

Moving from **RISK** to **REWARD**

BY HOWARD M. GUTTMAN

Make no mistake, the last few years have been fasten-your-seatbelt times for today's leaders.

With financial instability in major markets, sluggish growth, brutal global competitive pressure, and consumer skittishness, there has been a tendency for executives to retreat to survival mode.

A number of policy wonks have used the phrase “*paradox of thrift*” to describe consumer behavior during the current downturn. Rather than heading to the malls, consumers are running to banks to make deposits. The paradox: by conserving their assets until rainy days pass, they are prolonging the downpour.

There is a parallel phenomenon in the corporate world. Let's call it the “*paradox of risk*.” In today's slow-growth environment, people tend to head for the storm cellar to ride out events. They avoid risk, don't press the envelope, and hesitate to challenge peers or—heaven forbid—the leader. Better to play it safe. Stay in your comfort zone.

But it's difficult to build a vibrant, successful organization on fear. The greater the risk aversion, the more likely you'll remain in the storm cellar, and the more likely there will not be much left when you emerge.

Powerful leadership is the best antidote to organizational fear. During times of turmoil, high-performance leaders are “no-fear” models. They think of themselves as warriors who ask themselves and those around them, “How do we exercise power over, rather than become victims of, circumstance?”



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We are working with a senior leader who recently assumed the top position over a multi-billion-dollar division of a consumer goods company. The company, including this leader’s division, has been reorganized. He is a true warrior, and despite the tough times—or, rather, because of them—he is not just paddling through the status quo. He is carefully considering what needs to change in his unit, treating it as a blank slate and asking himself and members of his team: “If we were to improve operations, what would it look like? What’s going to move the enterprise forward?”

This leader wants to be seen as a catalyst for change. It is the best way to motivate his people to think innovatively and take risks.

Here are six ways for leaders to show up more powerfully and move away from the dread of risk to the promise of greater reward:

Check the “stories.” Start by looking in the mirror and asking: “Am I leading from a safety/fear mentality or from one with a bias for action, which says, ‘I’m expected to lead and add value. Let’s move forward’”? Then check the stories of team members. Ask, “What preconceived notions are my team members—and those reporting to them—holding on to?” If they are hiding in the storm cellar, coach them to come out.

Align performance. Many commentators view alignment in vertical terms, as a direct line of sight from the top team to shop floor and back-office personnel. This overlooks *horizontal* alignment. Today, much work gets done cross-functionally and interdependently, often in a matrix setting. High performance requires being aligned not only up and down, but *across* the organization.

Challenge the status quo. It’s been said before, but it’s worth repeating: A crisis is a terrible thing to waste. In good times, it’s easy to tread water. Why rock the boat? But when the storm clouds gather, here’s your opportunity to make an impact. Ask the challenging strategic questions about the nature and direction of your organization, about your products, markets, structure, and capabilities. Is what got you and your organization here good enough to get you there?

Optimize resources. High performers don’t operate from a scarcity mentality. They prefer to hold themselves and their teams “large.” Look for ways to optimize resources, not just cut them. Ask, “How do we drive up performance and increase the yield from our human, capital, and financial resources? In what ways can we eliminate systems ‘noise,’ thereby reducing the hang time of decisions and redirecting conflict to productive confrontation?”

Take calculated risks. As I mentioned previously, in times of turmoil high-performing leaders are “no-fear” models. While others in your organization or your competitors may be risk averse, don’t follow their lead. Risk is an omnipresent fact of business life. Standing still is often the diciest option. Risk is a function of two factors: how likely something is to occur, and what the impact will be if it does. Calculate the risk, then decide. This way, you are operating rationally and not from fear.

Measure results. Many fundraisers make visible a thermometer indicating how much money has been raised toward the stated goal. This not only helps keep track of performance, but it

| | HIERARCHICAL ORGANIZATIONS | HORIZONTAL ORGANIZATIONS |
|-----------------|--|---|
| TOP LEADER | CEO as Chief Executive | CEO as Chief Enabler |
| TOP TEAM | Confederation of functions | Union of owners |
| LEADERSHIP | Leader/followers | Leader/leader-player dynamic |
| BUSINESS TEAMS | Conflict averse, "me/my-oriented" followers, hesitant to cross boundaries or call out poor performance | Fully engaged, "we"-focused function" high-performing players, guided by ground rules, adept at conflict management |
| LINE OF SIGHT | Strategically misaligned, given silo orientation | Strategically aligned from vision to operational objectives, from planning to decision making |
| DECISION MAKING | Positional model that delegates responsibility from the top down | Leveraged model that distributes responsibility across organization |
| ACCOUNTABILITY | Limited to accountability for own and subordinates' results | Goes beyond own and subordinates' accountability to include accountability for peers and leaders |
| CULTURE | Values getting along/going along | Values transparency and confrontation |
| OUTCOMES | Politics govern | Results rule |

encourages contributors to dig deeper as the campaign nears the mark. The same holds true for organizations, especially in the current environment. What are the strategic indicators of success? What individual- and team-performance metrics should be set to mark operational achievement? This is a time to get everyone digging deeper for results.

FROM POWERFUL LEADERSHIP TO POWERFUL ORGANIZATIONS

It takes much more than one individual leader, however powerful, to keep an organization afloat and moving forcefully ahead in tough and uncertain times. It takes a high-performing, horizontal organization to do so.

Two years after taking over the reins of Life Technologies, a \$3.6 billion global technology company with 10,000 employees, Mark Stevenson, president and CEO, faced a number of challenges, including driving out \$50 million in manufacturing costs, better integration of four major divisions, going to a centralized manufacturing model to ensure greater consistency globally, and, more generally, ensuring that his organization was fully prepared to meet the challenges of operating in an economic downturn.

Stevenson decided to move his organization, beginning with his leadership team, to the high-performance, horizontal model. As he explains, "I wanted members of the leadership team to move from operating as individual unit heads to operating as a unified, interdependent team: one whose members were aligned, were accountable for one another's—and my—success, operated with clear protocols, and could put all the issues on the table and get them quickly resolved."

Transforming the leadership team took nine months. With this done, members of the

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leadership team, at their own initiative, decided to have the process embedded in their respective teams. Said Stevenson, “It’s now integral to our four business units and the functions within them, such as our commercial and sales operations.”

The results at Life Technology speak for themselves. As Stevenson observed, “We took out significant costs in the summer of 2011, but we were able to do this by cutting the areas that we, as a team, felt we could cut and still make our objectives for earnings growth for the year. We entered 2012 much stronger and are now better positioned for growth.... Financially, our first-quarter revenue and earnings grew and we exceeded external expectations.”

And, in terms of the “soft” side, Stevenson reports: “By having a high-performing team, you can have those candid conversations about what reality is.... It’s easier as a team to set priorities and then align everyone about where to put energy and resources. The execution of the plan is much simpler and quicker with your team behind you to execute.”

The high-performing, horizontal model that Stevenson mentions has been embraced by a growing list of companies, such as Johnson & Johnson, L’Oreal, Mars, Incorporated, and Novartis Pharmaceuticals, to bolster results and manage risk and reward.

Compare the high-performing, horizontal model to the traditional hierarchical one to understand why it is a superior way to manage an enterprise, no matter the economic conditions:

Powerful leaders in a high-performing, horizontal organization: While there are no guarantees, the combination is surely the best way to tamp down risk and deliver on the promise of greater rewards for key stakeholders. ^{MW}

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