

Leadership In The Era of Economic Uncertainty: an interview with Ram Charan

Interview by Debbie Hepton



Ram Charan is a highly sought after business advisor and speaker famous among senior executives for his uncanny ability to solve their toughest business problems.

For more than 35 years, Dr. Charan has worked behind the scenes with top executives at some of the world's most successful companies, including GE, Verizon, Novartis, Dupont, Thomson Corporation, Honeywell, KLM, Bank of America, and MeadWestvaco. He has shared his insights with many others through teaching and writing.

Dr. Charan is well known for providing advice that is down to earth and relevant and that takes into account the real-world complexities of business. Among his recommendations for achieving profitable growth, for example, are to search for "singles and doubles" as well as home runs and to develop what he calls a "growth budget" to instill discipline on growth initiatives. Identified by *Fortune* as the leading expert in corporate governance, Dr. Charan is helping boards go beyond the requirements of Sarbanes-Oxley and the New York Stock Exchange by providing practical ways to improve their group dynamics. Boards, CEOs, and senior-most human resource executives often seek his advice on talent planning and key hires.

Many people have come to know Dr. Charan through in-house executive education programmes. His energetic, interactive teaching style has won him several awards. He won the Bell Ringer award at GE's famous Crotonville Institute and best teacher award at Northwestern. He was among *BusinessWeek's* top ten resources for in-house executive development programmes.

Dr. Charan has served on the Blue Ribbon Commission on Corporate Governance and was elected a Distinguished Fellow of the National Academy of Human Resources. He is on the board of Austin Industries and Tyco Electronics. Dr. Charan is based in Dallas, TX.

DH: You are author of *Leadership in the Era of Economic Uncertainty*. Can you tell us about the book?

Ram Charan:

In the last 18 months, the global financial crisis sneaked in. The world has changed. Leaders must adapt to this change. The change is deep; it is volatile, it has caused anxiety. People have felt panicked. The worst is over, but leaders need to prepare for a very slow growth with a bumpy road ahead and focus on coming out stronger from this recession. Look into the eyes of the storm. Confront reality. Protect your talent. Provide inspiration and sharp focus to the organization and have the zest that you will come out better than anybody else.

DH: When carrying out the research for your book, what were the most surprising findings?

Ram Charan:

The most surprising finding is that almost all leaders were caught totally unaware of the resulting problems of the financial system going out of control. It was not the traditional problem of cyclical or breakdown in the industry or the malfunctioning of the company.

DH: To achieve profitable growth, you recommend “searching for singles and doubles, as well as home runs”. What do you mean by this?

Ram Charan:

Growth is a social process and it is a team effort. No basketball team, no hockey or football team ever wins without continuous practice. Growth builds the mental muscle of the organization. Growth has to be profitable and capital efficient. Growth companies always look from outside in. They search continuously for what the customer wants or will want. These expeditions help create ideas for growth. Some ideas are incremental or as they say in American phraseology “singles and doubles”. And sometimes some ideas are game changers...they are big. Unless you search continuously for unserved or underserved needs, you are not likely to find big ideas or what America calls “home runs”. Waiting for the big ideas alone will not get you continuous growth.

DH: You state that a leader’s guiding principle must be “hands on, head in.” Can you explain what you mean by this?

Ram Charan:

In the dire situation where there is panic, and the companies are cash short, they have to have intensity of management to know the daily critical details of the business – that is “hands on”. Getting intelligence from the ground and using information to make timely decisions is “head in”.

DH: What characteristics do directors and CEOs need most to efficiently steer their company through a downturn?

Ram Charan:

The most critical characteristic of CEOs and directors is to define reality and confront it. And stay absolutely connected to the ever faster changing landscape on a daily basis.

DH: Can you provide us with an example of a company that is coping particularly well during this economic crisis, and why? What can other companies take from this example?

Ram Charan:

There are a number of companies that have figured this thing out. One company is Nalco. They are in the water treatment business. CEO Erik Fyrwald figured this thing out early, got his team together, got them to see the new reality and he went in “hands on” and “head in”.

Erik helped ensure that the company was safe from the credit crunch. His fast actions improved cash flow. He refinanced his debt earlier than most. His actions resulted contra to the prevailing environment of anxiety: Nalco’s ratings went up from single B to double B.

DH: In your opinion, when do you think that we will see a reversal of this decline?

Ram Charan:

The deterioration of the financial system in America has slowed now. The improvement in the economy is lagging behind. The panic has subsided. The economy is going to respond, but at a low level. While unemployment will continue to increase, the real US GDP in the first quarter of 2010 will be flat or lower than in 2007.

DH: During these tough economic times, what key piece of advice would you give to today's leaders?

Ram Charan:

The most critical advice for today's leaders is to master the skill to recognize what is the change, what is the speed of that change, what is its nature and how to take advantage of it.

DH: As quoted by *Fortune* writer, David Whitford, "You never set out to become a globetrotting consultant, any more than you dreamed of attending Harvard Business School, or becoming a professor." How is it that you became such an accomplished author and influential consultant?

Ram Charan:

The secret of joy in life is to continue to find opportunities where your ambition and your capabilities make a good fit, but that is not enough. It is looking over the horizon, building new capabilities and continuously learning. Focus, discipline and resolve are critical.

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