

Brains, Guts, and the Capacity to Act

By Stephen H. Baum



What allows a leader to take the steps needed to solve a problem or master a difficult situation? What keeps the desire to act from being impetuous and uninformed, as in "ready, fire, aim" behavior? The answer is that the capacity to act effectively and decisively is a complex mixture of brain and gut, a combination I call *threads in thinking*.

It includes these qualities:

- An ability to distill a situation to its simplest dynamics; to understand the issues and the consequences of doing nothing; and to formulate a specific plan.
- Being extro-spective: seeing the business in the larger context of the industry and in the marketplace; seeing a situation from a high-altitude view and making sense of it on the ground.
- For opportunities, an ability to see the true benefits and risks, which are not always obvious.
- Possession of a mental library of truly relevant analogies and other mental models that can be applied to characterize the situation in a way helpful for making a choice.
- An ability to identify valuable sources of advice, experience, and wisdom (inside the company and out); to elicit information and know when to do so.
- An instinct for calibrating the value of and motive for facts and information people are giving you, the subtext of real agendas.
- An ability to discern both financial and nonfinancial impacts and include them in the calculus (company reputation, morale, future business options), then weigh the risks.
- An ability to anticipate issues and define a point of view so you don't have to do it for the first time under crisis.
- Being able to think a couple of moves ahead, as in chess, or as Steve Kaufman put it: "the ability to look around the corner and see what's coming." This ability and most of the others can be tested and developed.

It's a tall order, but remember that no one starts out with all of these abilities. You develop these threads and judgment only with experience. This is done mainly through on-the-job training. Just remember how many of the leaders we've been discussing failed in school, how many were far from the top of their class, how none were rocket scientists. Only by working through major challenges in the first place do you develop and nurture these abilities until they become part of you and part of your instinct.

In the Eye of the Storm

Deciding that you must act, and then acting, is not as straightforward as it seems. Circumstances will

often make your decision to take action in the first place very challenging. Remember that Paul Evanson was an outsider with no attachments to the company's past, no involvement in creating the current mess, and no ties to its current leaders. Although shocked by what he saw, he was intellectually and emotionally detached and knew that he was seeing clearly and knew in a heartbeat what had to be done. If only knowing what to do were always that easy!

It is harder to be detached when you are part of the team -- part of the woodwork. It is an ability that requires the right balance of constructive emotions (your motivating adrenaline and empathy for others, for example) and an objective, clinical assessment unblurred by emotions.

Let's see how Arthur Martinez of Sears was able to take action in spite of his insider status, when he came to the sad but necessary conclusion that he must fire someone he cared about a lot. Arthur was a high-ranking executive at the BATUS retail group (the onetime U.S. subsidiary of British American Tobacco that owned numerous department stores, including Saks, Gimbel's, and Marshall Field's) when two of its department store chains were failing.

The CEO of one of the chains was a well-liked, longtime employee with a large and loyal following among the managers. In earlier years, he had been able to do an admirable job of building the chain and its brand. That was why some pleaded with Arthur to keep him. Others agreed with Arthur, who saw him "out of gas," unable to keep up, as industry consolidation and competition intensified. His poor performance had gone on for several years, and the chain's financials were slowly deteriorating. Pressure to perform at BATUS was increasing at that time, as tobacco companies were coming under increasing attack by regulators and interest groups. Looking beyond the immediate situation, Arthur was anticipating that a hostile event could take place in such an environment. Sure enough -- into this difficult business environment strode the specter of an imminent hostile takeover by British financier Sir James Goldsmith, adding incentive to improve financial performance and consider engineering a spin-off of the retail group, which ultimately took place.

Arthur had to take all of these factors into consideration as he analyzed the situation before him and weighed the alternatives. He knew and liked the man personally but had to weigh many factors: the risk of moving a popular executive from office with the subsequent loss of knowledge, loss of expertise, and impact on hundreds or thousands of employees loyal to the executive against the uncertain improvement in the retail chain's performance that might ensue by putting someone else in charge. Before firing a once valuable employee, any prudent executive will have exhausted other remedies: coaching, reinforcement of performance goals, setting of deadlines. And Arthur had done just this.

Ultimately, he made the tough decision to act, engineered the man's resignation, and instituted a host of changes in personnel and strategy.

In a story of similar challenge, five topflight sales executives of the national accounts team left Ecolab to form a competitor -- creating a great deal of uncertainty and worry among the division leaders. Al Schuman launched an immediate communications blitz, rallying everyone to work together to recover from what he labeled as "our December 7." He also launched a counterattack on the new competitor to prevent its becoming a real threat." He credits this intense passion to win to experiences in his youth and in early employment.

About the author:

Stephen H. Baum has been an advisor and coach to CEOs for more than twenty years, first as a partner with Booz Allen & Hamilton, the global consultancy -- where beyond the client work he was also on the appraisal and development committee and mentored young associates -- then as an independent practitioner. Stephen's book, [What Made Jack Welch, Jack Welch](http://www.stephenhbaumleadership.com) is available from Crown Business. You can find out more about Stephen at www.stephenhbaumleadership.com

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