



Leadership In a Period of Chaos

Not all managers are transformational leaders.

by Mark Working

One could argue that every leader must be a change agent because businesses need to adjust to changing environments and conditions in order to remain competitive. Doing the same thing in the same way will eventually lead to demise. “Eventually,” though, can be a very long time, and in some of our most basic industries getting it right, instituting procedures, establishing patterns, and constantly improving and polishing them leads to the greatest efficiency. An environment that prizes staying the course, allowing for minor adjustments for incremental improvements, selects against true change agents that can plot a new course and lead through violently disruptive events. We are in the midst of such an event.

IT WORKS UNTIL IT DOESN'T

An effective manager usually exhibits certain qualities: charisma, adherence to repeatable systems that can be measured time after



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time, demanding and offering loyalty to mobilize people, creating control mechanisms to protect the system, and exhibiting a willingness to delegate. Managers are effective by enforcing and measuring the system and establishing reward systems and procedures to support and protect it. A core value brought to businesses by private equity owners is the combination of the knowhow to create repeatable systems that can be measured and improved, and the ability to choose leaders good at establishing systems that remove dependency upon any single person.

In normal times, this practice develops processes that provide stability and cost efficiencies. But it works until it doesn't. When disruptive forces enter an industry, the same



systems that provided stability and security for the business and its employees and customers become barriers to the adjustments necessary to preserve safety and economic health. There are many examples in recent business history of major disruptive forces that changed whole industries and affected the entire economy – the emergence of Amazon and its disruptive effect on delivery channels of products to consumers, China as a workforce and its impact on the manufacturing of consumer and industrial products, the creation of microprocessors that enabled the delivery of computing capacity into everyone's hands, and fracking technology that unlocked hydrocarbon reserves and changed the balance of energy production throughout the world, to name a few.

EXPOSING WEAKNESSES

The recent eruption of the COVID-19 virus has already emerged as a black hat disruptor, exposing and exacerbating weaknesses in the economy and changing patterns of behavior that will themselves create more disruption. To survive, managers will need to re-examine current systems and make sometimes radical changes to adjust to a new normal.

Unfortunately, traditional managers usually don't make good change agents. We notice this most in acquisitions where different sets of practices need to be converted to a single culture and in industries where businesses are struggling. Disruptive forces create the same internal managerial dynamics. Continuing

improvement won't get it done. Change requires altering patterns, systems, and people, and those decisions and actions are difficult. Systems don't fix themselves. It takes someone to understand the new realities and why a different system is required, and who has the force of will to break existing linkages and create new ones. Change leaders differ from traditional managers in that they are against control; they want to shake things up. Rather than delegate, they get their hands dirty and get down in the



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details. Their loyalty is to performance rather than people, and breaking or creating new linkages is just a tool to achieve the objective. Managers create calm; change agents create waves.

CHANGE AGENT CHARACTERISTICS

So, what specific characteristics or attributes do change agents exhibit? First, they see things others don't. They can step back from the day to day flood and observe. They have an ability

to make sense of and reshape perceptions of reality – they see a new normal and can distinguish between fact and truth. Their minds are such that they recognize patterns as they emerge and have creative instincts to imagine non-traditional (to the organization) ways to adjust to new patterns. They exhibit more of an

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entrepreneurial attitude, and a greater willingness to take risks. Change agents are less concerned with upsetting established conventions and practices; rather they are laser-focused on the actions that will move the organization into a new position to best respond to the changes

the disruptive forces are creating. They are organized but more from the perspective of creating an organization rather than in making sure everything is in its right place.

Second, transformational leaders need to inspire the organization to break patterns and jettison or create new ones. Turning over the apple cart is seldom the solution, but replacing the cart with a conveyor and converting the cart driver to a new role or replacing them entirely might be. To get it done, leaders need to be optimistic and inspire hope, not fear. They are a role model first and a preacher second. They are trusted and leverage it.

VISION AND LEADERSHIP

COVID-19 has created chaos, and once the health issues are resolved, not everything will snap back into place. The longer the time between the outbreak and a resumption of open commerce, people will establish new patterns in how they solve basic needs for food and shelter, which will have major implications for products and supply chains; social distancing is training people and organizations new ways to communicate and work together; and con-

cepts of community and personal needs and priorities are emerging. Businesses are going to take actions they didn't previously consider, including closing down product lines, market segments, geographies, or entire divisions,

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merging part or all of their businesses with others, and investing in new initiatives to spark new growth. Accomplishing that will require vision and the leadership to turn the ship. Every business owner needs to take a fresh look at their new reality and consider whether it has the tools and resources to change course. Leadership is the first place to look. **zs**



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ABOUT ZACHARY SCOTT

Since 1991, Zachary Scott has assisted owners of privately-held businesses in the greater Pacific Northwest to plan and execute major business or ownership transitions by offering sell-side M&A and acquisition and investment advice. For more information on Zachary Scott, go to **ZacharyScott.com**.

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