



Productivity

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Leading Out of the Downturn

The last 18 months have been the most trying in decades for corporate leaders. The conditions that normally make running a company, a business unit, or a team rewarding — market expansion, revenue growth, rising pay, and incentives — have been absent for most, replaced by the unrelenting tasks of survival, retrenchment, and cost cutting.

What should leaders do in this depressed environment? *Strategy+business* recently put the question to Steve Zaffron, CEO of the Vanto Group, a global consulting firm. In [*The Three Laws of Performance: Rewriting the Future of Your Organization and Your Life*](#) (Jossey-Bass, 2009), Zaffron and coauthor Dave Logan, who teaches at the University of Southern California's Marshall School of Business, offer a set of simple rules to show how leaders and their companies can prosper, even when the odds are stacked against them. The main task, they argue, is to recognize that people normally have an unconscious, gut-level idea of where they — and their company — are at, and where they're likely to go. Zaffron and Logan call this "the default future" and show how it is deeply rooted in people's assumptions, hopes, fears, and past experiences. The first task of leadership, they argue, is to identify the default future, discuss it, and analyze it, and then go about reimagining — and, in effect, rewriting — the future. The book examines a series of management cases at companies around the world where rewriting the future has led to real business transformation. And the lessons are just as applicable to individuals.

S+B: The future has been looking pretty bleak for people in a whole range of industries. How does your framework relate to those who are in a bad situation?

ZAFFRON: The three laws of performance work in good times as well as bad. Sometimes the good times can be just as challenging, in the sense that people ride the wave of optimism, think things are going to be great, and don't see the black swan sitting there. But the bad times give us fear and anxiety about what's going to happen. We get particularly challenged by the extra emotional content.

The type of leadership that's needed — and it's extra-critical for the CEO who has to steer the ship, is to get people in communication about the future that they see coming at them. This is what we call the "default future," and it's constituted by a lot of complexity that all comes together in a certain way. This default future consists of our expectations, our fears, our hopes, and our predictions, all of which are ultimately based on our prior experience. People make decisions based on things that happened in the past, and they project those decisions into

their future. It could be decisions about themselves — who they are, what they can do, what they can't do — or decisions about the company. And this default future actually generates the level of (or lack of) individual and corporate performance. So if I see fear coming at me, and anxiety, and everything's bad and horrible and terrible, my actions are going to be correlated to the way that world occurs to me.

S+B: The three laws of performance in your book deal with understanding — and changing — the way people think about that default future. How does following your advice change the way a leader would react in the situation we're discussing?

ZAFFRON: Instead of this fear — “I'm cutting my budget and what's going to happen” and so forth — I could look at the same situation and see that this is a great opportunity to create a new business model, or to cut away things that haven't worked but that keep going on, and to actually design something new. So two people can look at the same situation and see different realities: They see opportunities or the lack of them, possibilities or the lack of them.

As a leader your job is to reveal this default future, and put it up on the table with people. So they're actually communicating about it and seeing in their interactions new opportunities and new possibilities. Once that happens, people start to expand their perspective on what is going on; they start to see new pathways to what they could create. And when they start to create it, we all that rewriting the future.

S+B: Could you give an example of a specific way this works?

ZAFFRON: In difficult times like the present, you want information to flow in organizations, but, actually, the flow is lessened. People in senior positions aren't sure what to tell people. Should I tell them what's really happening, what we're confronting? If I tell them what's really happening, might they get even more demoralized? But from our experience, people want to get related to reality and they're empowered when they do. And particularly when they're asked to collaborate on and support a creative process of moving the organization to another level, they jump at the opportunity.

Everybody in the organization knows or senses something. They may not know what it is they're sensing, but people communicate in all sorts of ways. There's what we say, what we're not saying, and how we are communicating with our bodies. There's a lot of communication going on, and sometimes you don't even know it's happening. So leaders who open up the channels of communication and feel comfortable — and who take the risk of inviting people to think about the picture they're looking at — will find that they have partners they never expected.


S+B: Could you give an example of a situation in which this kind of action has worked for a company?

ZAFFRON: There are many examples in the book of how rewriting the future has led to transformations, and to dramatic elevation in performance. One is about an American copper company that hired my firm to help solve a serious problem at a mine they had purchased in 1994 in Peru, 14,000 feet up in the Andes, that had been owned by the government. It was an important source of employment in that region, but had many difficulties: There were workers with a government mind-set; there is a caste system in Peru, and the workers came from different castes; there were two unions that had been fighting with each other and with

management for years. When we arrived, they had had 15 one-year labor agreements, and each took six months to negotiate, so they were in a constant state of conflict and negotiation.

We got representatives from all the relevant stakeholder groups in a room — about 60 people in all — and facilitated management laying out the default future they were all headed toward based on past experience. We asked, “Is this really where you want to go?” Management then described an alternative future, in which they would commit to creating a high-performance, world-class organization in which there would be benefits for everybody. When we finished there was a long silence, and one of the Peruvian workers jumped up and said, “Long live the future.” That was the start of a month long process, based on the three laws, that generated a five-year labor agreement — the first of its kind in Latin America. Other mines used to send people to study the agreement, but it never worked for them — because it wasn’t the words on the paper that made it work, it was the act of writing it together, and the ownership that provided.

S+B: Any other thoughts on what leaders need to do to get through this recession and prepare for the future?

ZAFFRON: Well, some companies are doing well, but for many, it’s a very nasty picture. What happens when people focus on that is that their event horizon shrinks and all they can see is the immediate danger. It’s like they’re a patient in the intensive care unit, and they’re doing everything they can to get out of it. But the question should be: When you come out of the ICU, are you going to build a strong and healthy future for yourself? Leaders need to be setting in motion conversations that really are about the future. What are you going to be when this turns around? 

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