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Leaders:
Face Your Fear of the Unknown
*The Four Steps Needed to Lead in an
Uncertain World.*

Leaders: Face Your Fear of The Unknown

Recently, a surgeon and senior professor at Stanford, was explaining an upcoming procedure that he was going to perform using a minimally invasive technique. “You can’t teach this to everyone,” he stated. “It’s like driving in a really bad rain.”

That’s a decent description of the challenges facing leaders in these volatile times. It’s hard to see everything that’s going on. And yet we must make good decisions, even though tomorrow’s world may be substantially different from today’s.

Uncertainty seems to be the only thing that is certain in today’s economy. Minute by minute, headlines whiplash not only stock markets but also economic forecasts. Leaders need to sort out the massive flow of sometimes contradictory information and fit it to their understanding of their specific business and industry.

For the foreseeable future, chaos is going to be the new norm. In this environment, business leaders need to have the tools and perspectives to optimize their company’s performance, no matter the conditions.

This paper seeks to outline the critical areas that business leaders need to focus on, during times of either mild or substantial uncertainty.

One of the most challenging mysteries is: how do we know when we’re there? Is this the beginning of a contraction? Is this when we need to pull back? Is this when we can start to grow again?

What we’re trying to discover is our inflection points, the moment of turning. It might come in the form of a sudden downturn triggered by any one of a number of significant factors: a messy Brexit or a trade war with China that really heats up. Or a terrorist attack. Inflection points can also come in the form of smaller factors such as impropriety of a senior leader or supply chain disruption. We need to be ready for these unknowns, and we need to be ready for them even if we don’t know what form they may take.

The Big Questions for Leaders

- 1) What if one or all of these (insert list of events) happen?
- 2) How bad will it be?
- 3) How will my sector in particular be affected?
- 4) When will it begin to end?

The answer to these four questions is simple: no one knows. So what to do?

In his seminal book, *The Art of the Long View*, Peter Swartz shared his wisdom from his years of making scenario planning core to the management of Royal Dutch Shell. You might want to read the book if you haven't already, but since you might not have time, here's Swartz in a nutshell: In scenario planning you gather your top team together and act *as if* a particular set of events is actually happening. You can work through a scenario in an afternoon, and by the time you've all finished, you are likely to have surfaced a number of unexpected consequences, and you'll have a clear picture of how to optimize your management steps when and if similar circumstances actually come your way.

The scenario-building process provides a number of priceless opportunities to strengthen your organization. Here's the reality: You're going to be carrying out one or multiple of your scenarios. And some of these will be during chaotic and even dangerous waters, when you'll need the very best from your top team. Scenario planning *now* will help you get buy-in from your top team at a time when things are relatively stable, so that they'll be on board at the moment you need to invoke one of your scenarios.

How to Choose Which Scenario

Line up too many negative scenarios, and you'll have your top team running into each other as they flee all the terrible things that might be chasing them. The simple fact is *merde* happens. In good times or bad, a flood is going to take out a key supplier's factory in Thailand. Sure, you want to be ready for that, but the whole team doesn't need to scenario all the threats that are out there. No one does great work in a defensive crouch.

You want to choose your scenarios so that the work of developing them helps energize your team, so that they will be able to stay focused on the wins you are all looking for.

Here are the steps to get you started:

1) *Mind your Ws and Ts.* Basically, you're going to pull that SWOT assessment out of the drawer, ignore the Strengths and Opportunities part, and take a fresh look at your Weaknesses and Threats. Your weaknesses will be tested in downturns, so all your scenarios need to take them into consideration. Your threats will loom larger in many scenarios. For instance, if competitors are better prepared to weather a storm, they are likely to attempt to eat your lunch when things are at their most stressful for your company.

2) *It's 3 A.M.* Imagine a few huge outside events that would suddenly change everything, such as your biggest customer or most essential supplier going belly-up.

Look at your current and close-to-market big initiatives. Choppy waters can

affect the timing of your big rollouts, and maybe even put them on hold for a while. But you never want to lose focus on where your growth is going to come from. Consider developing a scenario around the interruption of a major launch.

If you're Apple with a trillion in the bank, then you can forget about the capital part. But if there's a chance you'll be thinking about going to the capital markets during various times of uncertainty, you'll need to play out how various market environments will impact your financial flexibility. The same for liquidity. Playing out worst-case scenarios now will help you decide how much additional liquidity will be necessary to weather some of the possible storms on the horizon. You will be much clearer on whether now might be the time to take on debt, whether you need it right now or not. As many a banker has observed, the best time to borrow is when you don't need it.

3) *Yes, it's going to hurt.* Identify which among your top team need be on your scenario team, and get their buy-in to the scenario discipline. In planning for your scenario event(s), examine the softest areas of your budget, the areas that are going to be under the most pressure if you need to cut back (is it R&D? travel?, recruiting?), and include in your scenarios budget cuts to those areas.

Recruiting and talent development. Whatever is going to happen, you need top talent to get through it and, more importantly, be ready when things settle down. Scenarios around talent retention and recruiting may make vivid the huge costs of overreacting to chaotic times by stopping recruiting or, even worse, shedding talent. You need to decide now what it will be like when you need to stop recruiting, or to downsize your workforce. And looking down the road, how long and what will it take to start ramping up again?

And going through the scenario with your top team will automatically help with retention: You'll be removing the fear factor around unknowns, and you'll be letting your people know that you care about them and, if there are sacrifices to be made, that the pain is going to be shared.

4) *Triggers.* Establish which data points will guide your understanding of where your company is now, and when you have moved into a new business environment. Using these data, you and your team will choose precisely what will be your triggers to deploy a particular scenario. For instance, if your top team agrees that a shrinking market is when 20% of your customers are cutting back on their orders, if and when that eventuality occurs, you won't need to waste time. Everyone has already agreed it's time for Plan B or C or D.

Develop and agree on triggers for each scenario. A scenario trigger can be

internal, external, or a combination. The important thing is that they need to be agreed upon in advance, so when that fateful day arrives, there's not a big need to argue whether or not you're in that scenario. Maybe it's the numbers in your funnel, maybe it's the attrition rate of customers, or maybe it's external, like the US PMI breaks below 52.5. Whatever your trigger or triggers, getting agreement now means better buy-in and faster action when the trigger arrives.

Timing needs to be a variable in each scenario. When does the scenario get triggered? How long will the recession last? When will the upturn begin? Each scenario needs to be complete for each timing possibility. If it is going to take six months to rebuild, identifying your trigger for starting that process is going to be extremely valuable.

Good scenarios will help you make the right decisions starting now. Choices about investing in new talent, in R&D, acquisitions and entering new markets should depend on which scenarios are most likely. If most scenarios show your not being hit too hard in the coming period, then you can safely keep building and investing as you normally would, and maybe even be able to take advantage of other, more serious challenges.

Or if you're in a more volatile sector and even a modest downturn is going to really hurt, then you'll need to be especially careful about the timing of everything you're doing now. You may even need to hold off on some major hires, or push back a costly or risky product launch.

How detailed should your scenarios be?

Take a page from change management. When doing an implementation, plans should be fine-grained enough so that everyone knows what they need to do. You don't need to go into day-by-day or milestone-by-milestone, but your leaders need to know how their roles might change and how their key metrics might also change.

A Juicy Opportunity

It's natural to contemplate the prospect of a bumpy ride ahead with a sense of dread. But these times also offer an opportunity to strengthen your key relationships. The fact is that no organization lives in isolation. We all have essential alliances in our world of partners, suppliers, sales channels, and customers. You have no expression of the strength at your fingertips as powerful as calling up a key partner and letting them know your team is running through some scenarios, and that you'd like to include them in one or more of them.

Or if you aren't able to be that transparent, you can create a scenario that will be unique to the issues of your relationship, and work through how various

disruptions might play out. No matter what happens, the very act of living through various future possibilities will strengthen your understanding of each other now, and will make that relationship a bedrock of strength going forward. You will both learn a lot from seeing the world through each others' eyes.

A Word About the Art of Implementation

When the time comes to carrying out a scenario, you will be leading a change in the direction of your business. It may involve shrinking your workforce while minimizing the impact on remaining employees. You may be shifting to lower your cost of sales and cutting travel budgets. If your organization has a history of great implementation, then you're probably ready for this one. But if your organization is not as agile as you'd like it to be, now is the time for laying the groundwork for the disruptions to come.

In his excellent book, *Red Zone Management, Changing the Rules for Pivotal Times*, Dutch Holland observes that when you're going through a major change, everyone suddenly has two jobs. One is the job they do normally every day, and the second is the job of managing the change. Having your top team understand that they will be shouldering greater responsibility in volatile times will help you set the appropriate expectations for what is probably coming.

No, it is not easy to drive in a rainstorm. It really helps if we've previously driven the same road on a sunny day and noticed where the sharp turns are.

Catching the Next Wave

A necessary part of every scenario, just as much as you've identified the triggers that you and your team have agreed on, is also identifying what will tell you that the situation is about to move to the positive. Knowing when you're going to come out on the other side, in your sector, will be as important as knowing when to invoke a scenario in the first place. You don't want to still be in a hunkered-down mode when your competition is waking up the world with a breakthrough piece of innovation. No matter how dark and stormy the night, there is going to be a dawn, and you want to be ready to catch that first great wave that leads the next expansion.

team, the mere communication of the leader's view of a situation will influence their team members to feel the same way (social tuning). This social tuning effect works to create a shared reality that keeps everyone on the same page and their motivations aligned to achieve company goals.

And when leaders can create a shared reality that aligns with company goals, they:

- Build trust in leadership
- Create interpersonal connections that extend influence
- Align of personal attitudes with leadership and with company objectives
- Achieve greater social and group coordination towards goal fulfilment

About Skyline Group

Skyline Group is the leading provider of scalable leadership solutions. C4X combines a flexible technology platform (integrated assessment, content, metrics, and coach management system) with the personalized impact and connection of 1:1 coaching. Learn more at [SkylineG.com](https://www.skylineg.com).