



Best Practices

March/April 2009

Leading in Uncertain Times

The psychological implications of this downturn are profound. Stock market volatility, bank failures, mortgage debacles, dried up credit, layoffs, loss of consumer confidence—the list just goes on and on. Leaders and their teams must deal with an unprecedented level of uncertainty. But here's the interesting thing: there are some people for whom the current situation is simply business as usual.

We have spent the last three years studying people who actually *thrive* in the face of uncertainty. They grow their businesses despite stagnating markets and limited resources. They have lived with minimal resources and unstable returns for most of their careers. We call them the *Catalysts*—because they have discovered how to transform anxiety into positive energy. We believe the Catalysts, these masters at leveraging uncertainty, provide important lessons for *all* leaders.

In the face of uncertainty, many people respond in counterproductive ways. Some may feel too little anxiety. They remain complacent, feeling no need to act or innovate. The good times will eventually return, they tell themselves. They deny the new realities and continue to live in a bubble. Left alone, they can build teams and organizations that lack a sense of urgency because they fail to acknowledge and confront the tough issues.

On the opposite side, we find the leaders who overreact to problematic situations. They respond with fear, bordering on panic, creating a lot of tension. They wear their emotions on their sleeve and their teams pay the price in the form of mistakes, morale problems, stress, and underperformance. And because anxiety is so contagious, the way a manager or a leader responds to it has a huge impact on his team or organization.

Why the Catalysts are Different

The Catalysts we studied see change as a fact of life. They carefully distinguish between what they can and cannot control. They stop trying to predict the future based on the past and they use healthy anxiety as a positive force for growth.

What you notice first about the Catalysts is that they are constantly leaning into the uncertainty around them. They embrace it; it becomes their sweet spot. They use uncertainty to hone their ability to shape rather than just react to their environment. In doing so, they drive a new set of

possibilities that wouldn't exist in a stable, predictable world. Their approach provides essential lessons for all leaders in today's turbulent environment.

What We Can Learn from the Catalysts

Lesson #1: Catalysts look *inward*, rather than upward, for direction. They realize that it is their resources, the personal repertoires they have developed, even their psychology, that gives them a different perspective, set of skills, and mindset that enables them to thrive in uncertainty. It gives them the confidence and the optimism to find the answers to move beyond the extremes of denial and overreaction that characterize the behavior of their less successful counterparts in uncertain times.

Lesson #2: The way Catalysts view change and uncertainty determines how they navigate through it. If you view change and uncertainty as dangerous, and it makes you anxious, and you see anxiety as bad, then you aren't likely to try to understand or manage change effectively. Instead, you're likely to either run away from it or try to attack it. These beliefs are self-defeating. They prevent you from turning anxiety into productive energy. They create the kind of mindset that Stanford psychologist Carol Dweck calls "fixed." A fixed mindset is a self-defeating mindset that gets in the way of growth and change. It is characteristic of somebody who avoids new experiences, who is fearful of uncertainty, who narrows his experiences, and therefore develops a limited repertoire to call upon in unpredictable times.

In our study of the Catalysts, we saw the opposite of that kind of behavior—the growth mindset. The Catalysts readily lean into the future; they don't run away from the present. They are curious about new challenges and situations, and open to learning new ways of thinking and behaving.

Lesson #3: They are optimistic, and also pragmatic. They have a realistic vision of what they can and cannot do. They understand the limits of what they can afford to lose and they're willing to change their financial portfolio, to stop spending, or to stop hiring, if they need to.

Lesson #4: They understand the power of action. They do not become paralyzed in the face of change; they always keep moving. They are comfortable making decisions with a lack of data. They know—to paraphrase Winston Churchill—that the choice of inaction is often the worst decision a leader facing a crisis can make. They make creative leaps—not recklessly, but with a spirit of learning.

Concluding Thoughts

The Catalysts embrace positive, productive energy. They constantly transform challenges and anxiety into growth, innovation, new customers, and new products. What the Catalysts teach us is how to get comfortable with uncertainty, to redirect our anxiety to drive creative thinking. It starts with a passion for learning, an open mind, self-awareness, and a willingness to attend to the emotions of our organizations and teams. If we are able to mobilize all of our potential positive energy we can produce a better future.

*Article by Jeanne Liedtka from The Leaders Edge Newsletter, [March 2009, Volume 4, number 3](#); The American Management Association; <http://www.amanet.org/>. Jeanne Liedtka is co-author of *THE CATALYST: How YOU Can Become an Extraordinary Growth Leader* (Crown Business, 2009). She is a professor at the Darden Graduate School of Business Administration at the University of Virginia.*