

Leadership in Difficult Times

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At the outset I want to note my feeling that perhaps it is I who should be sitting where you are, and all of you who should be addressing me on this topic. After all, you are the front-line leaders of a company that has shown an extraordinary capacity to continue to grow and mature and advance, in difficult times as well as easy times. You live in an environment where this kind of leadership is demonstrated every day. You have studied the phenomenon of leadership in a formal way, with people who have made it the object of systematic inquiry, and you have practiced it on a daily basis.

So it is with a sense of humility that I approach this topic. Truly, I am not in a position to offer you mandates or enlightenment; rather, it seems to me, I should offer you some provocation. I want to stimulate your thinking with some ideas that you might, upon reflection, reasonably choose to reject.

At the same time, I do not intend merely to play devil's advocate. I want to provoke you with ideas that I believe are ultimately sound. These are ideas that grow out of my belief that leadership in difficult times is different from leadership in easy times.

I will structure my comments in three parts:

First, I will try to clarify how I am using the phrases, "difficult times" and "easy times."

Second, to ensure that we are working from the starting points, I will allude to the qualities that are often associated with successful leadership in easy times.

And finally, I will turn directly to the more provocative part, suggesting four ways in which difficult times might lead you to recalibrate your leadership styles.

So what exactly do I mean when I speak of easy times and difficult times? I want to resist the temptation to say that this is a false distinction –that whatever differences may exist between easy times and difficult times are only matters of degree, and that it is misleading to apply such broad and simple labels to inherently complex phenomena. Instead I want to assert that easy times and difficult times are qualitatively different, requiring leaders to act in different ways.

Easy times are times when resources are relatively abundant and the environment is relatively stable.

In easy times, resources are plentiful. Money is available and you have access to it, through external or internal capital markets; there is always working capital available to deploy in support of a good idea.

Other resources are plentiful, too. Easy times seem to breed human energy –

wherever you look you see talented people who are excited and committed, eager to chip in and help. And easy times mean you are surrounded by potential customers who are flush with cash, willing and able to buy your product if you make an effective case.

And in easy times, the environment is stable. I also use the term environment broadly, embracing the physical environment, the social environment, the political environment, and the economic environment.

To be sure, the environment changes even in easy times. But it changes relatively slowly and relatively predictably. When you wake up in the morning it is quite reasonable to assume that today will be just like yesterday in all the ways that really matter.

Entire libraries have been written cataloguing the attributes of leaders who are successful, and most of them assume that times are relatively easy or at least not terribly difficult. You are all familiar with the kinds of qualities that are identified – intellect, courage, creativity, communication skills, judgment, the able to make decisions, etc.

For me, I place greatest value on a leader's ability to work with the organization's stakeholders to develop achievable stretch goals and a strategy for realizing those goals. That strategy will include plans for assembling all the resources that are needed, for structuring the organization so that it can deploy those resources efficiently, and for executing plans in ways that manage risk and respond effectively to unforeseen opportunities and dangers. All these tasks are simpler if the leader is able to motivate the entire organization with an attractive, optimistic vision, one that situates the current efforts in a large and inspiring narrative, so that everyone can know that they are working for a great cause.

Now I daresay everyone in this room has proven his or her ability to be a leader in easy times. Everyone in this room has demonstrated these core qualities. That is why you are here today. And you know that, while this is hard work, it is also fun work.

So here's the bad news. I've never known anyone who had the luxury of leading only in easy times. Life is cyclical. Easy times rarely last more than 5 years or so. So leaders with staying power have to know how to manage through the more difficult times as well.

How do they do it? What's different about leading in difficult times?

I believe that in difficult times leaders have to pay even more attention to the values and culture of their organization than they do during easy times. Let me repeat that. In difficult times, leaders should be reallocating their time so that they are paying even more attention to values and culture.

Why is that so? Recall how I have defined difficult times. Financial and human resources, and market opportunities, are scarce. The physical, economic, political, and social environments are deteriorating.

Under such conditions, ordinarily rational people can start to act in ways that are self-destructive and dangerous for the organization. And the best protection against their doing so is found in the organization's values and culture.

When the environment is changing rapidly and resources are scarce, people feel

less valuable, less knowledgeable, and less effective. They feel that way because what used to work doesn't work any more. If one day you know how to make something work and the next day you don't, you feel less knowledgeable. And in a sense, you are.

In difficult times, everybody feels like they are making more mistakes. Partly that is because they are making more mistakes, since people are slow to alter their past modus operandi in response to changing environmental conditions. And partly it is because their mistakes are more often visible – in easy times, the world is more fault tolerant, so errors are more likely to be harmless errors than they are during difficult times.

As a leader, you are expected to work with your team simultaneously on cognitive and emotional levels. And in difficult times the emotional level is critical. The people you are leading are more likely to feel incompetent, and they are more likely to make mistakes. As a leader, it is your responsibility to help ensure that those perfectly normal feelings do not interfere with their ability to be productive, contributing performers within the company.

How do you do that? I have four areas that I will mention, but undoubtedly you could come up with many more.

First. You must continue to strike the proper balance of optimism and critical skepticism, but that means recalibrating the balance from what it is in easy times. In easy times, it is often the leader's responsibility to be especially skeptical. Everyone else is excited, eager, enthusiastic. They believe everything will work. And it is the leader's responsibility to be a brake, to ask the tough questions, to be disciplined. Not so skeptical or tough that he or she extinguishes the organization's passion and drive. But skeptical and tough enough to ensure that passion and drive find effective and productive channels.

In difficult times, however, the right balance is often the opposite of what it is in easy times. In difficult times, when morale is falling, it is often up to the leader to keep hope alive. To remind everyone about what is possible. Not so optimistic that the rest of the organization thinks you are foolish or out of touch with reality. You have to stay credible enough to persuade. But you also have to be inspiring. Persuasively inspiring, so that your colleagues will continue to believe that it is worth their while to give 110%.

Second, you must talk explicitly about long-term goals, long-term stretch goals, perhaps even long-term unattainable goals.

Cornell University was founded in 1865 by a man named Ezra Cornell. And in creating the university, Ezra Cornell said, "I would found an institution where any person can find instruction in any study." On its face, this is a ridiculous goal. "Any person?" "Any study?" Completely unattainable. And to this day, Cornell has failed to deliver on that promise.

But that unattainable goal defined the university. It set a direction. Every day, the university leadership thinks of that goal and how to move towards it. And for that reason, the university moved more quickly and more effectively towards a universal view of higher education than any other university. It was the first to be open to men and women students of all races and religions, while showing equal respect for traditional classical subjects and more applied technological subjects. Universal in its approach to

people, universal in its approach to knowledge.

I have sometimes said that a stretch goal is like a horizon. If you keep your eye fixed on the horizon as you walk, you will probably never get there. But you will also go farther west than someone who is looking only at the ground in front of him.

In difficult times, stretch goals look even more unattainable than they do in easy times. It is even more tempting for people in the organization to throw up their hands, say “that’s impossible,” and say, “I’m just going to stay focused on the ground right here in front of me.”

As leaders, you need to understand this dynamic, and you have to persuade, and you have to inspire your colleagues so that now, more than ever, they keep an eye towards the horizon. Now, when everyone else is looking down and trying not to stumble, may well be the moment when we spot a path that our competitors don’t see. We cannot afford to miss the kind of opportunity that can define the company for the next five or ten years.

Third, you must talk early and often with your colleagues about how, in difficult times, it is even more important that we handle mistakes and bad news well. As I mentioned earlier, everyone makes more mistakes – or at least more consequential mistakes – in difficult times. Great companies like Infosys place their highest priority on handling mistakes well. They sustain a culture where it is expected that everyone will make mistakes, and where everyone willingly accepts a penalty of some kind for doing so. But the key point is not the mistake but how it is handled. If the person handles his mistake well, the penalty is small; if they mishandle it – by covering it up or by denying it or by just hoping it goes away – then the penalty is severe.

There is no more important lesson for a leader to teach. Because while it is rare for a great company to be destroyed by a mistake, it is not so rare for it to be destroyed by a cover-up. In just the past few weeks we have been told that two highly respected companies – one American and one Indian – were rife with fraud. We do not yet know all the details, but I would be willing to bet a fair amount that in each case the problems began with an honest mistake that was not dealt with in an honest and straightforward manner.

Fourth, you must make sure that in difficult times you keep reading. The world is full of smart people, with enormous experience, writing books about what they have learned. It would take you many lifetimes to discover on your own all the things that you can absorb from others. And in difficult times, changing times, you need to have more fresh ideas percolating in the back of your mind, so that you are ready to respond to new challenges and opportunities. These days I am plugging two books that all of you might find beneficial. One is called Judgment: How Winning Leaders Make Great Calls, by Noel Tichy and Warren Bennis. I think it makes some excellent points, especially in the early chapters about the importance of having a storyline and the importance of character and courage. The second is called Competing in a Flat World, by Victor Fung, William Fung, and Jerry Wind. It develops a theory of value creation through network orchestration that I think is stimulating and in many ways compelling.

So there you have it. In difficult times, leaders must pay extra attention to values

and culture. I submit that you should continuously recalibrate your balance between optimism and skepticism to lean more strongly in the direction of optimism, you should articulate and defend goals at the horizon – perhaps even unattainable goals, you should talk regularly with your colleagues about handling mistakes well, and you should keep reading. These are the kinds of leadership behaviors that I believe will help us to prosper in difficult times, as we prepare for the next round of easy times.

One of the most impressive things that Infosys does for its clients is that it teaches them how to win in the turns. These difficult times are the turns. This company has exactly the right combination of attributes to win during these difficult times. It has the balance sheet. It has the customer base. It has the brand attributes. But, truthfully, those are the less important attributes.

More importantly, Infosys has the talent. It has a well-conceived and defended long term strategy. It has a model value system and governance philosophy, articulated clearly and rigorously enforced. And it has a core group of leaders, the people in this room, with the intellect, experience, and ethical principles that are needed for Infosys to realize the opportunities that only arise in difficult times.