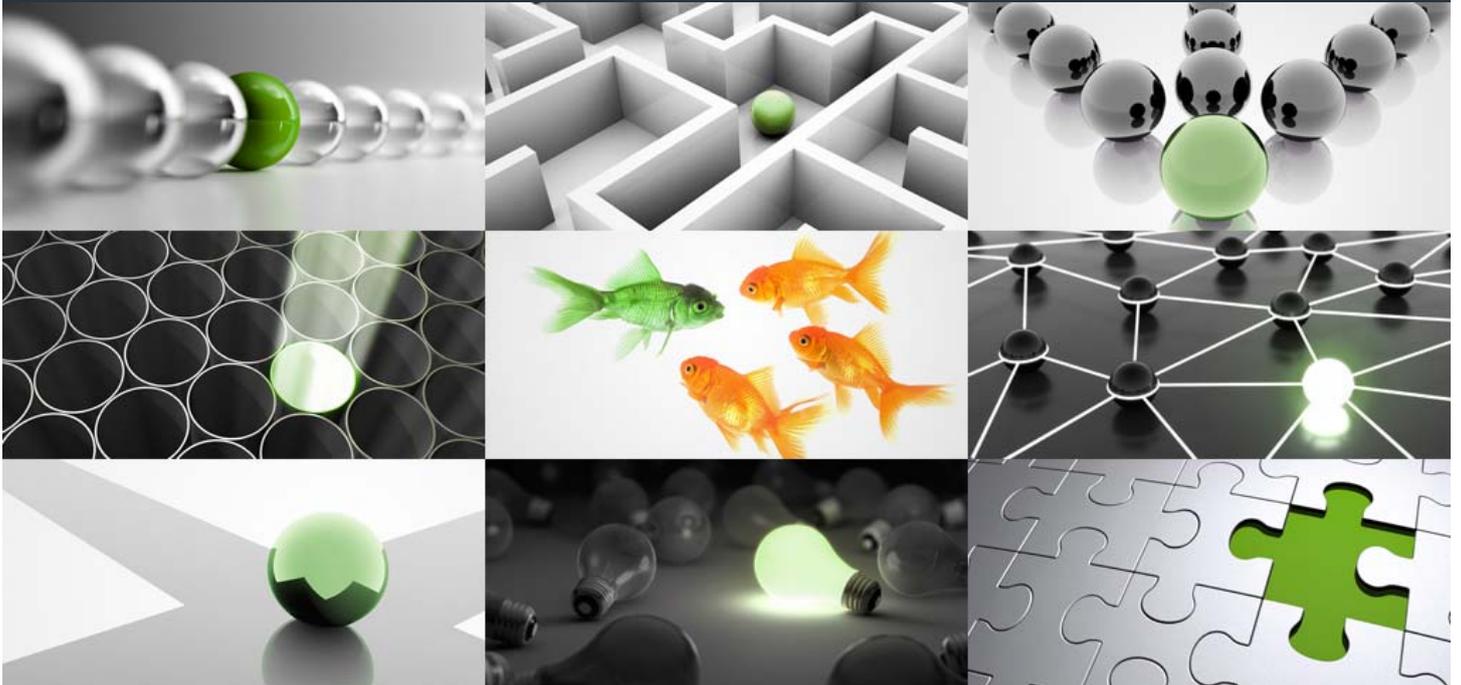


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# Rialto White Paper: Leading for Growth in Tough Times

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# 1. Introduction

There is an old saying in sailing that anyone can sail the boat in a moderate wind and gentle sea. The ultimate test for a skipper is whether they can still function effectively and sail the boat in a force eight gale and angry sea! Business is much the same in many respects and the key skill of a business leader is to grow the business, not just survive, whatever the external market and economic conditions. You may ask if this is possible. At Rialto we believe it is by successfully addressing three key areas:

- Effective leadership
- A focus on growth in all its aspects
- Promoting a positive success mindset throughout the organisation

## 2. Effective Leadership

Interest in leadership and what makes an effective leader particularly in tough times is not a new subject. In ancient Greece Socrates, Xenophon and Plato all had ideas on what constituted effective leadership particularly when times are challenging. Many of their ideas are still relevant in today's environment especially when coupled with some of the ideas on how leadership thinking has evolved in the last two centuries.

In today's world leaders need to be aware of the key issues which relate both to fundamental thinking on leadership (which emerged all those centuries ago) and to the nature of the world in which we live today. In addition, advances in psychology and behavioural science should be establishing better foundations to be more effective as leaders than ever before, particularly when facing the challenges of tough economic times. However, we find that many organisations are struggling to cope with the dynamic levels of change they are experiencing and in many cases taking the actions they know they should be doing.

So let us now review some ideas on leadership in order to start to develop a leadership approach for tough growth in times. Our research in recent times and ideas from the world of thinking on sustainability suggest several key areas to which leaders need to pay attention.

### Do you understand fully your business context?

It is important to understand the business context in which you are operating. What is necessary is to have both a 'big picture' and a 'relevant detail' ability if you are to understand truly the business context in which you are operating. Many organisations are so focused on their internal operations and organisational politics that they fail to notice significant shifts in their business context.

Charles Handy quoted the idea of the frog which put into water which is slowly heated being lulled into a sense of false security and being boiled alive whereas the frog dropped into very hot water immediately jumps back out. Senior people in organisations often get lulled into a sense of false security by being busy and activity led without realising the major changes which are starting to happen around them.

Therefore we suggest that every organisation needs to review regularly its position and the EPISTLE factors which are relevant to that organisation. By EPISTLE factors we mean economic, political, information, social, technological, legal and environmental factors which are present in their business context and which may be shifting in directions which are not being detected.

Some of the questions which you may like to consider regarding your business context include the following:

- What are the benchmark organisations in your sector and how does your performance compare with these benchmarks?
- Have you regularly monitored what your competitors are working on and identifying new competitors from other parts of the world?
- Is your current strategy for growth still relevant or does it need adjusting or even pivoting to a new direction?
- When looking at your EPISTLE factors have you developed the various scenarios which might emerge if your change factors evolve and develop?

Have you strategic plans in place that will accommodate whatever scenario comes to pass?

These are questions which are vitally important both for survival and for growth, yet it is very easy to put them to one side and focus on the fire fighting issues of the day.

## Chapter two: Effective Leadership

### **How well are you connected to other relevant organisations or key individuals?**

The early leadership thinkers pointed out the importance of leaders developing alliances and relationships with people who would support their activities. In today's world of internet communications, social media, emails and mobile phones the issue of effective networking is more important than ever. It is often said that a problem shared is a problem solved. When individual managers are stuck in terms of solving a problem then a group brainstorming session can often provide an answer to the problem.

In terms of leadership then leaders need to engage with others in their problem solving by building their connections. Senior executive networks are common in today's business world and they often provide access to individuals who may stimulate the leader's thinking in terms of addressing key issues. Many leadership problems, the so-called 'wicked problems' do not have a single right answer but need to take into account the perspectives of many stakeholders who often may hold contradictory views on the way ahead. The leader's job is to connect with as many people as possible to develop an optimal solution to take into account all relevant factors even if that solution does not please everyone.

### To what are you committed?

One of the core aspects of leadership and creating organisational momentum is that of setting direction by establishing a vision, a mission or purpose statement and a values statement on how the business is going to operate. One of the keys to handling downturns and 'bumps in the road' in terms of business is to have long term goals, both tangible and intangible.

It is important to paint a picture of the desired vision and focus regularly on that vision. For many years philosophers and psychologists have suggested that we become what we think about. Creating and focusing on a vision harnesses our energy and that of the people in our organisation and in doing so equips us to cope with temporary setbacks. Although they may seem critical at the time, in hindsight challenging issues often fade into less significance and can become, as Zig Ziglar once said, 'pebbles on the beach'. Long term goals enhance our ability to handle the tough times. There is however a danger in just being goal focused and mission driven with a strong sense of purpose. We can lose our ability to lead in an emotionally intelligent way. Human beings are emotional creatures and driven more by emotions than we are often prepared to admit. Tough times tend to produce a task focus on the part of many leaders and in doing so can instigate what we term 'toxic' leadership, that approach to leadership which focuses just on the task and can leave a trail of human devastation. If we want to lead effectively in tough times we have to take the people with us. Toxic leaders may produce the results in the short term but often are dysfunctional in terms of the culture, climate and atmosphere in the organisation in the medium and long term.

A balanced approach of focusing on goals and the vision together with engaging with the people and seeing things from their viewpoints is vital if the organisation is to keep its best people, survive and grow in tough times. This is where the idea of a stated values list is important. How do we want to operate in our organisation and what is important in the way we do things? Are 'people issues' at the top of the list or does the values list focus purely on finance? Balanced scorecard approaches ensure that we look at a range of issues in our values list rather than just the numbers.

### Culture

We are now operating in what is effectively a global village. Equality and diversity issues are fundamentally important in all walks of life. We increasingly have customers and clients from other cultures and within our organisations our workforces are becoming increasingly multicultural. The important issue is to understand that other cultures can be very different from our own and we need to explore and find out more about these other cultures if we are to work together effectively. Issues around time keeping, personal focus and interpersonal style are just three examples of how people may differ. Just because other people do not seem to share our view of the world does not mean they are wrong, just that they have a different perspective. Understanding that perspective enables us to harness the efforts of those individuals from other cultures and capitalise on the contributions they can make to our operation. In particular in creating an effective team, the wider the range of types of individual and personality the better, particularly in terms of team creativity.

In today's business world it is relatively easy for organisations to raise their awareness of cultural issues through the many books published as guides to different cultures and the many workshops and seminars which may be found through an internet search. In recent months Rialto has helped clients understand, Japanese, American, German, French and a number of Middle Eastern cultures through briefing sessions designed to enable the individuals to interact effectively with people from those cultures in the shortest space of time.

### Complexity

Many of the problems with which we have to deal in today's challenging times are not straightforward, single correct answer problems which can be adequately addressed through old style 'black and white thinking' and a command and control approach which assumes the leader always knows the correct course of action to take. Many of the problems with which we have to deal today are what we term VUCA problems – volatile, uncertain, complex and ambiguous in nature. The antidote to VUCA problems is also VUCA – vision, understanding, clarity and agility.

The role of vision to make sense of the world around us is more important than ever before. We need to ensure that people buy into that vision through effective engagement and communication. The uncertainty issue is addressed through developing understanding of the perceptions of all stakeholders and the deliberate ability to 'stop, look and listen' in uncertain situations. To handle complexity we need to develop clarity, collaborate with others and stop trying to find permanent solutions that please everyone.

Complex problems are often 'wicked' in nature where there is no right answer. Different perspectives from different stakeholders mean that it is impossible to please everyone. The leader has to take counsel, ask appropriate questions of appropriate individuals, looking at how others handle similar problems then create an appropriate strategy or set of strategies depending on the scenarios that may arise. Scenario planning is something which was developed in the 1970s by the oil companies to handle a potential crisis in terms of managing oil resources and stocks. At Rialto we specialise in scenario planning as part of our strategic leadership development portfolio.

The final antidote to the VUC problem is agility. In Silicon valley they often talk of 'pivoting' – changing course rapidly because of a change in the external environment, perhaps one of the EPISTLE factors, particularly the development of a new technology. One key factor in developing agility is the ability to communicate effectively across boundaries both within the organisation and outside the organisation. We now hear the phrase 'wirearchy' as opposed to 'hierarchy' to reflect the growth in networking ability particularly in the area of social networking.

### 3. Are you growing your capability as an organisation?

Around 1990, a major shift in leadership thinking emerged. Almost simultaneously in MIT in the USA, an Australian leadership centre in Sydney and in the University of Exeter, UK it became a realisation that leadership needed to shift from simply 'command and control' in nature to a much wider spectrum of styles.

This was deemed necessary to facilitate change and enable the leader to develop the capability of her or his organisation by unlocking the potential of its people rather than ruling with a heavy hand. Organisations and people are very much like investment accounts. On a daily basis they either increase or decrease in the value they can contribute to the organisation. It is now clear that every organisation needs to become a 'learning organisation' if it is to survive and prosper through growth. Organisations are not simple input-output linear value adding systems. Instead they are more like living organisms which have to adapt to new circumstances by developing the capability to create new ideas and solutions and turn those ideas into innovative actions. This can only happen if the people are passionate about wanting to make the organisation a success and are constantly learning and trying new ways of doing things.

One key area which is often not adequately addressed in organisations is that of creative problem solving. Not just for the Senior Management Team but throughout the organisation at all levels. One Middle Eastern client we know in the oil industry puts its graduate intake onto a creative problem solving course as soon as possible after they join the company.

## Chapter three: Are you growing your capability as an organisation?

The process not only boosts the ability of the organisation to solve problems at the lowest organisational level but it also greatly increases motivation level and contributes to the process of creating motivated wellbeing in the organisation by reducing frustration levels.

There is a tendency at times to over complicate leadership as, indeed, it is a complex subject. Much of the impact of a leader takes place at an unconscious level yet we attempt to describe leadership with those factors that we perceive consciously. However it is behaviour we can observe and that provides a useful starting point for identifying what leaders actually need to DO in order to be effective in tough times. There are ten key issues based on the seven leadership capabilities identified by myself and Alan Hooper in the 1990s in our work in the University of Exeter Centre for Leadership Studies. In recent times we have added three issues to shape the core capabilities to the modern business world. In order to enable the leader to lead for growth in challenging and tough times we believe that the following factors are critical:

1. Set direction, create a vision, sense of purpose and values statement in such a way that the people buy in to the process of creating a compelling future
2. Display personal commitment; act as a good example and a role model for how you would like your people to behave particularly in the areas of time management, interpersonal skills and personal focus
3. Work hard at communicating with your people, lead by walking around and staying in close contact with all levels particularly the front line
4. Work towards creating emotional alignment in your people whereby they become emotionally committed and inspired to do their work well even when the going gets tough

### Chapter three: Are you growing your capability as an organisation?

4. Develop and bring out the best in your people through training, coaching, mentoring and developing their self-esteem and pride in their work and their organisation
5. Develop your self awareness and become an emotionally intelligent leader by practising 'tough empathy'. This is about seeing things through the eyes of others, not feeling sorry for them
6. Enable, encourage and promote a focus on making small changes which become cumulative. The Japanese approach of Kaizen is key to this process. It is often stated as being about 1000 minor issues being made 1% better rather than looking for a major breakthrough
7. Set goals and deliver real results in appropriate timescales
8. Act calmly in times of crises. As Kipling once wrote " if you can keep your head when all around you are losing theirs you'll be a man my son
9. Work towards creating structure in times of volatility, uncertainty, complexity and ambiguity.

## 4. Developing a success mindset to enable organisational growth

How do we create the right mindset in the organisation to encourage and enable growth?

It is not about bullying people into action, leading through fear and other toxic processes or heavy handed performance management. It is about developing the right philosophy in the business and encouraging three issues:

- Belief in the company, its products and services and a compelling future
- Commitment to making the business grow throughout the organisation
- Intelligent persistence on the part of everyone to cope with the tough times

It comes down to creating an effective business success philosophy. So what do we mean by a 'business philosophy'?

**1. Programming**

At any point in time we find ourselves in a mindset which has been created by our programming and conditioning to date. This includes parental, educational, social and media influences, most of which are not in our control and of which we are not aware.

**2. Our belief system**

Our programming and conditioning leads us to have specific beliefs about our business, our industry, our capability, what represents appropriate behaviour, issues such as coping with rejection, attention to detail and so forth. Many peoples' belief systems are self-limiting and in order to progress we need to think long and hard about which beliefs help us, which hold us back and how we can replace negative and limiting beliefs by more useful ones.

**3. The consequences of our beliefs**

Cognitive behavioural psychology shows us that our beliefs enable us to interpret events that happen to us and that interpretation has consequences in how we think, feel and act. An example of this is the individual who has the belief that selling is a difficult process at which they are not very competent. They find it easy to procrastinate and not pick up the 'phone as they start anticipating the negative emotion of rejection when and if they are turned down. The Go for No process already mentioned goes a long way to address this issue.

**4. Our attitude**

Our beliefs generate our attitude. If we are stressed then the neural activity in our brain changes and we produce the stress hormones such as cortisone and cortisol which act to reduce the neural interconnections and thus reduce our creative ability. A positive attitude on the other hand tends to increase neural activity with the production of, for example, Serotonin which tends to increase neural activity, stimulate us and promote our ability to think in a more productive way.

## **5. Activity**

Our attitude tends to determine our activity level and the energy which we put into our efforts. Depressed individuals and those with a tendency towards negativity just find it too difficult to get on with things and produce outcomes. It is vital that we promote a positive attitude if we want to generate activity. Getting people to focus on their strengths and those of the organisation, on the good things which are happening, the positive opportunities and the things for which we should all be grateful are key to developing the type of attitude which generates activity. In a study some years ago the Harvard Business School found that 85% of the reason that individuals gained new positions in organisations was due to their good, positive attitude. It is a positive attitude that enables effective activity to take place. That activity needs to be rewarded and reinforced to ensure its sustainability.

## **6. Results**

Growing a business with effective activity will produce good and indeed great results if the activity is value added, effective and congruent with the goals of both individuals and the organisation. Good and great results help both the people and the organisation growth and job satisfaction scores will soar.

Promoting a business philosophy along the above lines will promote business growth by engaging everyone in the growth process. The most important element of the business philosophy is in the area of beliefs and there are many beliefs which are useful if we take them on board.

## 5. So what are some positive beliefs that will help us grow our business?

Firstly one excellent idea is that you can get anything you want for your business if you help enough other people get what they want.

Secondly, you are where you are now because of the ideas you have allowed to impact on your mind and your belief system. Change those ideas and you change your future prospects.

Thirdly most of us have a lifestyle which would be the envy of the greater part of the world's population. We tend to under value what we have as we become accustomed to the tangible assets such as cars, mobile phones and technology in its widest sense. We are living in a magical age, one of great opportunity if only we can develop a sense of motivated well-being and gratitude for what we have around us.

Fourthly most of us work well below our personal capacity. Some psychologists have estimated that most people work on less than 5% of their potential, perhaps even less. We all need to grow as people through our experiences, continual life learning and building relationships.

Fifthly, no matter what the difficulty there is always a way to overcome it. What is necessary is creative thought on the possible solutions not abandoning all efforts as the first sign of the problem of difficulty.

## **Chapter five: So what are some positive beliefs that will help us grow our business?**

### **Building a success philosophy based on positive beliefs**

Many years ago a journalist called Napoleon Hill produced an outstanding book on success philosophy called “Think and Grow Rich” which is as relevant today as it was nearly a century ago. His philosophy was based on desire to be successful, faith and self-belief, imagination, planning, persistence and harnessing the unconscious mind to work for you rather than against. That philosophy is still one which many successful business people have used to carry them to success particularly through troubled times.

In recent years business psychologists have reviewed a great deal of material on the psychology of success and what has emerged is a set of five factors which seem to underpin all the various approaches. These are particularly relevant for leaders aiming for growth in tough time.

### **Take responsibility for what you create**

Do not blame others or the market for your shortcomings. Success is down to the individual to make up their mind, focus on their vision and engage others in the pursuit of the organisation’s mission

### **Be positive**

It is important to maintain a positive perspective even when the going gets tough. When we are stressed our creativity tends to suffer and this gets worse if we move into a negative mindset. The more positive we can be the more confidence we can create in others, particularly our people and our customers. We can then use our brains in a positive way to solve problems and challenges rather than be defeated by them.

### **Set compelling goals both tangible and intangible**

Human beings and organisations have a lot in common with the bicycle. If the bicycle is in motion and being ridden with a sense of purpose all is well and progress is made. However, if the bicycle stops, then it falls over! People and business are much the same. We need to channel our energy and maintain momentum in order to be successful and grow our business. Goals provide motivation and momentum on a daily basis.

## **Chapter five: So what are some positive beliefs that will help us grow our business?**

The old approach to goal setting using the SMART idea of specific, measurable, attainable, relevant and time bounded needs updating as it leaves out the all important aspect of ownership, inspiration and emotional commitment. We now find that SMEARTIE goals are more powerful.

SMEARTIE stands for specific, measurable, evidence based, attainable, realistic and relevant, time bounded, inspiration and emotionally loaded. Attach emotion to a goal by visualizing what life would be like with the goal achieved and seeing, hearing and feeling the impact of the goal really does turbo charge its effectiveness and greatly enhances the achievement process.

### **Keep going!**

Most success philosophies point to the important of persistence. The sales person who persists eventually makes the sale, sometimes after any many as five calls. In internet marketing it is often quoted that you need to make around seven approaches with emails in order to make a sale. Many people give up too quickly due to fear of rejection. The Go for No philosophy handles the rejection issue as we have already discussed. What we have to do is to keep up the activity. To be realistic there is of course a time when it is not worth persisting – the so-called ‘dog’ in the Boston Consulting Group Matrix. However, that point is usually reached much farther down the road than many realise or accept. Intelligent persistence is the key phrase to remember.

### **Build your personal leadership network**

The well know American psychologist Denis Waitley recently stated that “if you are not networking, you will very soon be not working”. That is particularly true for leaders who need access to a much wider range than ever before of contacts, ideas and resources to handle VUCA and wicked problems.

This five point action plan places a powerful tool in the hands of the effective leader particularly if the approach can be promoted and integrated throughout the organisation in both the induction process and on-going professional development throughout the organisation’s learning and development programme.

## 6. Conclusion

Toshio Doko, former Chairman of the Federation of Economic Organizations of Japan once stated:

“An Organisation will meet its death when all its problems are gone”

Although many people say they would like a life without problems or major challenges in their business world. The fact is that solving problems helps the organisation grow its capability and hence the size of its business provided there is a growth strategy in place. Sales led growth, managing costs effectively and promoting a positive success focused mindset through effective leadership does provide a challenge to most business leaders. However, the rewards can be very significant if change is handled well, capability developed and positivity maintained. The aim is to win the war even if we lose a few battles along the way.

Rialto specialises in unique change management and transformation solutions which deliver exceptional results. We provide a range of services and interventions associated with the entire people agenda

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