

Crisis Leadership and Commercial Bravery

Address to the Senetas Luncheon in Melbourne on 31 October 2002

Ladies and gentlemen, in the SAS, failure is not an option, and we had to become habitually accustomed to find ways to succeed. Today I will explain what the SAS do when the proverbial hits the fan, and what can you learn from them when you have to lead your own company out of crisis, and be commercially brave in the process. There have been many recent corporate failings, and no one sector seems to have been spared. Sloth got in the way of Ansett. Pride brought HIH unstuck. Lust got in front of Pasminco. Greed was a problem for One.Tel, and Anger didn't help NRMA. It is hard to say which type of crises you should be worried about next, although the big option packages and executive bonuses are leading many to finding themselves inside dot-com body bags.

Sep 11 has come and gone once already, and everyone seems poised for it to happen again. Those of us who had been watching Osama Bin Ladin for many years were surprised that it took so long to occur. Indeed we expected planes to crash into the Olympic stadium at Homebush Bay during the Olympics, and we were ready for this eventuality. We expected ships to run aground on the runway in Botany Bay, and we were ready for that eventuality as well. It may yet still occur, and this is why the Americans are trying to set up systems for inspecting every shipping container before they are exported to the US. I was actually climbing a popular route called The Fear on the cliffs at North Head in Sydney Harbour during a quiet period just before the Olympics started, when I saw the Shell Australia super yacht enter the harbour and to be confronted by a barricade of small fishing boats. For a moment I thought it was Osama bin Ladin and hits mates, until the barricade parted. They were simply protesting over the price of marine fuel. Terrorism is here to stay I am afraid. Martyrs now know that Sep 11 took a mighty 50 billion out of the 720 billion normally available for insurers to invest globally, and they will be looking for similar opportunities in the future. Martyrdom is all the rage once again, and unfortunately any form of transport can be used as a weapon of extremist destruction. We still have to contend with the narco-terrorists who indirectly kill 1000 Australians a year, bio-terrorists who continually threaten our primary industry with foot and mouth disease, and futurists who are counting down the days to when the world crosses the tactical nuclear threshold in about 2010. Of concern to business is protecting information, something that is now managed as a key resource, and for which both speed and techno-terrorists are its greatest enemies.

The reality is that crises are inevitable, whether they come from debatable management decisions or religious zealots, so there is probably no point dwelling on that today. What is worth focussing on, is what you are going to do when it happens to you; moreover what the mind of an SAS operative trapped in the body of a businessman can tell you about controlling them. I have seen many boardrooms in simulated crises in my short foray into the second battlefield, with some outstanding performances and some fairly average displays of leadership. That said, the second battlefield is much harder than the first one, and it may be unfair of me to cast judgement as I have. I have found that business is about persistently taking the knocks. In the SAS we had to locate the enemy and if there were shots to the north, we would head south, our job done. Run away we would say. It was called the guerrilla creed. Now I find on the commercial front that you must keep coming back for a bloody nose. The difference is you know where your opponents are, but you are just not sure of what they are doing.

Interestingly many crises could have been avoided if corporations had a system of identifying indicators and warnings in place. I find it strange that companies do not have Business Intelligence Officers. They are commonplace in the military. Indeed every SAS operator is an intelligence gatherer. In SAS, information equals edge. The Duke of Wellington put it this way. All the business of war, and indeed all the business of life, is to endeavour to find out what you don't know from what you do, or as he added, guessing at what is on the other side of the hill. Why is it that companies are so reluctant to appoint a Business Intelligence Officer and to collect information in a very determined way? Then you see expressions like Knowledge Management, which is a current management buzzword. Management gurus have promulgated no fewer than 15 distinct schemes for fixing business organizations within a span of 30 years, a new cure every two years. Why is there a current fixation on trying to recall what we already know, rather than focusing on what we don't yet know? It seems to me like Information management gone berserk. The reality is that without competitive intelligence the formulation of strategy is impossible. Without competitive intelligence a firm cannot be managed strategically. If you want to posture for dangerous opportunity, then I would have no hesitation in having a Business Intelligence Officer in every company, and actively collecting now.

I have seen management teams act in all manner of ways when they are under pressure, and having to deal with multiple stakeholders simultaneously. Those who experience problems seem to lack implicit trust that individuals will carry out a course of action. This is an anathema to the SAS where there is absolute faith placed in an individual's ability to carry out a task. It is the building block of small team success. The concept that small is beautiful is the competitive advantage afforded by SAS over other solutions. So what happens in a SAS boardroom? It is more akin to a Chinese parliament where every man has his say and experience is respected. Ultimately the combat commander will call the shots, but not before there has been a healthy discussion. I urge managers in crisis to similarly speak up because you are effectively earning your income in one day, and if the team is off track you need to voice your opinion. It will be the mark of a leader who can harness this opinion and implement business strategy under pressure.

Applying your rat cunning business skills as an individual in isolation is easy, but how do you do it under pressure in a team? The first thing is to tailor your team with the best business thinkers for the problem at hand. Tailoring is the manner in which all SAS teams are put together. Next find the facts in a very disciplined way. I see strong MDs, and I see vacillating MDs. I see MDs who pace up and down. Whatever style you have, use timeouts to find the facts from the key stakeholders and then return to plenary session. Begin each of sessions with updates to restate your strategic focus, and then get on with identifying the relevant issues. Devise your strategy and use timeouts to implement your strategy through direct and indirect contact with stakeholders. This is the essence of controlling crises. The military permanently operate in this manner as they posture for dangerous opportunity.

How did it work during the mercenary crisis in Papua New Guinea a few years ago? The Executive Outcomes Group were talented chaps. We couldn't see them from space because of clouds, we couldn't hear them through the ether as they didn't use telephones and no one knew what they were up to. I won't say where and how the SAS were used but this crisis was quickly diffused when the aircraft containing their helicopters and weapons was diverted to Australia. What can business learn from this? Positioning is all-important with the relevant stakeholders, and it was our ability to communicate rapidly and securely between many locations, which allowed us to get inside the decision loop of our opponent. In crisis, stakeholders drive deadlines until you can regain the initiative by engaging multiple stakeholders simultaneously.

Some time after that crisis we were tasked to evaluate Army's doctrine for searching for thugs in thongs in the north. This was before we abandoned that defensive course of action in favour of Australia's current maritime strategy. It did however give us the opportunity to develop and test our mastery of information to get inside an opponent's decision loops. While we were required to engage our opposing force on the ground in conventional terms, we also fought him in the ether by waging a propaganda campaign amongst the population in which he operated. Our techniques included injecting viruses on their battlefield computers to give us the edge that we needed to compete against a conventional force. What can business learn from this? Technology like sametime-sameplace software is great when it works in a crisis, but high-technology organizations should always be prepared to go back to basics.

How did it work in the East Timor crisis? I lived and breathed that country for two months before we actually went in. I was the first man to step off the plane on D-day and I spent much time with the Falintil guerrilla army in the mountains. The reality was that this conflict was not a civil war and the Indonesian army was using this slim pretence to justify their ethnic cleansing actions to the world. The SAS were instrumental in raiding all over the countryside in the first month and dislocating their efforts. We succeeded because we could generate incredible tempo, because we could manipulate strategic information at the tactical level through superior access to both classified intelligence and guerrilla-supplied information. We succeeded because we could morph our size and shape into various configurations at speed, so much so that operators were falling asleep in the doorways of helicopters between tasks. We also succeed because the militia simply ran away to West Timor, possibly defeated by our tempo, although we can never be sure. We also were lucky in establishing a bond of trust with the guerrillas. With few exceptions as a consequence they never broke ranks to give the Indonesians an excuse to justify a two-sided civil war. We were lucky on a wider front as well, as we barely had enough logistics to support the operational plan. Logistics had always deployed first on training in the north of Australia over the previous ten years but now combat units led and all carried three weeks supplies in their first echelons. One of the first tasks of the SAS operators on the first aircraft was to roll drums of aviation fuel off the back of the ramp. What can business learn from this? I learnt that software and hardware are no substitute for wetware, when you are evaluating options under pressure. When you face bandwidth bottlenecks, it reinforces that in crisis you need to be prepared to go back to basics. It is always the thinking human being who remains the perfect machine. Who dares wins was replaced by who thinks wins some years ago, and now it is who knows wins, which makes SAS simply optimal.

Can business emulate this high-tempo modus operandi without managers undergoing selection for SAS? Frankly I don't think that it can, although it would be an amazing company that was able to operate in this manner. Quite often after I run fast-moving crisis exercises in companies, middle managers and staff say that it is has been the best thing that they have ever done for the company, and it is only a simulation. Clearly empowering your employees has a powerful effect on them. The trick is to be able to do this on a daily basis.

How did it work in Iraq during the last crisis in 1998? We went to Kuwait at three days notice to pull pilots out of Baghdad. It happened so fast that when I arrived by commercial air at Kuwait's airport we did not have diplomatic clearance to enter the country and had to sit in the VIP lounge for most of the day. We eventually met up with our American brothers although it was a little embarrassing to be asked how many helicopters we brought with us, when all we had were our landrovers! It was a three-hour helicopter flight, one-way; to pull a downed pilot out of Baghdad, and landrovers were not going to get us very far. As it turned out we were not committed due to Saddam Hussein's ability to weevil his way out of every ultimatum.

What can business learn from that crisis? The hardest thing for us was to be able to fight our way into theatre, and to realise that we were competing in a market that was way above our league in the technology stakes. Our strategy was one of survival and maintaining our reputation as an Anzac component of a multinational force. It is what business calls positioning. We also had to get used to the facts that the Americans did not use maps such as their reliance upon GPS. We rapidly learnt about power point warfare and that war is now fought at the junction of incompatible software. It would be wise for business to optimise Disaster Recovery Centres as a prudent precaution should crises strike.

How did it work at Home bush bay during the Olympics? There's not much to say really other than we were there, and ready for anything, chemical, biological and nuclear. A few months earlier, I was getting a taxi to catch an early morning flight back from Sydney to Perth when the driver told me that there was a siege going on at the Greek consulate in town by a group of Kurds. Of course I was there in a matter of minutes, and the senior policeman in charge couldn't believe that the SAS had got there that quickly. As it turned out, we were not needed, but it ensured that our partnership with the NSW Police was well-practiced.

In crises companies will have few friends, and there will come a time for your leadership. Friendly stakeholders may at best be neutral, and there will be a variety of enemies seeking to take advantage of your situation. You will require decisiveness, although heroes do not make good leaders. In crisis, you need close advisors who offer wise counsel, face and tell the truth, challenge one another, engage in debate without coercion, conduct meetings without blame and unite behind decisions once made. Your style of leadership will become much sharper in definition, and you must be able to display human compassion; a task, which you cannot deputize. You must maintain the ability to keep thinking, and not become entangled in the swirl of anxiety that threatens to take over the system. You must develop a plan, and articulate it to your company. A common reason for events becoming crises is because individuals try to solve the problem themselves or refuse to recognize the crisis. Some managers consider that requesting of assistance will be perceived as failure on their part. The norm now is for prudent over-reaction as much to look for opportunities to transform and not just survive. Crisis leadership requires belly-to-belly teamwork, and this is of such importance in being able to manage the unexpected that it is a key performance indicator of ordinary success.

How did it work with the ship interdictions deep in the Southern Ocean against fishing poachers and the interdictions in the Indian Ocean to recover refugees from merchant vessels? Intercepting boats at sea requires the sophisticated marrying-up of strategic intelligence and force projection assets. So what can business learn from these actions, which were tactical operations with strategic consequences? Practice, practice, practice makes perfect and the levels of cooperation must be seamless for success in crisis. It is very similar to that persistency that is required in business through safety in numbers and law of averages. In crisis, a team of leaders with complementary skills and talents can move more quickly and effectively. Developing capable lateral leaders pays big dividends. Be proactive and build your dream team before disaster hits. Tough times won't create leaders – they merely show you what kind of leaders you have.

How did it work in Afghanistan and the most recent war against terror? Once again the hardest battle for SAS was the fight into Theatre in obtaining host nation staging approval, and then to be able to show a viable Australian contribution without any reliance on US helicopters. The Americans found their greatest problem in Afghanistan to be keeping the petrol supplies up. What can business learn from all that? Building a coalition in a new market has many parallels for any grouping of co-venturers trying to strike a deal. Even in crisis, the bigger the deal the longer it takes to resolve.

Your team of crisis managers should be small enough to be effective, big enough to be representative, and senior enough to be compelling. Some of your managers will go quiet and some cannot be kept quiet. You should encourage members with different perspectives to speak up because in crisis everyone needs to pull together as a team. Truth is the primary value; no opinion should be silenced or punished. Everyone has the freedom to comment; but guard against the business unit adviser who is all-powerful in understanding the intricacies of the crisis and who under pressure in a team many want to become the leader. Lawyers also need to be chosen carefully, as the team needs a counsel who does not work in secrecy, who can work quickly, and in a team with corporate affairs. I often see clashes between lawyers and corporate affairs. Some corporate affairs managers will advocate telling it all, telling it fast and telling it truthfully. Some lawyers will advocate saying nothing, doing nothing and admitting nothing. Do not let these lawyers slow down the crisis agenda; take good legal advice but avoid being gagged on disclosure as lawyers tend, like accountants, to seek the known position. They are trained to give advice, which takes account of even the remotest possibility of something going wrong. On the other hand the corporate affairs member is always dealing with variations of themes, where perceptions are as equally if not more important than facts. Be conscious of the pressure that these corporate communicators are under, but remember that crisis management is more than PR. Lastly you should inform all staff of the important aspects of how the company is managing the crisis. Staff need to know who is the designated spokesperson and how they can forward inquiries. Staff need to feel that the company is in control of the crisis.

That's enough boardroom observations from me. I am sure you have many experiences of your own. With large class actions about to get under way in the aftermath of Longford and the Singapore Airlines crash in Taiwan, and insurance hikes impacting on all sectors, there will be interesting times ahead. What's next for the SAS? They will never tell you, because secrecy is their basis for ongoing success.

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