



Dave Manning

A prime mover in getting a division of Rolls Royce to Class 'A' in the 1980s, he has huge experience as an inspirational educator to many companies across many continents in how to bring change through implementing Integrated Business Leadership. Recently he has spent 18 years in Oliver Wight.



Richard Watkins

Richard Watkins is Managing Director of Delos Partnership Limited. He has twenty years' experience of working with the management teams of manufacturing companies helping them achieve a competitive edge

Leadership - the key to survival in turbulent times

Clearly these are very challenging times for all businesses from across all business sectors. The global nature of the changes makes it even more difficult for companies to know what is happening and when it is going to happen.

Small changes in the growth rate in China can have major effects on global commodity prices. An outbreak of a disease in one country can rapidly have an impact on the world. A volcanic eruption can close down airspace.

In these times there is a huge temptation to focus upon the very short term. After all, who can tell what will happen next month let alone next year?

However in my opinion this is a mistake. It is now that great leaders need to see change sooner than the competition and look further into the future to see how they must prepare for opportunities in the growth that will eventually happen.

We describe in this article how the dynamic process of Integrated Business Planning should form the basis of the business operating model for every company. However, this process needs great leaders to look into the future and adopt an 'Integrated Business Leadership' style.

As Rosalyn Carter said "A leader takes people where they want to go. A great leader takes people where they don't necessarily want to go, but ought to be."

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The challenge for leaders

Clearly these are very challenging times for all businesses from across all business sectors in a global environment. No one market and no one country are immune from the impacts of other countries and regions. Japan goes into recession, and this causes those companies exporting to Japan to find that their sales are affected. China stops growing so fast, and there is a massive impact on energy costs. USA develops fracking to make it independent of Middle East Oil, and the North Sea Oil industry stops investing as the price of oils go south of \$ 70 per barrel. Ebola surfaces in West Africa and starts to impact our lives, from going through airports to impacts on economies. The global nature of the current economic climate makes it far more challenging than ever before.

Leaders of businesses must focus on the longer-term, try to sense the right directions, and then steer their ship in the right direction. It is essential to point in the right direction. “If you do not know where you are going, then any way will get you there” as Henry Kissinger said.

In these times there is a huge temptation to focus upon the very short term. After all who can tell what will happen next month let alone next year. However this is a mistake. It is now that great leaders need to see change sooner than the competition and look further into the future to see how they must prepare for opportunities in the growth that will eventually happen.

Nobody has a crystal ball but as Chad Holliday, the DuPont CEO, demonstrated by focusing on the future, he was able to take decisive action during the financial meltdown. And this has enabled them to be in a position that when they return to ‘normal’ DuPont will be in a position to capitalise on that opportunity. Chad Holliday is demonstrating real leadership at the time when leadership is most needed. He viewed the uncertainty and accepted the change that he saw coming. He was neither paralysed by it nor afraid of the uncertainty or ambiguity of the future. He demonstrated his leadership, took control, appointed resources and took decisive action.

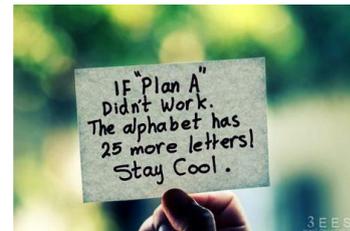
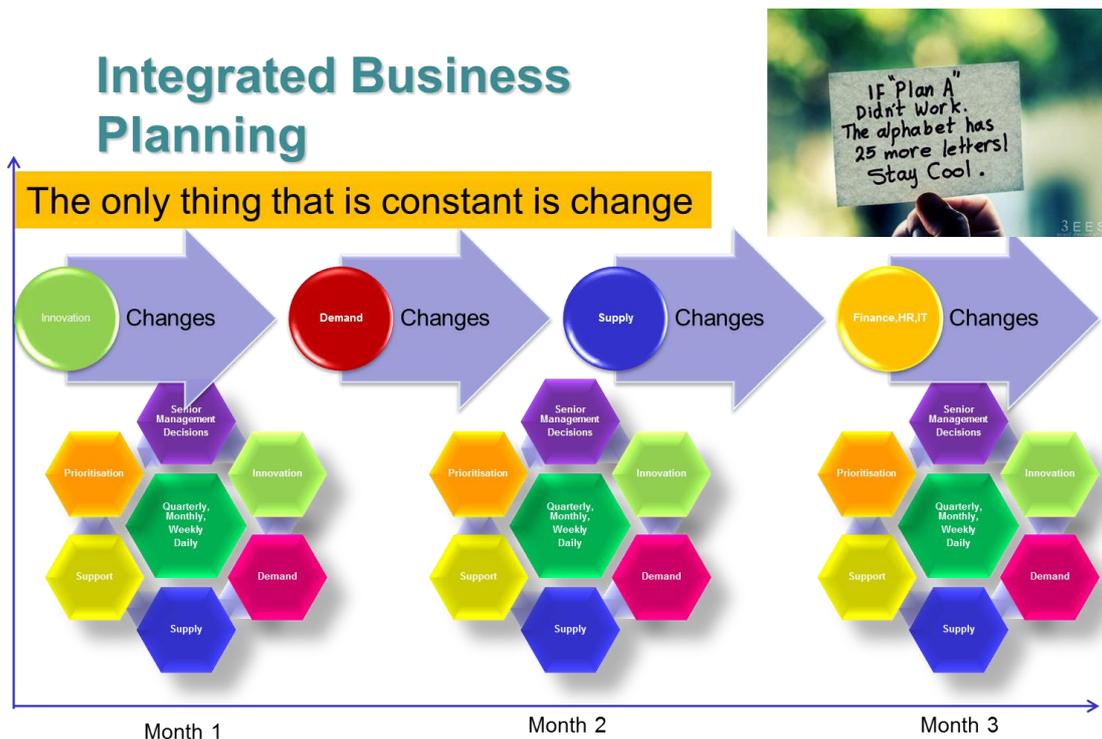
Hence, the key characters of business management in today’s environment must include:-

- Forward visibility and planning, not reactivity or paralysis like a rabbit in headlights
- As much scenario planning as possible based upon as many facts, information and as much analysis as possible
- Total alignment by all functions and global integration. Companies will only survive by making decisions from a business perspective and not a functional perspective with a team based approach
- Quick and clear decision making with decisive actions that are applied with urgency
- Consistent review of the future, in uncertain times more focus upon change and the future is critical
- Financial integration with operations
- Challenge paradigms and ‘sacred cows’, be willing to refine and adjust your strategy.

Integrated Business Leadership v Integrated Business Planning

All of these characteristics are key objectives of an effective Integrated Business Planning model. However, this model only functions effectively if the Leadership is of a mind-set where they themselves do not focus on the short-term.

The following is the standard model of Integrated Business Planning, emphasising the fact that it is designed to handle constant change:



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If the Leadership of a business uses this process to focus on just the next three months, then it will completely lose the plot. However, we have been part of the Senior Team Review meeting in one \$ 4 billion organisation in Europe, where the CEO spent all of the time purely on the next three months. It took another CEO to change the characteristics of the process – and the direction of the organisation.

In another company there had been a fire at a major facility, which accounted for a large proportion of the organisation's profit. The CEO announced at the beginning of the meeting that if any one talked about the next three months and the impact of the fire on short-term profits, then they would be dismissed (or fired!). This was about the long-term. That put paid to any short-term firefighting!

The Impact of the Annual Budget

There is no doubt that the shape of business and those companies who survive will be different in two years' time. Many companies will be smaller, processes will need to be simpler – fewer products, people, suppliers and facilities with less layers of management, but fitter and stronger. This will bring a new management intensity.

Management must have hands on involvement at the operational level to ensure effective deployment of decisions. However the big picture and strategic thinking must not be abandoned. Volatility shortens the life span of a business model and strategy. The speed at which a competitor may enter your market is likely to be faster than ever before. Your business model may become obsolete sooner than in the past. Flexibility could become your company strategy and conservation of cash become a critical objective until things return to some form of reality.

But one of the key constraints in any business is in the focus on the year-end and the single budget number. The following diagram illustrates the typical annual cycle. Companies that continue to set budgets in the traditional annual approach are likely to be disappointed.

Ineffective current Annual Budget Process

- Takes 3 - 6 months



- Corporate Review process changes the goal posts
- Constant changes from the outside
- Too much unnecessary detail

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All that this process does is to force people away from thinking about the longer-term and just drives short-term thinking. An effective Integrated Business Leadership style will ensure that the business is constantly producing a rolling twelve month P&L and Cash Flow forecast. It can take one month's cycle output to provide the plan to shareholders and the city. If it has spent twelve months before considering it, then it is likely to be of the right quality to present to shareholders.

Execution of the plan: Management v Leadership

In the model of Integrated Business Leadership, there is a clear obvious differentiation between the Leadership of the business and the Management who are accountable for the delivery of the decisions that are made by the Leadership of the organisation. Here is a typical statement of the differences between Management and Leadership, based on Warren Bennis' ideas:

Aspect	Manager	Leader
Purpose	Plan, Organize, Co-ordinate	Inspire, guide, and motivate
Activity	Administer	Innovates
Style	Maintains the status quo	Develops the direction of the business
Focus	System, processes and structure	People
Method	Control	Relies on Trust
View	Short-term	Long-Term
Questions	How and When	What and Why
Concentration	The bottom-line	Horizon and value add to the customer
Originality	Imitates	Innovates
Behaviour	Resource Investigator	Shaper
Actions	Does things right	Does the right things
Rules	Follows and enforces	Changes and challenges

“Management intensity means matching the horizon and the periphery, even as you move decisively to ensure that the business survives the next six months” Ram Charan

Here is where many companies find that they cannot adapt easily and be agile to respond to changing market conditions. Their leaders have not moved beyond being managers, and are stuck in the past. They may have moved from being a manager to being a director, but that is in title only; in the process they have not lost the mindset of being a manager. In this case the business fails to make IBL happen, and they get stuck in the short-term worrying about this month's shipments, rather than what they would like to happen. They do not see that the purpose of Integrated Business Leadership is to provide the framework within which Leadership can thrive, and management can then execute the plan.

At some point there will be a recovery in the market-place, and you need to prepare for it by making the best assumptions possible about markets and competitors. Beyond that it is certain there will likely be a down-turn, and hence you need to be prepared for that. In all cases the leader will need to instil courage and optimism in management by putting reality on the table and acting decisively. This will test the psychological capacity to make difficult decisions of many management teams and leaders.

Actions need to be bold and transparent in order to create management confidence. Those companies who take a decisive approach as well as a long term view will be those who not only survive but also set themselves up for a prosperous future. When you are in the middle of a thunderstorm, you can focus on keeping yourself dry. But the leader will know the sun

will shine. When the sun is shining, then you can enjoy the moment, and live in the now. But soon enough the rains will come. The leader will focus on the future.

But it is sad how many people in so many 'management teams' continue to focus on the past, what went wrong, and searching for excuses to escape from blame. That is why so many companies just do not get the cultural change required to make Integrated Business Leadership successful. We should not talk about 'Management Business Review', we should talk about the 'Senior Leadership Team Review'. But calling something different does not ensure the right behaviour. The behaviour has to change as well. Leaders lead and managers follow. Followership is as crucial as leadership.