



LEADING THROUGH DISRUPTION

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The demands on the CEO require full commitment during the best of times, so how do you face disruption where the intensity is magnified and the time to act is reduced? How do you manage the lack of security you face yourself while leading others with confidence and conviction?

CASE STUDY

Recover with clarity.

When Pat started as CEO of Lucent Technologies, the company had one clear objective: survive.

Lucent had structured its cost and expense base for a planned revenue of \$20 billion yet earned \$12 billion in the year of the crisis. With 125,000 retirees and 100,000 additional dependents, its retiree healthcare expense alone was 8% of revenue.

Despite being pressured to file for Chapter 11, Pat helped the company focus its mission and led it to break even, regain profitability, create top line growth, and finally merge with Alcatel to remain sustainable.

01 SET A COMMON GOAL

Define the mission

To get through disruption, people need to know exactly what the goal of the company is. Let people know where you are going. Define your mission and be clear about it. Create a followership by building confidence in people through clarity.

Free up time

Don't let the desire for perfection draw time from other priorities. Act quickly, but leave room to remain flexible.

Align teams to the mission

Unaligned teams cannot work in a crisis. Clear up misunderstandings quickly or remove people with an individual-oriented mindset. Teams who focus any attention on assigning blame cost too much time.

Leaders with different objectives can quickly divide an organization as they take their groups or divisions with them. Spend time with key leaders to ensure buy-in for the company strategy during disruption.

"People inside the company are really smart. They know when things are not going right. They want to know that the person at the top of the organization gets it, has a plan, and understands what needs to be done."

- Pat Russo

CASE STUDY

Tailor your message.

Pat communicated differently to employees and unions during the Lucent crisis.

Both were made aware of the situation, but Pat had to remain positive towards employees, communicate a clear plan, and give them reason to believe that they would get through it.

The unions needed to understand a different side of the situation. Pat highlighted the risk to the unions and explained that if they could not renegotiate retiree healthcare, the company was going to go under and nobody would gain.

02 COMMUNICATE EFFECTIVELY

Be transparent

Repeat key messages frequently and reiterate where the company stands. Communicate authentically and transparently. Assume that everybody in the organization knows the company is in serious trouble. If you don't acknowledge the problem, they will think you are blind to it and it will exacerbate existing fears.

Open yourself to the toughest questions that employees can ask. You need them to believe that you are authentic and genuine if they are to follow you through difficult times. When people sense that something is wrong, all the energy of the organization goes there. Dispel and reallocate that energy. Provide certainty as fast as you can.

Understand your constituencies

Your constituencies have a stake in getting your organization out of trouble and can be your strongest allies if managed well. As a CEO, you have more constituencies than you may think: the board, customers, investors, media, employees, unions, and government.

Create a strategy for how you will communicate with each constituent. There needs to be consistency, but each will require their own message tailored to their interests.

Be proactive, thoughtful, and consistent about your connections with constituencies. Build relationships before you need them. Those who feel closest to you and best understood by you will support you most in a crisis.

PERSONAL EXERCISE

Reflect on a crisis or period of disruption that you worked through before becoming a C-level executive. Write a letter to yourself in that situation from your current position.

1. What did you need to hear to remain positive and committed to working through the crisis?
2. What support did you need from your leaders?
3. What context would have helped you to better navigate the challenges and improve decision-making during that time?
4. How well does your letter communicate confidence and clarity?

Communicate positively

Linguistics is important as it sets the tone of the company during a crisis, especially among employees. Don't use phrases like 'I hope', 'I think', 'We may'. Stay declarative. Be affirmative.

Be emotionally centered and empathetic as a leader.

Create context

Context is decisive. Create context for people so that they make decisions that fall within it. Make it clear why they do what they do, why it matters, and how it fits into the bigger picture. Focus people on doing. Remind employees that the world will still carry on and that they have a goal to achieve.

Look at what you do and who you are separately

'Doing' is building a set of plans, organizing actions, and getting them executed. 'Being' is how you are living and portraying yourself in the process.

While they are related, look at them separately and ask yourself, do I look like I am going to get through this? Does my face and demeanor reflect what I am communicating to others? Am I leading authentically?

Authenticity causes people to believe.

"You can't change a culture if the leadership team isn't geared to behave differently. You can talk about it, but you can't cascade it unless you're in."

- Pat Russo

03 PREPARE FOR FUTURE CRISES

TEAM EXERCISE

Ask your team-members or direct reports to write a list of decisions they are tempted to make but don't due to high perceived risk.

By the action they are not taking, gauge whether they are perhaps being held back by a lack of pressure, urgency, or autonomy.

Foresee disruption

You are caught unaware when you are shrouded by euphoria. Don't lose sight of the fundamentals during a period of rapid growth or large opportunity. Have someone around you to check your enthusiasm – an eternal pessimist if need be.

To distinguish a bubble from a change in the industry, listen to the consumer. If there is a fundamental change in the way of behaving, then it is likely lasting growth. If there is no new consumer behavior, then excess money is likely fueling a bubble.

Change culture

Avoid overly hierarchical governance and do not assume that hierarchy represents aptitude.

Don't be too cautious outside of a crisis. Disruption shows how much creativity and capability people can demonstrate when needed. Nurture and maintain that audaciousness even during good times.

Constantly challenge your business to be better. If you're not trying to break your business, somebody else is. Declare yourself dead, reinvent yourself, and test your way out of it.

"We see time and again what people can accomplish in times of difficulty. In times of great opportunity, we can push as hard and further."

- Pat Russo

04 TACTICS DURING DISRUPTION

Plan for both the short- and long-term

Have a detailed plan for the short-term and make sure you know how you can build your way out of a crisis. Consider forming two teams within your strategy - an operating team to manage the day-to-day challenges and another team to identify the business opportunities that the situation has created.

Know when to pivot

Know when you need to change from driving cost reduction and operating efficiency to a mindset to thrive. It may require replacing top leadership as some people excel at survival but are less effective when building growth.

Explore your breaking point

Go as fast as you can without breaking the organization. You will realize immediately when you are pushing too hard, but unless you take it to that point you will never know how fast you can go. Pick up the phone and get a feel for how close to breaking point people are at multiple levels in the organization.

Garner written commitment

When needing to pivot, give all your key leaders the opportunity to sign up or sign out. Ask them to send you an email where they communicate their decision in writing. If they opt out, help them in their transition to another organization. Thereafter, have zero tolerance for a lack of commitment from those who choose to stay.

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