



# Book Leading in Times of Crisis

## Navigating Through Complexity, Diversity, and Uncertainty to Save Your Business

David L. Dotlich, Peter C. Cairo and Stephen H. Rhinesmith  
Jossey-Bass, 2009  
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### Recommendation

Contemporary executives have more to manage than leaders did at any time in the past. They’re like plate spinners, juggling to keep all their firms’ interests – customers, employees, investors, regulators, suppliers and the environment – from crashing to the ground. David L. Dotlich, Peter C. Cairo and Stephen H. Rhinesmith bring years of leadership expertise – and the results of 20 interviews with senior executives about 21st-century management – to this examination of leading in a “complex, diverse and uncertain” world. Clearly, the old command-and-control, problem-solving, analytical ways of piloting a firm are out; what’s in and crucial is a new leadership model combining the strengths of leaders’ “head, heart and guts.” While occasionally repetitive and trite, this informative book includes useful end-of-chapter questions, plus helpful graphics about preparing yourself and your team to be “whole leaders.” *BooksInShort* recommends this text as a practical addition to the libraries of seasoned executives, middle managers and those climbing the corporate ladder into the future of business. Just be aware that, as one expert in the book cautions, you “can spend decades climbing the ladder – only to realize too late” that you “have placed it against the wrong wall.”

### Take-Aways

- “Complexity, diversity and uncertainty” mark the contemporary corporate environment.
- Complexity arises from too much information in too many places on too many levels.
- Diversity is no longer a compliance issue, but a daily reality – and an opportunity.
- Uncertainty, the inevitable byproduct of complexity and diversity, means that unpredictability and risk are everywhere.
- “Whole leaders” use their “head, heart and guts” to manage in challenging times.
- They use their head to research, analyze and learn.
- They use their heart to build “empathy” with others.
- They use their guts to act courageously and instinctively, and to make hard decisions.
- Leaders can handle diversity, complexity and uncertainty in nine ways, such as reinventing business models, nurturing innovation and valuing disparate constituencies.
- Use “enterprise leadership” to tap into your workforce’s talents and values.

### Summary

#### “The Perfect Storm”

Unprecedented change and rapidly unfolding events strain the capabilities of modern business leaders in ways unimaginable even just a short while ago. Responding to

technological advances, financial crises and commercial ambiguities forces executives to deal with enormous stress as they maneuver through swiftly changing, globalizing markets. While these market transformations bring vast opportunities, moving ahead in such fast-paced environments also carries great risk. Modern “technology, media, regulatory bodies, shareholder activism, politics, people and competition” converge to create a perfect storm of “complexity, diversity and uncertainty,” the three issues most corporate leaders see as their biggest obstacles:

1. **Complexity is rife in corporate environments** – More data, opportunities, challenges, and markets, as well as faster communication and the influence of multiple geographies and jurisdictions, all lead to complex organizational structures, reporting lines and demands. Too much information, paradoxically, may mean not enough answers. Leaders often must make “right-versus-right choices.” Growing specialization means they can’t possibly be experts in all they need to know. Rapid change forces leaders to make critical decisions before enough input becomes available. Competition from emerging markets is building. The collision of these interrelated elements can paralyze effective action.
2. **Diversity is now the norm** – Leaders must understand their staff’s, customers’, markets’, and shareholders’ values, cultures and behaviors. Diversity is no longer a compliance issue, but a “strategic imperative.” Leaders must relate well enough to previously unknown constituencies that they can treat diversity as an “asset,” not a “constraint.”
3. **Uncertainty is the inevitable outcome of these forces** – Unpredictability doesn’t preclude action, which is often based on shifting or incomplete information. In fact, uncertainty demands quicker decisions. Risk is everywhere; companies, brands and even whole industries can disappear, sometimes overnight. The interconnectedness of world markets can mean that a government’s – or a competitor’s – decisions or actions can have unexpected repercussions, even affecting apparently unrelated players.

## Using Your “Head, Heart and Guts”

Most leaders are ill-equipped to manage in such an environment; the very attributes that elevated them to the executive suite – experience, intellect and the ability to get results – are no longer adequate. Thinking your way out of a problem is not enough. You can’t just use your network to find solutions or rely solely on your instincts when you make decisions. You must become a “whole leader,” approaching management holistically so that you “use your head for analysis,” “demonstrate heart to build a foundation” and “act with guts to get the job done.”

“Everywhere leaders are saying the same thing: The complexity, diversity and uncertainty of their world have increased, and their leadership ability is not keeping pace.”

Modern business demands more than thinking with your head. It also requires using your heart to empathize with others, and your guts to face tough situations with instinct and courage. All three – head, heart and guts – must unite. U.S. President Jimmy Carter was the quintessential thinker who acted too deliberately, while George W. Bush “trusted his gut to make key decisions,” including going to war. Bill Clinton “could feel your pain” but couldn’t grasp the ramifications of his personal behavior. Whole leaders think well, feel sincerely and have sound instincts.

## Nine Roads to Mastery

Leaders have nine ways to use their head, heart and guts – three that confront complexity, three that handle diversity and three that cope with uncertainty. Nine ways to ride the perfect storm are:

1. **“Destroy and rebuild your business model”** – Not so long ago, the idea of totally revising your business model would have seemed drastic. Now, more than 50% of leaders see their ways of doing business as “flawed, often fatally.” Most firms came into being before the current environment bloomed, so their methods no longer fit. Change is so pervasive that your business and industry must adapt and alter continuously, just as Nokia’s products evolved from lumber to technology over the course of a century. As a communication and money-transfer firm, Western Union has gone “from telegraph to wireless networks, phone and the internet.” Yet change is daunting. Witness how reluctantly carmakers, steel mills and newspapers have revamped. To anticipate change, adopt “four mind-sets”: 1) “a global mind-set” to understand international markets, 2) “an innovation mind-set” to blend creativity into your strategy, 3) “a virtual mind-set” to learn from those outside your firm and 4) “a collaborative mind-set” to form partnerships. Have the guts or courage to “confront the reality of the current situation.” Use your head to “reinvent” and “redesign” your firm. Show heart by sharing your team’s concerns.
2. **“Focus, simplify and network your organization”** – To manage complexity, heed your firm’s structure. Centralized operations may provide a sense of control, but decentralized units can shift your focus closer to your clients. If your organizational chart looks like a crisscrossing matrix, that usually indicates that you’ve made an imperfect attempt to achieve both control and client contact. Instead of a rigid, straight-line hierarchy, view your organization as a whole “organism” and help it shape-shift to meet changing needs. Create networks for staffers who must cooperate on decisions and goals. Align your compensation plan with your “value-creating” functions.
3. **“Build a climate for innovation”** – The greater the complexity, the more pressing the need for innovation. Yet most companies suffer “short-term focus,” burdensome “regulations” and “risk aversion” that impede innovation. Don’t confuse creativity – which generates something new – with innovation, which calls for leadership to make change happen. Leaders can embed innovation in their corporate cultures by taking a “six-dimensional approach” in which they use their heads to communicate the urgency of innovation and to encourage staffers to soak up external influences, their guts to provide an “innovation discipline” and to help people embrace “idea generation,” and their hearts to support their employees’ fresh concepts and to reward their work and results.
4. **“Differentiate and integrate your markets”** – Once jet travel and computerized communications developed in the second half of the 20th century, firms began to experience growing differences among their customers and markets. Contrary to the idea that convergence is homogenizing the world, national and cultural identities may matter more than ever. Companies like McDonald’s manage the tension between the two by standardizing some of their offerings while customizing the rest to local needs. Global companies need to temper their desire to tailor products to a specific “community of interest” – as Hilton does with its five hotel brands – to avoid the pitfalls of “being too differentiated.” Don’t lose focus by trying to be everything to everybody, innovating for its own sake, “being too responsive” and not testing your beliefs. As a whole leader, research the markets you want to reach, “internalize” their wishes and focus your strategy. Procter & Gamble revisited its earlier decision not to sell in rural China. It now derives most of its customers from the areas outside the more commercialized cities.
5. **“Learn to lead everyone”** – Encouraging diversity is no longer a human resources exercise, but a proven method of achieving “competitive advantage.” You can grasp the overt distinctions among nationalities, age groups and genders, and still miss the subtle biases that affect most people. Head, heart and guts leaders

create an open environment where people can learn, acknowledge and challenge their perceptions. Knowing whether a culture is “group-oriented or individualistic” and “hierarchical or egalitarian” can help employers understand their staffers around the world. Similarly, grasping the different perspectives of the four generations now in the workforce – “Traditionalists,” “Boomers,” “Gen Xers” and “Millennials” – and how they perceive the “money-meaning gap,” the difference between pay and nonfinancial rewards, can move your company forward. Whole leaders educate themselves and their teams about diversity and cultural awareness. They demand results while accepting people’s differences.

6. **“Become stakeholder savvy”** – Businesses must satisfy “rapidly multiplying stakeholder constituencies” of informed customers, vigilant regulators, global suppliers, demanding investors, developing-world competitors and pressing ethical concerns. The ambition of “turning green without turning red” forces firms to address environmental concerns without excess cost. Corporate social responsibility is no longer a charitable reflex, but an opportunity to compete in a more socially aware society. Leaders must shift from a “compliance mind-set to a responsibility perspective.” For instance, General Electric constructs all its plants according to top global standards, regardless of local rules. But nailing this balance between the company’s approach and the culture’s expectations is tricky. Walmart came up against Japanese cultural norms when it fired 25% of its staff, and its “always low prices” model did not mesh with Japanese consumers’ assumption that higher prices mean better goods. Whole leaders must evaluate the causes that matter to their firms, assess the costs, engage with relevant stakeholders and “walk the talk” of social responsibility.
7. **“Redefine risk and uncertainty”** – Together, complexity and diversity intensify uncertainty. Sophisticated risk management programs can actually spur a false sense of security. Remain hyperaware of your market and industry to determine where the next threats lurk. Understand your personal risk tolerances, so you have a sense of potential “derailers,” instinctive reactions to stress or ambiguity that can push you and your firm offtrack. To survive amid uncertainty, “redefine risk as opportunity.” For example, airlines have pioneered code sharing and alliances to meet the decline in air travel. Use “resilience drills” and planning exercises to test your readiness for risks you’ve identified and thoroughly considered. Encourage your team to dissect “near misses.” Acknowledge that apprehension is a natural reaction to risk and uncertainty.
8. **“Balance conflicting priorities”** – Leaders want to see into the future, but uncertainty clouds their vision. Historically, head-only leaders tried to address unknowable situations with solutions. Contemporary leaders instead must wrestle with “balancing paradoxes,” that is, “reconciling equally critical but opposing priorities.” Research says that the more comfortable executives are with uncertainty, the more they are able to manage paradoxes. The “paradox of commitment” requires leaders to reassess their decisions constantly in the throes of ever-shifting situations, rather than deciding to “stay the course.” Indeed, your major leadership conundrum rests on “how to...balance between trying to predict an uncertain future and knowing you can’t.” Whole leaders develop, communicate and test their views. They help people see the bigger picture and build a “social process for balancing conflicting perspectives and interests.”
9. **“Be clear what you have the courage to stand for”** – In chaotic times, your skill, intellect and know-how – which served you well on your way up the ladder – no longer suffice. Uncertainty forces you to draw from your true essence, the values that define you. Being true to yourself demonstrates your “authenticity” and enables you to lead more effectively. Bill Ford relinquished his post as CEO of Ford Motor Company when his environmental values jarred with his firm’s pressing business. Discover what matters to you, instill those values in your corporate mission and act decisively to uphold them.

## Building Whole Teams and Whole Leaders

Amid complexity, diversity and uncertainty, businesses must rely on employees with disparate professional and cultural skills to work together harmoniously. This calls for using an “enterprise leadership” process that taps into your workforce’s talents and values. Focus on the rewards, other than money, that your staffers contribute and work with them as “human capital,” not “financial capital.” Assess your teams’ work according to the “GRPI Model,” defining “Goals,” “Roles,” “Processes” and the “Interpersonal.” To become a whole leader, know yourself; understand your leadership and individual “agenda,” which should mesh with your firm’s priorities. Whole enterprise leadership – collaborating, behaving genuinely and doing values-driven work – directs your actions in ways that benefit you now and will be crucial in the future.

## About the Authors

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