Book Review

Crisis As Opportunity: Straight Talk From The World's Top Business Leaders,

Lessons Learned Series,
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When is a crisis an opportunity? What is the implication of this statement for the recent financial crisis? What must business leaders do to navigate their firms in these 'turbulent' times? These then are some of the questions that are addressed in this series of interviews with top business leaders. The hope of the editors at Harvard Business Press is that the insights and lessons learned in this book, and in this series, will be of help to all those who are interested in the theory and practice of business. The recent financial crisis is a good opportunity for students of strategic leadership to find out how leaders respond to a crisis, and internalize those findings as a way of coping with the challenges of the future. Giam Swiegers of Deloitte Australia sets the tone for this book by stating that it is important not to waste a good crisis; leaders should deal with opportunities rather than partake of the usual gloom-and-doom in the environment. Since the opportunities are not many in number during a downturn, they should, as J. W. Marriot Jr. puts it, "scout" for opportunities whenever possible in the environment. Marriot cites the acquisition of the Ritz Carlton hotel as an important instance of responding to such an opportunity; he also invokes the analogy of a ship's radar, which is always scanning the environment. What is needed in these difficult times then is an analogous mind-set that can spot potential value which the competition is oblivious of. What this sort of mind-set requires is the willingness to think counter-intuitively. Anders Dahlvig of IKEA argues that thinking counter-intuitively might even require the willingness to expand during a downturn, but this must only be done after "conducting a series of planning scenarios and developing proactive models with regard to financial consequences". Feasibility studies however may not capture the entire range of possibilities given the uncertainty in the environment. It is therefore important, as Mary Cantando argues, to learn to play "a poor hand well" rather than complain about the hand that has been dealt with in a game. This approach has less to do with the situation as such; it has more to do with developing a positive attitude towards the situations in which an individual finds herself. As Mary points out, "it's easy to play a good hand, but a true master can play a poor hand well".

A simple but riveting example of turning customer dissatisfaction into satisfaction is provided by David Bell of the Interpublic Group. Bell and his family got stuck in a taxi on their way to London from Heathrow airport since the driver could not find his way to the hotel where the Bells were headed. After he repeatedly went around in circles and refused to "pull over" when asked to, the Bells decided to call for help. While this experience was, no doubt, harrowing, the Bells were taken up surprise when it was time to go back to the airport the next week. The owner of the taxi company not only refunded the amount paid but offered them a free trip back to Heathrow. So despite the initial disruptions which could have led to the loss of an important customer, the owner of the taxi company converted a situation of "customer dissatisfaction" into that of "customer retention". The moral of the story is too obvious to require elaboration in the context of customer relations; but this is, needless to say, an endearing story since it gets an important point across on managing customers successfully, and with a rare sense of humor in terms of how Bell recounts the experience. This is by far the best interview in this book since the lessons learned in this context are impossible to overlook. While the moral of this story is to prevent a situation from giving rise to a conflict between the taxi company and the customer, there are situations where it is not possible to eliminate conflict completely since the conflict did not emerge during a contingent moment, but is intrinsic to the situation as such. So, for instance, Richard Pascale of the Said Business School recounts encountering the counter-intuitive idea that there are positive elements to conflicts while serving as a special assistant to the Secretary of Labor during the Johnson administration. As a management theorist interested in the relationship between "strategic transformation and organizational behavior", Pascale initially felt that conflicts were necessarily a bad thing. But, when he encountered people in the domain of policy making who knew how to use conflict as "a source of renewal" and as "a valuable asset to an organization", Pascale understood that there are different types of conflict, and it is not conflict per se, but what you do with the conflict that matters. "It was", as Pascale puts it, "a hugely important wake-up call for me". It was this insight that made it possible for him to work subsequently on "conflict and negotiation" at the Stanford Business School. Pascale then began to think of conflict as a form of "disequilibrium that allows people and organizations to learn".

This argument leads to three important theoretical conclusions: a prolonged equilibrium is not necessarily a good thing; in fact, "it is a precursor of death" since it represents a situation where a species has "over-adapted" to the environment making it difficult to subsequently re-adapt if there is a change in the environment. The second insight is that it is important to understand what the underlying conflicts are in organizations and situations since there is a propensity to gloss these things over. But in order to harness conflicts effectively, it is important to learn to confront situations boldly. And, finally, it is important to resolve the conflict between the forces of centralization and those of decentralization. While these conflicts are not meant to be resolved once and for all, it is important to learn to handle these conflicts constructively. The takeaway then is that conflict is a structural phenomenon, prolonged equilibria are not adaptive beyond a point, and that the tension between the centrifugal and centripetal elements "can be powerful catalysts for forward momentum". This forward momentum is related to the problem of change in organizations and life. While the notion of change is discussed often, David Brandon argues we often overlook the problem of "sudden change", which is what footballers are increasingly being trained to tackle by their coaches. Brandon cites an interesting instance where the notion of sudden change was used by the coach of a football team to galvanize his team into action. It is also worth mentioning in passing that the notion of sudden change is studied in theories of evolution as well. The contention here is that all change in evolutionary terms is sudden; hence, the notion of 'punctuated equilibrium' in the work of the Harvard biologist, Stephen Jay Gould. While Brandon doesn't make this point, it is worth invoking it here to link the comments of Pascale and Brandon on the notion of evolutionary change.

Do all changes however require "buy-in" from organizations? This is the question that worries Sanjiv Ahuja of Orange, UK. Ahuja's argument is that "leadership is not a popularity contest", and that, therefore, doing the right thing is not a guarantee of organizational acceptance. It is therefore important to make the "tough calls" without getting "confused between popularity and the right choices". While Ahuja's comments are right from the point of view of his firm, there are also those who will argue that the execution of strategy becomes easier with some measure of employee buy-in. Ahuja however contends that there is a much greater chance that a team will eventually respond to "those who lead with effectiveness, decisiveness, clarity, and a passion for the success of the business". What should the reader do when he encounters conflicting opinions on a given theme? There is already a lot of conflicting advice in these interviews, or at least the appearance of conflicting advice, on who should do what, and when, since the reader does not have sufficient information about the actual organizations and the situations that helped to forge the leadership styles of these business leaders. I therefore think that a potential reader of these interviews should consciously invoke the notion of leadership style since some of these takeaways are context specific, and will require re-calibration to fit into the organizational cultures to which the reader belongs. So while the strength of these takeaways is their clarity, the cost factor, in attaining that clarity, is the contextual specificity in which these insights and solutions are proffered for general consumption. So, for instance, when Amelia Fawcett of Pensions First argues that it is important to have "the courage of your convictions", despite unfavorable market conditions, it sounds like a contemporary reiteration of a proverb from the pages of Ben Franklin. While all this is vaguely true, it is not clear under what circumstances a reader should actually emulate the example of her firm that not only aggressively increased head count during the Mexican crisis in 1994, but was even willing to enter Russia during the height of the debt crisis in 1998. So it is possible that Fawcett is right for her firm, but the implications of this for how the reader should behave, in response to such challenges, is not necessarily clear. This in a sense is the problem with both giving and taking advice in a form that is not sufficiently context-sensitive like a full-fledged case study, where the reader has an opportunity to think-through the data on his own contra whatever advice may be proffered by the leaders featured in the main text or the appendices.

Here is another instance of the conflicting advice problem. While Anders Dahlvig of IKEA believes that a retailer must be willing to expand even during a downturn in order to reap the benefits when there is a subsequent upturn, William Johnson of H. J. Heinz believes that the counter-intuitive thing to do if a firm wants to get bigger is to first become not only smaller but better. It must be willing to "shrink" strategically and understand the expectations of multiple stakeholders. What is the larger takeaway here? Counter-intuitive strategies of firm behavior during a downturn are okay in home furnishings but not in processed foods? But what if a firm is doing both? What if these firms are in emerging markets as opposed to industrialized economies with saturated markets? These then are the kind of moments when a reader yearns for the intellectual and emotional security provided by a good editor to anchor the interviews. What the editor can do in such moments is to provide supplementary annotations and comments like the variorum edition of a literary classic to guide the reader safely through the shoals of strategy, or at least provide some reassurance that what worked for a particular CEO may not necessarily work for the firm in which the reader finds himself.

The main source of the problem could also be the misunderstandings generated by the lack of a common technical vocabulary in these discussions. When technical terms are taken out of context and used as signals because a particular firm uses a particular concept more often given the specific demands of the firm or the sector of the economy it belongs to, leads to even more confusion. Any invocation of the technical term by any given individual subsequently is appropriated as a signal for a particular company making newcomers to business studies wonder how a logical discussion is even possible under such circumstances. Most lay readers of this book are, needless to say, in the position of such newcomers. This propensity to de-contextualize technical terms and repeatedly invoke them out of context in everyday discussions such that all uses of the term necessarily mean the same thing, and refer to the same person, irrespective of the context, is the main source of mis-interpretation in business studies. This is actually where the "knowing-doing gap" emerges and leads to signal-based errors in organizational communication that is increasingly dependent on code words. So once technical terms are invoked as code words to refer to a particular business, it becomes increasingly difficult to use such terms for the technical purposes that are common to all businesses. This is a problem not only in business studies but increasingly in all the professions, and is probably the most important problem in professional communication as such in contemporary organizations. A technical term, by definition, works with a denotative meaning, but the connotations (negative or positive) that gather around a term make it increasingly impossible to use a term in the technical sense of the term.

A crisis may also emerge due to innovative disruptions in the way a business works. Clayton Christensen, who has studied the role of disruptions in a number of domains, argues that low-cost products which can do at least some if not all of the work envisaged in a high cost-product can become a problem for the dominant player. Christensen has produced a number of important examples on this theme on the problem of "disruptive innovation", but the instance of consequence here is the competition between Intel and Syrex in the micro-processor market for "entry level computer systems". Intel, for instance, was leaving this market precisely at the time that Syrex was entering this market. What was not profitable for Intel was profitable for Syrex until Intel decided to reenter this market later with the Celeron. The interstitial openings in terms of cost or price, if any, within a product portfolio of a company then can lead to forms of disruption either by the company on its own initiative, or by the competition, forcing it move up or down the value chain. A company turnaround is a problem that requires a great deal of effort to find solutions; this was the case, for instance, when Paul Anderson of Spectra Energy was put in charge of BHP Billiton in 1998. Not only was the company in disarray when he took over, it was an instance of the knowing-doing gap again since the organization was waiting for somebody to give them permission to do whatever it took to restructure effectively. It is therefore necessary to develop a culture of learning that makes it possible for people to admit what they know and what they don't know. Robin Chase of Zipcar, an auto-rental company, argues that intellectual honesty not only decreases the possibility of failure but also amplifies the levels of opportunity since the company will only do what it is equipped to do or take the trouble to learn whatever it must learn to do new things successfully.

And, finally, Ken Freeman of Quest Diagnostics discusses the modalities required in "involving customers in the process of change" with the specific example of the difficulties that he had to overcome to convince the Dutch company Philips to continue to buy CRTs (a glass component used in television sets) from Corning, the glass maker. Corning was the dominant player in the business; they had invented television glass in the 1950s. They were therefore not willing to make any changes in the quality of the glass since they felt that they knew best. Freeman however shut down the plant for nine days in an attempt to get them to listen. The need for a change in the quality of the television glass was not articulated to the employees by Freeman, but rather by the most important customers of the company over a three day meeting. While this exercise in meeting with the customers was costing the company a neat buck in terms of lost production, it actually created a situation when the employees were forced to listen since the customers were the end users of the product that they worked so hard to manufacture. But, like a miracle, in a span of just three days the employees came up with the necessary solutions to address the quality issues that were raised by Philips. Corning, which had not been profitable for fifteen years, not only managed to renew its contract with its Dutch customer, but came to some fundamental conclusions about the differences between managing employees and managing customers and the relationship between the two as well. These conclusions are interesting because of the on-going discussion in the theory of human resource management on which of these is more important to the success of the company. Freeman's conclusion is that "employee satisfaction yields customer satisfaction; and customer satisfaction, in the end, yields shareholder satisfaction". While this philosophy seems simplicity itself, it is often ignored in practice. This then is a good example of a lesson learned especially since the problem of change and the resistance to change in organizations is the unconscious preoccupation of all the CEOs in interviews such as this. The problem however cannot be addressed theoretically since experiential learning is made possible mainly through contingent encounters with employees, customers, and relevant stakeholders. It is therefore important to try and appreciate the extent to which Freeman sizes up the problem when he writes that it is about having employees who are not only "ready for change", but know why "they come to work every single day".

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