

How to Decide in a Time of Confusion

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In the most unpredictable business conditions most managers have seen, it's harder than ever to plan for three months out — never mind a year. Despite the chaos, there are well-established tools that can be used to navigate a murky business environment. “Even in the most uncertain times, you don't have to just wing it,” says Hugh Courtney, associate dean of executive programs at the University of Maryland's Robert H. Smith School of Business. “There are systematic ways to deal with even the most uncertain environment.”

Use these techniques to get a better handle on a rapidly changing environment and prepare for what's coming next — whatever that might be.

Things you will need:

- **Flexible thinking:** Prepare for an unusual mix of quantitative and qualitative management techniques.
- **Stellar communications skills:** Effective communication is an essential part of managing fast-moving situations.
- **Humility:** Learn from other industries that manage uncertainty every single day

A yellow sticky note with the text 'step 1' written in black.

Study Your Business Environment

Goal: Compile information to understand what you know about your situation — and what you don't.

Now is the time to connect deeply with both the big picture and the nitty-gritty details of your business. Don't let your data gathering be influenced by old beliefs or wishful thinking.

- **Track data in real time.** In his book *Leadership in the Era of Economic Uncertainty*, **Ram Charan**, who has advised companies such as Bank of America, DuPont, and General Electric, says to track cash flow daily and track inventory, receivables, and margins weekly. He tells managers to shred annual budgets and instead use quarterly or monthly targets. To stay on top of change, many managers should also be meeting daily instead of weekly, says David Axson, president of the Sonax Group, a strategic consultancy.
- **Identify trends.** Market data can help you draft a basic picture of where a market is moving and how your competitors are responding. Whose sales are up? Whose are down? What's selling at your company and what isn't? In late 2006, facing up to the negative trends in its costs and market share — as well as declining sales industrywide — **Ford mortgaged its best assets to borrow as much as \$18 billion**. The goal: to restructure

its cost structure and product line and to ensure it had enough cash in the event of a recession. Today, Ford is the only one of Detroit's Big Three still standing on its own feet.

- **Explore the what-ifs.** It's human nature to concentrate on things we already know "and time and time again fail to take into consideration what we don't know," says Nassim Nicholas Taleb, author of *The Black Swan: The Impact of the Highly Improbable*. As a result, people often overlook opportunities or oversimplify complex problems. In uncertain times, the advantage goes to those who can imagine the "impossible."
- **Know what you don't know.** All bets are off in an uncertain business environment, so it's essential to understand all the variables that could affect your management strategy. Potential wrenches in the works, like new regulations that could cripple a division's business or a new software package that might underperform when installed, are the kinds of surprises you want to know about in advance.

Danger! Danger! Danger!

Don't Think You Know What to Think

When studying data or trends, watch out for confirmation bias. Simply put, managers are often drawn to theories or data that confirm what they already think. "Managers delight in new data that confirms their preconceptions," says Rita Gunther McGrath, associate professor of management at Columbia Business School. To avoid that trap, ask questions like, Could my answer be wrong? Could another answer be right? If so, why? In-the-moment decisions are also hazardous, so slow down, says [Carl Spetzler](#), director of the [Strategic Decision and Risk Management program at Stanford University](#). About 90 percent of the time, managers rely on an internal model that's based on their own experience, which can get them into trouble. "You learn these patterns in your fast mind, and you apply them whether they are appropriate or not," Spetzler says. To remedy the problem, train yourself methodically to kick things from the "fast brain" into the deliberate mind, where you can mull them over more analytically.

step 2

Build a Plan

Goal: Create a flexible short-term strategy.

Once you have a handle on the facts that can influence your business, it's time to commit to a management plan and implement it. Think about "readying the response." Just as armies conduct simulations to prepare for a yet-unseen conflict, so can business managers, says Russell Walker, assistant director of the [Zell Center for Risk Research at Northwestern University's Kellogg School of Management](#).

- **Review responses to likely and unlikely scenarios with your team.** Don't be too rigid about your approach to meeting new challenges. Sticking to only one plan or solution path

can lead to “dangerous escalation of commitment to a failing operation,” McGrath says. If what you’re doing isn’t working, make changes quickly.

- **Hoard your cash.** Many companies that are doing well now adopted a conservative attitude about spending before the recession. Within two weeks of the global banking crisis, all 60,000 DuPont employees met face-to-face with a manager who explained the plan for keeping DuPont on track. Each employee was asked to name three things he could do immediately to save money and conserve cash. A few days later, the company polled employees to assess their understanding of the crisis and their follow-through on the cash conservation effort. Travel was curtailed sharply, internal meetings were canceled, and consultants and contractors were eliminated where possible.

step 3

Be an Intense Leader

Goal: Hone the skills you need to be effective during a crisis.

To lead in this economy, managers need to be part-time psychologists, says Cheryl Leitschuh, head of [Leitschuh Leadership Consulting](#). “We’re in survival mode,” she says. “Everyone is scared, including you.” More than ever, take time to talk to your workers, to show them that you are supportive, decisive, and sincere.

- **Be honest.** Share your own concerns — about the economy, job losses, and the future — to build trust among your team. Your employees are worried about the same things you are, so tell them as much as you can about what is going to happen. “If you have to lay people off, tell your employees why you had to do it,” advises Mitchell Marks, assistant professor of management at San Francisco State University.
- **Share the vision.** Providing a concise plan for navigating short-term difficulties helps workers focus on the immediate future. Tell the team what your next step is: “If we want to avoid layoffs, here’s what we need to do.”
- **Communicate shrewdly.** Get out from behind your desk and walk around. Now more than ever, employees need to see you around the office. But not everyone interacts the same way. Understand how your staff prefers to communicate. Engineers might prefer instant messaging, while salespeople need face time. E-mailing a salesperson about an important decision may only increase anxiety. Just be sure to communicate in the way that will best get your message across to whomever you want to reach.
- **Stay involved in the nitty-gritty.** Ram Charan calls this “managing with intensity,” noting that “deep personal involvement” provides the ground-level information you need to act quickly in a volatile environment. Listen, ask questions, take a conversation to the next level, and repeat, Charan advises. “Go out of the office; see customers to get a personal feel of what’s happening,” he says. “Visit your people on the front lines. What information are they getting?”

Hot Tip

Stay Flat

Lean organizations are more effective in uncertain environments. Don't behave like a king during a crisis, and fight the urge to build a stronger management hierarchy. Actively solicit advice from those around you. Be sure you can count on two or three people to tell you the truth about morale and how your team responds to your decisions. Pick a few people who will tell you the things you need to hear, and some who will let you know what your employees are saying about you when you leave the room.

step 4

Strengthen the Team

Goal: Develop the skills you need to succeed in uncertain times.

Teams go one of two ways during a recession: Either they band together and rise to the challenge or their pre-existing divisiveness worsens. In a down economy, an effective team will spend more time collaborating, not less.

- **Cross-train when possible.** On his [blog](#), Marriott International CEO Bill Marriott credits one of the hotel chain's general managers, who cross-trained hotel employees before Hurricane Wilma clobbered Cancún in 2005, with the company's ability to keep its hotels running after the storm. In any business, cross-training some workers prepares them to take over essential tasks if you have to downsize.
- **Focus on specific challenges.** In a volatile economy, only top-priority projects make economic sense. Monte Zweban, chairman of startup SeeSaw Networks, which coordinates brand messaging on billboards and LCD displays for clients, says his 20-person team is laying the groundwork to expand into China. Though it's a gamble, Zweban hopes an investment in a new market will rally the team and position the company for future growth.
- **Identify your top players and recruit new ones.** Provide new opportunities to key workers with the most potential. Push them out of their comfort zones. If you can afford it, a down economy is also a great opportunity to hire talent from flailing rivals.
- **Encourage assertiveness.** In an environment where there's little margin for error, workers need to feel confident about bringing problems to light. In his book *Outliers*, Malcolm Gladwell explored why Korean Air had a troubled safety record a decade ago. Korean culture, with its emphasis on hierarchy and respect for superiors, encouraged co-pilots and engineers to stay silent about mistakes or glitches during flights — a tendency that contributed to Korean Air's high crash rate between 1988 and 1998. Real consequences stemmed from the reluctance of Korean subordinates to speak to their superiors in the cockpit. In 2000, Korean Air brought in Delta Air Lines consultants to

correct the problem. The process included getting Korean pilots to confront the parts of their heritage that are problematic in the context of aviation.

Nitty Gritty

Cockpit Wisdom

Airline flight officers are trained to use assertive statements that encourage directness with their captain in a nonthreatening way when facing a possible problem in the cockpit. The same techniques can apply to anyone who wants to be more direct with a superior. Here's how to do it.

1. **Address the individual:** "Hey, Bob, do you have a minute?"
2. **State your concern.** Explain what you see in a direct manner while minimizing your related emotions: "I need to know if we should move ahead with the changes to the new software project."
3. **Describe the problem as you see it:** "I don't think we have the help we need to make a quality product right now."
4. **Suggest a solution:** "How about we assign Karen to temporarily help me with product development?"
5. **Obtain a buy-in:** "What do you think? Should we move ahead?"

step 5

Get Close to Your Network

Goal: Understand the changing needs of customers, suppliers, and business partners.

No business operates in a vacuum, so success (or failure) is closely tied to what happens within the firm's network of customers and partners. It's no exaggeration to say that you all rise or fall together, so now is the time to strengthen those networks and improve lines of communication.

- **Be proactive.** There's a tendency to communicate with partners only after decisions are made, but that doesn't work well in a downturn — especially when a partner can help you ride out the storm. Pick up the phone or send an e-mail before you figure out what you need, says Danny Ertel, a director at Vantage Partners. "They're grappling with uncertainty and challenges too. By putting your heads together, you might come up with ideas that work."
- **Be resourceful.** When you're trying to hold on to as much cash as possible, it's tempting to ask for discounts from partners and suppliers. A better idea? Figure out how you can make yourself less expensive to serve, Ertel says. Ask the people in your network what you can do to get more value for less money.

- **Be discerning.** Focus on customers, suppliers, and partners that are in the best positions to weather the downturn. Use their strength to bolster your own. For example, the team at SeeSaw Networks has targeted vertical markets that make the most sense in this economy, bypassing the troubled financial and auto industries, which are curtailing their advertising strategies, in favor of creative and new media-driven customers in the quick-service restaurant industry.

Other Resources

Further Reading on Managing Uncertainty

- [“Managing in a Downturn,” PricewaterhouseCoopers](#)
- [Harvard Business Review on Managing Uncertainty](#)
- Ian MacMillan and Rita Gunther McGrath, [“Using Discovery-Driven Planning in Business Building”](#)
- [“The Evolution of Crew Resource Management in Commercial Aviation,” University of Texas at Austin](#)
- [Decision Quality in Organizations course, Stanford University](#)
- [“Managing in the Fog,” The Economist](#)
- [“Managing in a Downturn,” Financial Times](#)