

Observations and thoughts on corporate leadership during a down market: Get out of the bunker and into the fray!

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The time to lead is now for corporate America. At this time next year those companies that showed calm, rational and fearless leadership today will likely be the ones that dominate their respective industries. What follows are some of my observations and thoughts.

I am finding leaders who are pushing forward and resisting the overwhelming urge to jump into a bunker somewhere and ride out the financial maelstrom. It has been refreshing to hear how companies large and small are not only surviving but putting into place strategies that will guarantee or expand their market share in 2009 and beyond. Sure some of these companies are global brands that we all know are succeeding. However others are small and mid-cap companies that are taking advantage of new products or aggressively looking at how to re-position their companies for what comes after the financial storm passes. I even spoke to a well known North American automotive parts manufacturer who posted a profit in 2008 and expects the same in 2009 thanks to strong European and Asian sales. Now that is encouraging! What makes the difference for these companies?



The secret is corporate leadership that has the courage to take calculated risk that will directly benefit their companies' near and long term operations. The truth is we have all been in serious economic downturns in the past and not only survived, but often thrived. And despite the hopes of many, no single political leader or administration will pull us out of our current dilemma. Instead it will take CEOs, Board Members and Division Presidents who are more afraid of stagnation than losing their jobs. What I have seen through two economic downturns and one national crisis-9/11, is that a large number of CEOs and Boards of Directors tend to close down and circle the wagons. Grippled by fear, it is if they automatically drop into the bunker during tough times, especially when it comes to hiring key executives that will have a direct and positive impact on their companies' top and bottom lines. Hiring top executive talent is imperative even as a company goes through massive downsizing because only the best talent will ensure a company's survival or at the very least, give it the fighting chance it deserves.

It takes courage to create and then navigate a strategy that may go against conventional--read knee jerk reaction-- wisdom i.e., "hunker down", "don't over extend", "freeze all hiring" etc., and looks at how to maximize a company's position given the turbulent economic times. It takes executives confident enough in themselves that they don't care if they lose their jobs, but do care if their inaction kills or cripples their company. It takes real leadership, experience, self-confidence and the will to stay the course when a particular business strategy is sound despite others who are swayed by the prevailing winds. Take for example the large tier 1 auto parts supplier I mentioned above. Instead of panicking, they looked at the situation from a global perspective and saw that certain markets would bolster their anemic US sales. They are planning on the US market's rebound in 2010 to help off-set any lagging demand in their currently strong European and Asian operations. Instead of



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applying a "one size fits all" approach they looked at the global health of the corporation and where their pockets of strength remained and developed a regional strategy to cope with the normal cycle of a deep recession.

As a leader have you asked yourself the tough questions such as: How will you make money and keep your company in a strong position through what the press deems is a "Financial meltdown"? Do you have the team necessary to push through tough times and provide the leadership necessary to win in the marketplace? Is your company's management team in

the bunker still deciding which way to go, or out in the fray looking for advantages and possibilities?

As a leader how you answer those questions will have a direct impact on the future success of your company. Unless your company's strategy is to be acquired, it seems the only place to be is out in the fray especially during challenging economic times. Yet many CEOs either lack the will power, resources or both to lead effectively. The bunker mentality of a CEO can be contagious to the entire management team, Board of Directors and investors which can result in doubt and hesitant decision making. Both will ultimately damage a company's ability to compete effectively. It is true that each company and industry has its own unique challenges and that a cautious approach as a short term action is justifiable. However, most businesses whether start-up or Fortune 50 should be well on their way to executing a strategy that focuses on regaining lost ground and positioning themselves for the "up" quarters that many believe will begin in the fall of 2009.

Ask yourself this, As a CEO, Board Member or Senior Executive responsible for the success of your company and the livelihood of its employees, are you inside the bunker hunkering down preparing to wait out the financial uncertainty that seems to wash over CEO and the common worker alike? Are you standing at the doorway of the bunker contemplating your next move and wondering to yourself: "Do I jump into the fray or wait it out?" Perhaps you are one of the few, the intrepid, who are in the fray looking for ways to push forward, finding opportunities to consolidate or gain market share?

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As an investor and/or board member you will know if your CEO has a bunker mentality because he/she:

1. Blames the economy without having developed and begun executing an action plan for the success of the company;
2. Constantly restates forecasts and is "foggy" about where revenue will be generated in Q3 & Q4, let alone the first half of 2010;
3. Fails to analyze and strengthen the management team to meet the challenges of a down economy and what it takes to be successful during the recovery;
4. Equivocates when asked about the market position of the company vis-à-vis the competition;
5. Continues to implement yet another round of layoffs;
6. Leaves you feeling uncomfortable after the board meeting has been adjourned.

To some of you those points sound pretty familiar. Right? When two or more of those points can be attributed to a CEO then it is time for decisive action on the part of the board and/or Investors to make a change or face continued uncertainty and ultimately failure. Those same set of criteria can be used by strong CEOs when evaluating their management teams. Because of their P&L responsibilities, Division Presidents and CEOs are held to the same set of standards as their CEOs and are accountable in the same manner with the same set of expectations. As a CEO if your direct reports are failing then it falls on your shoulders and it is just a matter of time before a change will impact you.

Look at those companies that are winning in the marketplace and they likely have fearless management teams in place that have both vision and the capability to execute on that vision. Persistence, drive and calculated risk are as important now during challenging times as they were when the New York Stock Exchange pushed past 14,000. If your management is not fearless then it is mediocre and mediocre management teams lose out on opportunities during a down market.

Perhaps that is why during these difficult economic times the words of Shakespeare's King Henry V come to mind while he was battling at the wall outside the city of Harfleur:

"Once more unto the breach, dear friends, once more."

Henry certainly wasn't an equivocal King, come to think of it, he won.

Brian M. Flynn

With close to 20 years executive recruiting experience Brian has focused on CEO, COO, CFO, CMO, and most Vice President level positions in Consumer, Industrial, Technology and Clean Tech companies. He has conducted numerous recruiting assignments in the areas of manufacturing operations, industrial products, consumer technology, and emerging technologies in the clean tech space. Clients range in size from start-up to Fortune 150.