

## GFC: the leadership challenge

Peter Fuda - leadership consultant and researcher



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The GFC (Global Financial Crisis) has created an unprecedented leadership challenge for CEOs. We asked leadership consultant and researcher Peter Fuda, what qualities he believed were essential for leaders to successfully navigate their organizations.

### **ceforum.com.au: What do you see as the 2-3 most important leadership qualities for business leaders today and why?**

**PF:** There are three important qualities: awareness, accountability and authenticity.

Awareness is vital. All business leaders tend to have noble intentions: I am yet to meet the CEO, for instance, who seeks out to destroy shareholder value, irritate customers and alienate staff! Yet studies have shown something like two thirds of CEOs are unaware of the impact they have on their organisations, and in particular the adverse consequences their behaviour can produce.

Accountability has two related parts. The first is being prepared to be accountable in a personal sense, by closing the gap between

what they say and what they do, and also inviting colleagues to challenge the CEO when the CEO him or herself is out of line with their behaviours. The second part is about holding other people accountable. We have found, for instance, that some CEOs bark a lot about accountability, but may still be tardy in acting when people miss performance targets or are out of alignment with the values.

**"It can be hard for leaders to "know what they don't know..."**

The third needed quality is authenticity. In this environment in particular, it is far more important to be authentic than it is to present yourself as perfect. If you are open about your challenges, for instance, that encourages trust, which in turn leads people to make greater discretionary efforts in their work. This is something, of course, that many organisations need at present.

### **ceforum.com.au: Why are CEOs unaware of their impact on organisations, given all the sophisticated performance measurement systems most organisations have in place?**

**PF:** It can be hard for leaders to "know what they don't know". For example, there is a strong expectation that CEOs "know it all" by the time they assume the role, so there is often not a lot of encouragement to explore areas of uncertainty.

Another point is that the behaviours that make for an effective CEO are different to the behaviours that typically got them to be CEO in the first place. For instance, people become CEOs because they are good at setting and achieving goals, yet, for a CEO, their success is more about enabling *other people in the organisation* to set and achieve *their* goals.

It's also true that, even where a CEO invites his or her team to give them candid feedback about their behaviour, people are often reluctant to give it, as they perceive that as a potentially risky thing to do.

This is where getting someone outside the organisation to help elicit and provide this feedback can be useful, as it can be very hard to get internally.

### **ceoforum.com.au: How does leadership in downturns differ (if at all) from leadership in other times?**

**PF:** As a CEO you are always in the spotlight, and this scrutiny is even greater in tough times. As a consequence, it is more important than ever that a CEO be aware of what they are, and are not, saying and doing.

One thing I would highlight is that, while there can be a natural tendency to become more controlling – get more directive, dive down into each and every operational issue, and so on – when times are tough, our experience and research suggests this is the wrong thing to do. CEOs would be better off, where appropriate, to redefine the goals and standards of the organisation, then give people the autonomy and incentives to pursue those goals without being constantly second-guessed. That is far more likely to be effective in getting people to perform.

### **ceoforum.com.au: What do you see as the biggest challenges for leaders in tough times?**

**PF:** The biggest challenge is to avoid what I call “reporting the news” that is, simply reflecting some of the current pessimism on the economic environment. Instead, a leader has to be an author, not a reporter, of the news: that is, they need to see the broader environment as one input into their plans, rather than something that totally pre-determines any actions they might take. The key strategic questions are around how to respond to that environment e.g. what can we do differently, how can we stay open to new possibilities and new opportunities, what can we try that’s new and doesn’t involve spending lots of money.

A manager is someone managing the present state, whereas leadership requires the envisioning of future states. Of course I understand that many organisations are facing big challenges right now, but you still have this fundamental leadership responsibility.

### **ceoforum.com.au: What are the most common misconceptions about leadership in tough times?**

**PF:** We’ve already discussed the “more control is better” misconception. A related misconception is that the only good ideas now come from head office. In fact, this is a time when you want to be going to people in the field where people are closest to the customer, to find out what is working, what isn’t, and what competitors are doing. It’s not a time to retreat into a bunker mentality.

Another potential problem can come from how you handle communication. Some CEOs under-communicate, e.g. they take almost a paternalistic approach and take a view they will keep important, but unpleasant, news from the organisation. Other’s over-communicate, where the frequency and sometimes trivial nature of what is being communicated actually makes people nervous. What is really required is meaningful communication on the key issues that matter to people.

### **ceoforum.com.au: What would be your advice to CEOs on the 2-3 things they can do to be effective leaders in the current environment?**

**PF:** The first thing is that organisational aspirations and standards may need to be recalibrated. A goal of absolute profit growth of 12 months ago, for instance, may now become a goal of higher profitability relative to key competitors. Once those new targets are in place, people should be fully empowered to pursue them.

Behavioural standards also may need to be reinforced. In tough times, for instance, there can be a temptation to take short cuts e.g. get results by any means necessary. This may produce results in the short-term, but do significant long-term damage to the organisation.

The second important task is to make sure the organisation is aligned around the new goals. This includes 'hard' factors like structure, systems, skills and processes, and 'softer' factors like values, behaviours, and the symbolic actions taken by leaders and the consequent signals they are sending to the wider organisation.

The key point here is that now is really the time to maximise your alignment, as there is no time to waste. Now more than most times, organisations can't afford the wasted time, resources and effort that misalignment creates.

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