Chapter 1: In Adversity

When a business fails, its leaders have failed. Full stop.

And “Adversity” has become one of the most commonly used reasons for corporate difficulties, certainly since the financial crisis began in 2008. But that was 10 years ago!

Many senior leaders miss warning signs they should act on. A focus on *managing*, ie focusing on the day to day minutiae, often causes surprise when “adversity” strikes. This rather than focusing on looking ahead to identify opportunities and threats, helping the business evolve and succeed despite adverse conditions, aka *leading*.

Is adversity simply business as usual?

“Adversity” takes many forms. Volatility in oil prices, exchange rates, and of course Brexit uncertainty, are all providing challenges for UK business leaders. But changing operating conditions are nothing new – just ask those who steered their companies through the fallout of the Credit Crunch. How leaders anticipate and react to changing conditions determines the success of the business.

Retailers are a frequently cited example for a challenging market. However, the sector also demonstrates how a failure to identify market changes has undermined business success. After succeeding Sir Terry Leahy, Philip Clark and Sir Richard Broadbent saw the arrival of Amazon as the biggest strategic threat to Tesco. In fact, it was Lidl and Aldi taking the shirt from their backs, and Tesco was slow to react. Only recently has it opened a discount store to compete.

Similarly, House of Fraser failed to recognise the change in consumer behaviour; it was left a long way behind competitors with stronger online propositions as consumers began to leave the high street behind. Additional issues with cashflow, the cost of rent, and pension liabilities compounded its problems, and point business’ leaders failing to get their house in order.

There is no denying that consumer behaviour has drastically altered what customers want from retailers, but it didn’t happen overnight. Leadership did not read the lay of the land nor take appropriate action quickly enough.

Freeing up leaders to lead in adversity

When during adversity, agility and fast decision-making are vital to the success of a business. Senior leaders should not wait for a crisis to make this possible.

Senior leaders must be ‘thinkers’, not ‘doers’. This involves empowering their teams and investing in their capabilities, allowing managers to run more of the day-to-day operations. Doing so creates a culture of high performance and improved accountability throughout the organisation throughout all operating conditions. At the same time, leaders are freed from the shackles of mundane management tasks, creating the capacity to horizon scan, spotting potential adversity – and opportunity – early. And when crisis does strike, they have the bandwidth to move quickly.

Retaining talent in times of crisis

Investing in senior leaders also boosts retention when a crisis does occur – a key risk in times of uncertainty or risk. You always lose the best people first. If they feel unsettled at the direction of the organisation, and have concerns over the business’ strategy and vision, they will choose to move elsewhere. Identifying and empowering these forward-looking individuals and gaining their buy-in for your vision for the business is vital; they are the business' future leaders.

All businesses will face adversity at points in their lifecycle; market conditions, demographic changes, sector-specific challenges all have the capacity to hit performance. However, leaders' role is to spot warning signs early, and make sure the business adapts and evolves. They cannot do so while micro-managing or seeking to preserve the status quo.

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