

SHIFT

Leading in Turbulent Times
Association for Financial Technology

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Slide

• Introduction

Slide 1: Title Slide

- 1. Have you ever surfed a Tsunami?
 - Supposedly you can't.
 - But Tom Gogola, a 22-year old British surfer, did during a Tsunami in Samoa.
 - He was out surfing when he saw a 20-foot wave racing toward the shore—headed straight for him.
 - He faced three choices:
 - 1. He could swim toward the shore and try to outrun it;
 - 2. He could sit where he was, paralyzed with fear; or
 - 3. He could swim toward the wave and try to surf it.
 - In a moment of courage, he turned his board toward the wave and paddled as hard as he could.

Slide 2: Tsunami

The Daily Mail, a U.K. newspaper, reported it this way:

“Aiming the tip of his surfboard up to ensure its nose was not pushed under by the towering wall of water, he rode right up and over the top of the wave.”

- 2. You and I find ourselves in the midst of a Tsunami, don't we?
- 3. I have experienced unprecedented change.
 - I spent 15 years at Thomas Nelson.
 - Thomas Nelson is the world's largest inspirational publisher and the seventh largest trade book publisher in the U.S.

Slide 3: Thomas Nelson
Logo

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- I was President of the company for eight years; CEO for six.
- In 2005, I became CEO of Thomas Nelson. At the time, we were a public company that was traded on the New York Stock Exchange.
- In the first year of my tenure (2006), we took the company private. This was at the height of the Bubble.
- Little did I know what lay ahead. In 2007, we began to experience three massive CHANGES or SHIFTS:
- Shift #1: The Great Recession:
 - This hit us in late 2007.
 - We went through three rounds of layoffs:
 - The first time, we were trimming fat.
 - The second time, we were removing muscle.
 - The third time, we were amputating limbs.
 - We cut 30 percent of our expenses.
 - Yet we kept the company afloat. We never lost money, and we took care of the people we let go. (We provided twice the severance benefits our stated policy required.)
 - But it was brutal.
- Shift #2: The Digital Revolution:
 - Simultaneous with the Great Recession, we got hit with the Digital Revolution in publishing.
 - The month before the Great Recession officially began, Amazon launched the Kindle e-book reader.
 - It was a game changer. Little did we know at the time, but ...
 - By July 2010, Amazon would be selling more e-books than hardcover books.
 - By January 2011, Amazon would be selling more e-books than paperback books.

Slide 4: Great Recession

Slide 5: Digital Revolution

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- By August 2012, Amazon would be selling more e-books than all print formats combined.

- Shift #3: The Social Media Revolution:

Slide 6: Social Media

- Twitter launched in 2006 and really hit critical mass in 2007.
- In that same year, Facebook opened up its platform to non-college students and went mainstream.
- This too was a game changer, though we didn't know it at the time.
- I have led through unprecedented change. My guess is that ...

- 4. You are experiencing unprecedented change.

Slide 7: Change Exit Sign

- Maybe it's economic uncertainty
- Maybe it's technological change
- Maybe it's regulatory issues (like Dodd-Frank Legislation and Consumer Financial Protection Bureau)

- 5. These changes require a different way of leading—if you are going to be successful.

Here's my premise.

- **Premise**

Leading well in turbulent times requires leaders to take five ACTIONS.

Slide 8: Premise

- **Rationale**

- **1. Action #1: Shift your perception.**

Slide 9: Perception

- In turbulent times, effective leaders **maintain perspective**.
- This is what Jim Collins referred to in *Good to Great* as "The Stockdale Paradox." As a leader, you must simultaneously do two things:
 - Confront the most brutal facts of your current reality, whatever they may be.
 - Retain faith that you will prevail in the end, regardless of the difficulties.

Slide 10: Stockdale Paradox

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- The paradox is based on the story of Admiral James Stockdale was a prisoner of war for eight years during the Vietnam War.

Slide 11: Admiral Stockdale (slide 1)

- After his release, a reporter asked Admiral Stockdale, “How in the world did you survive eight years in a prisoner of war camp?”

He answered, “I never lost faith in the end of the story. I never doubted not only that we would get out, but also that I would prevail in the end and turn the experience into the defining event in my life, which, in retrospect, I would not trade.”

- The reporter then asked, “Who didn’t make it out?” Admiral Stockdale replied,

Slide 12: Admiral Stockdale (slide 2)

“Oh, that’s easy, the optimists. They were the ones who said, ‘We’re going to be out by Christmas.’ And Christmas would come and go. Then they’d say, ‘We’re going to be out by Easter.’ And Easter would come, and Easter would go. And then Thanksgiving, and then it would be Christmas again. And they died of a broken heart.”

- Collins then goes onto state that an attribute of truly great companies and great leaders is that they are able to embrace *simultaneously* these twin truths of their current reality and their ultimate triumph.

- These are like two sides of the same coin.

Slide 13: Two Sides of the Coin

- If you just embrace reality without ultimate triumph it leads to PESSIMISM.

- If you just embrace ultimate triumph without embracing reality, it also leads to FANTASY and ultimately CYNICISM—the cynicism of your people. They will see you in denial and that is one thing you don’t need in turbulent times.

- When I was the CEO of Thomas Nelson, this is one of the things I had to do.

- By the end of December of 2007, we had had six years of steady revenue and profit growth. It was a straight line.

- But, as I mentioned in my Introduction, on the very eve of the Great Recession Amazon released its first Kindle e-book reader.

Slide 14: Amazon Kindle

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- In the face of this, *we shifted our perception* because the world had changed.
- In the face of this, we made three extremely consequential decisions. We made the decision to ...
 - Convert all of our print books to digital.
 - Reengineer our workflow to produce print and digital editions simultaneously.
 - We shut down several under-performing divisions in order to free up resources to invest in our digital initiatives.
- Question: How are you embracing both current reality and ultimate triumph? Which are you doing better? Where do you need some work?
- Transition: To lead well in turbulent times, you must shift your PERCEPTION, but you must also ...

• 2. *Action #2: Shift your intention.*

Slide 15: Intention

- In turbulent times, effective leaders **embrace change**.
- One of the marks of authentic leaders is *initiative*.
- Real leaders go first. They don't sit in the sidelines, waiting for someone else to act. They don't wait for change to come upon them. No, they lead by example.
- A great example of this was Lt. Col. Hal Moore.
 - He was famously depicted by Mel Gibson in the movie, *We Were Soldiers*.
 - Before leaving for Vietnam, he gathered his troops into a football stadium, along with their families. He told them:

Slide 16: Man jumping off dock

Slide 17: Hal Moore

Slide 18: Combat Boots (Slide 1)

"We are going into battle against a tough and determined enemy. I can't promise you that I will bring you all home alive. But this I swear, before you and before Almighty God: that when we go into battle, I will be the first to set foot on the field, and I'll be the last to step off. And I will leave no one behind. Dead or alive, we will all come home together, so help me God."

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- So, leaders go first.
- When I was the CEO I understood this intuitively, so in the face of unprecedented change, I did three things:
 - I bought an Amazon Kindle.
 - I signed up for Twitter.
 - I initiated across-the-board budget cuts, believing that the economic downturn was going to become the “new normal.” I didn’t wait for my board to take the initiative.
- So as leaders, we must go first, but we must also embrace change. Let me tell you a story ...
- Illustration: Going skiing with John Bevere. When I found myself at the top of the blue trail, I asked John how I was supposed to get down the mountain. He said, “Just lean down hill.”
- I have noticed that leaders have one of two postures when it comes to change.
 - Some lean back. They are resistant to change. The very thing they fear most comes upon them. Slide 21: Skier falling
 - Some lean forward. They lean into change. It doesn’t mean they don’t ever fall down. But they do get to their destination with fewer falls than those who resist change. Slide 22: Leaning Forward
- Question: What have you been resisting as a leader? Where do you need to lean into change and take the initiative?
- Transition: To lead well in turbulent times, you must shift your INTENTION, but you must also ...
- **3. Action #3: Shift your direction.** Slide 23: Direction
 - In turbulent times, effective leaders **cast vision**.
 - In the middle of a storm, you lose visibility. Your vision and your strategy may be perfectly clear in good times—when the weather is calm—but can get confusing fast when you are going through an economic storm. Slide 24: Blizzard

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- Illustration: In 1983, I was attending a sales conference in Colorado Springs. When the conference was over, I had to drive to Denver to my inlaws where my wife and two daughters were waiting.
 - A few hours before I left, it started snowing—hard.
 - Visibility went down to about 20 feet.
 - I kept driving, but got off an exit and got turned around in the blizzard.
 - I wasn't sure if I was headed in the right direction or not.
 - The one thing I new is that if I stopped, I would eventually run out of gas and freeze to death. So I kept going.
- When you lose vision, the temptation is to stop. And you may need to do that for a short time, but eventually you must make the call and keep pressing forward.
- You must shift your direction.

- Illustration: When I took over the Nelson Books division in 2000, we were in the middle of another recession.
 - My division was dead last in every single metric (elaborate).
 - Honestly, things could not have been worse. However, it was a great career opportunity. If I turned the division around, I would be a hero. If I didn't, that would be okay, too. After all, the division was a mess when I inherited it. I couldn't lose.

Slide 25: Studying

- The first thing I did was to go off on a private retreat. I had one objective in mind. I wanted to get crystal clear on my vision. What did I want to see happen? What would the division look like in three years? I didn't care about strategy; I was only concerned with vision.

Slide 26: Thinking

- I developed a vision that I found compelling. If I couldn't get excited about it, I couldn't sell it to others. Instead, I gave myself permission to envision the perfect future. Here's what I wrote down:

Slide 27: Vision (Slide 1)

"Nelson Books is the world's largest, most respected provider of inspirational books." Here are 4 of the 10 bullets I wrote down:

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- 1. We place four books a year on the *New York Times* bestsellers list.
- 2. We are publishing 60 new titles a year.
- 3. We are the fastest growing, most profitable division in our company.
- 4. Our employees consistently “max out” their bonus plans.
- I came back to the office and sold it to my team.
- We rolled up our sleeves and got to work. Slide 28: Vision (Slide 2)
 - I personally read the vision daily.
 - I talked about the vision every chance I got.
 - I stayed focused on the *what* not the *how*.
 - If you are crystal clear on the vision and passionate about accomplishing it, the right strategy will show up.
- When times are tough, vision is often the first casualty. Things get very tactical. As leaders, it is easy to give up on the dream and stop talking about the future.
- You cannot afford to do this. The only thing that keeps vision alive is you talking about it. Slide 29: Public Speaker
 - How much should you talk about it? More than you think.
 - Question: How is your vision? Is it crystal clear or a little muddy? Are you willing to do the hard work of getting clear?
 - Transition: To lead well in turbulent times, you must shift your DIRECTION, but you must also ...
- **4. Action #4: Shift your acceleration.** Slide 30: Acceleration
 - In turbulent times, effective leaders **foster urgency**.
 - E-mail, social media, and text messages have conditioned people to expect near-instant response. Slide 31: Fast business
 - About 20 years ago, I started a publishing company with a partner.

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- We had a dream to publish books that truly made a difference in people's lives and in the overall culture.
- The only problem was that we didn't have much money.
- Our competitors had seemingly every advantage, including piles of working capital (or so we thought). All we had was a dream and our ability to respond quickly.
- As it turned out, we signed numerous authors for less than the competition was willing to pay, simply because we moved fast and got the deals done.
- Many authors were willing to give up some advance money, believing that our hustle in signing them would translate into similar hustle in selling their books. More often than not, they were right.
- Thus, responsiveness became our competitive advantage. We could never pay more than our competition and usually offered much less. But we could out-maneuver and out-flank almost all of them. We were lean and mean. As a result, we grew rapidly. Slide 32: Outflanking Competition
- Unfortunately, in the years since we began that venture, I have learned that there seems to be *an inverse relationship between a company's size and the sense of urgency embedded in the culture*. Slide 33: Big Tortoise
- More often than not, small companies have a sense of urgency. Why? Because their very survival is at stake. If they don't move quickly, they get squashed by larger, more established competitors.
- On the other hand, it is rare to find large companies that truly have a sense of urgency. Their circumstances rarely demand it. They can continue with business-as-usual and do pretty well. Nothing has to be done today or even this week. Nothing is really at stake—or so they think. Often, by the time they wake up, it's too late. Slide 34: Sleepy man
- But in today's environment, no one can afford to drift along with the status quo. Growth is not a foregone conclusion. Even survival cannot be taken for granted.
- The companies that thrive in today's economy will be those that can shift their acceleration, from the slower pace of business-as-usual to urgency. Slide 35: Rocket boy

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- To say it another way, you must think big but act small. You can out-flank your big fat competitors with the right culture.
- Example: This is one of the first things I did as the new CEO of Thomas Nelson. I ramped up the pace. I got rid of bureaucracy every chance I had. I began a program called "Pizza with the Prez."
 - Each Friday, I hosted a pizza party in the executive suite with a different department.
 - I asked them three questions:
 - What's your favorite thing to do on a Saturday?
 - What do you like about the company and hope we never change?
 - What is slowing you down and keeping you from doing your job and serving your customers?
 - The last question was particularly helpful. I took copious notes. I made no promises other than I would look into it. Then I went to work, determined to remove every obstacle I could in order to speed up the business and the service to our customers.
 - Question: What is keeping your business bogged down? What would it take to speed it up? Are you willing to do what it takes to become more responsive?
 - Transition: To lead well in turbulent times, you must shift your acceleration, but you must also ...
- **5. Action #5: Shift your allocation.**
 - In turbulent times, effective leaders **reallocate resources**.
 - Unlike the federal government, you can't fund new programs without defunding old ones.
 - The federal debt is almost 17T. Slide 38: \$17T debt
 - How did it get so big? Because the federal government rarely reallocates resources. They keep kicking the can down the road ... but a day of reckoning is coming—maybe sooner than we think!
 - You and I can't afford to do this.
 - Real leaders know it's never about the resources. Slide 39: Squeezing

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- News flash: time and money are finite resources.
- You will never have enough of either to do the job in a way that is comfortable for you.
- Instead, you will have to exercise courage, make tough decisions, and find the resources you need.
 - Sometimes simple creativity will help.
 - Other times, you will have to sell someone on giving you more resources.
 - Usually, you will have to shift resources from one program to another.
- I've used the story about the digital shift in the publishing industry. Slide 40: Digital
 - We couldn't afford to ignore this technological shift.
 - We had to invest in the future—or we would be toast.
 - So we had to make some tough decisions and cut some programs that had been around for decades. For example,
 - We got out of businesses that were unprofitable and didn't show promise of near-term turnaround (e.g., Varsity). Slide 41: Budget Cut
 - We got out of business that were outside the scope of our core competency (e.g., gardening books).
 - We got out of businesses that we weren't passionate about (e.g., political books).
 - In other words, we focused and concentrated the few resources we had on the priorities that mattered. Slide 42: Focus
- Question: How do you need to reallocate your resources?
 - What do you need to fund in order to survive?
 - What do you need to defund in order to fund these programs?
- Transition: To lead well in turbulent times, you must take five actions. You must ...

• Conclusion

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- Summary
 - 1. Action #1: Shift your perception.
 - 2. Action #2: Shift your intention.
 - 3. Action #3: Shift your direction.
 - 4. Action #4: Shift your acceleration.
 - 5. Action #5: Shift your allocation.
- Closing:
 - The old man and the bird.
- Q&A

Slide 43: Summary slide

Slide 44: Bird in hand

Slide 45: Title Slide