's overall goals and how they will be compensated relative to those goals.

SUCCESSION AND TALENT PLANNING.

As challenging as a downturn can be for a company, it also is a great opportunity to make sure the right

people are in the right jobs.

Help prepare the board to move quickly if it becomes necessary to retain talented executives who are targeted for recruitment by other firms, and seek the board's support in hiring promising individuals away from other companies.

TRAINING.

Make it a point to examine the relevance of leadership training programs and how to use those dollars in the best way over the next two or three years.

All leadership training should be focused on the problems and opportunities facing the company now. The training should provide knowledge and skills that can be put to work immediately.

MORALE.

Do not underestimate the need to keep up morale during tough times. In relation to this, you need to be sure that employees are getting accurate and timely information about the company's efforts to survive and thrive in the new environment.

They will both want and need to be kept abreast of these developments.



Moving Forward

If you're a capable leader, you will have a stronger business after the downturn than you did before.

If you're a leader with vision, you are already wondering what comes next. It may be one year, it may be three or more, but there unquestionably will be a Phase Two.

Actions generate reactions, and many business leaders and analysts expect that next phase to be inflationary since so much money has been pumped into the world financial system.

This is not a forecast. It is simply a reminder that being a leader in tough and uncertain times means always anticipating the next challenge and building the fortitude and skills to face it.

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