# How Leaders Should Navigate Long-Term Uncertainty

**Entrepreneurs and change managers may ultimately be selling a dream, but that's not what stakeholders are buying.**

Imagine having to sell a totally new, game-changing product with no samples, no prototype, not even a realistic rendering. The only thing certain about it? A hefty price tag. Now imagine you have to sell this product not just once, but repeatedly, to the same people, over a period of years.

The entrepreneur's predicament is akin to the above. To obtain the money to build their dreams, founders must solicit the very people who can least afford the luxury of dreaming: high-stakes investors. Fantasies purveyed by *Shark Tank*, *Dragon's Den* and other television shows notwithstanding, a successful first-time pitch is only the start of a fundraising journey through Series A, B and C rounds (and possibly beyond). A founder needs far more than unbounded self-confidence and big promises to go the distance.

And investors are not the sole stakeholders who require continual convincing. Founders must repeatedly replenish their employees' faith in the future value of stock options or risk losing top talent to competitors offering more money and job security.

Organisational change managers face a similar dilemma. They, too, must secure and renew buy-in from stakeholders above, below and alongside them in the corporate hierarchy. Their plans and promises must be plausible enough to persuade stakeholders to undergo the time, effort and discomfort of, say, switching to a new business model, or merging with another company. As with entrepreneurs, they must also marshal enough support to retain forward momentum despite inevitable setbacks.

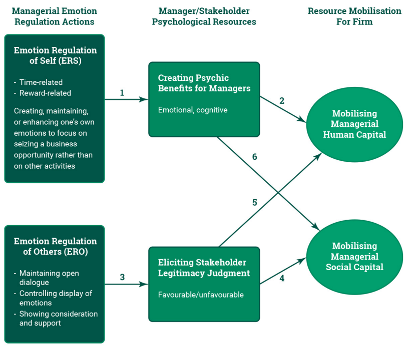
My recently published paper in ***Strategic Management Journal*** (co-authored by Christoph Zott of IESE) examines how entrepreneurs manage this challenge over time. What we found is that in new ventures, the general psychological tendency toward **emotional contagion** does not apply. Founders may believe they are selling a dream, but that's not what their investors are buying. Without proven results or an already profitable company, the founder *is* the product. The most effective entrepreneurs (and, by extension, managers pushing innovative change) do careful *emotional work* consistently over time – both publicly and in the privacy of their own thoughts – to present themselves as a solid investment.

**Studying entrepreneurs**

Our research tracks the performance of six British-based entrepreneurs over the period 2002-2009. In addition to numerous extensive interviews with the founders during this period, we spoke to various stakeholders (investors, managers, low-level employees, co-founders, etc.). In all, we conducted 66 interviews, each lasting one to two hours.

Of the six founders, three reported frequently engaging in emotional regulation activities – i.e. trying to cushion the emotional roller-coaster ride that comes with birthing and attempting to scale an altogether new product or service. For the other three, this was not a common theme.

On the whole, we found that the three who emphasised emotional regulation experienced fewer and less severe setbacks through the years. Not so surprising, perhaps. Looking deeper, however, we traced a nuanced yet tightly linked pattern of inward and outward actions that almost resembles a roadmap for intrepid managers navigating long-term uncertainty.




## Self-care for managerial capital

We identified two types of emotional self-regulation that founders used to not only bolster their own spirits during stressful moments, but also direct their revived energies back into the business.

*Time-related emotional regulation* fuelled managerial persistence through a shift in perspective. For example, one founder told us, "The original business plan said I was going to be unbelievably rich. Unfortunately, that's not the case anymore (after several years of below-aspirations results). But I am not bothered. Right now, opportunity cost doesn't even enter into my mind. I'm not thinking ahead in terms of exit strategies. I'm still in the creation phase." This is effectively a self-administered instruction to focus on the current state of the business, rather than the past or future.

In another time-related tactic, founders feeling stressed in the present turned their attention to an imagined successful future – which one called "the light at the end of the tunnel" – to find hope.

*Reward-related emotional regulation* involved founders reminding themselves why they struck out on their own in the first place. As one interviewee reported, "I couldn't imagine doing anything where I'd be happier. You can probably go back to being a deal-maker for Goldman Sachs, but then I'd have to be worried about being made redundant."

## Regulation of others' emotions

In addition, successful founders sought to soothe the emotions of their investors and employees in three ways.

*Maintaining open dialogue* – Touching base frequently and being transparent dispelled any notion that the founders may have something to hide. One interviewee described this as "being a little bit self-deprecating and very open and very blunt about the limitations of our organisation".

*Controlling display of emotions* – Putting their best foot forward to influence not only public perceptions but also stakeholders' emotional orientation toward the business. For example, a founder explained how his communication style could change from being "quite animated" when talking about his company, to showing calm and self-control when faced with unexpected challenges. Controlled displays of emotional expression can convince *others* to invest in an idea in the long run. On the other hand, exuberant displays of enthusiasm under adverse circumstances may appear false or misplaced to observant investors and employees.

*Showing consideration and support* – Connecting with others one-on-one on a human level and responding to their individual needs. Little things such as taking the time to express sympathy for an employee's personal distress, or allowing the flexibility to work remotely, can integrate emotional care into leadership style.

## Stakeholder responses

Founders who frequently practiced emotional regulation were seen as more legitimate and competent organisation leaders by stakeholders. For example, one founder described traveling to "every single site" of the firm and spending two or three hours in candid conversation with each general manager. This founder was described by an HR manager as "a straightforward person". A finance director at the firm said, "People can say what they think…They like [company name], they like the relaxed atmosphere, they like the fact that they can see the people at the top of the organisation and not these people who are sort of distanced."

The same founder used time-related emotional regulation to self-generate feelings of accomplishment. "In a 12-month period, I've achieved a huge amount. So, you have to put it in perspective," he told us. The finance director echoed these sentiments: "If you stand back from the business, you know we've achieved a hell of a lot in four or five years…The macro picture of the business is that things are going really well."

**People sensitivity more appreciated through rigorous business behaviour**

Ultimately, these patterns of behaviour serve as a self-reinforcing positive feedback loop. Innovative managers used emotional self-regulation to curate their attention and maintain emotional equanimity. As a result, they won points for being, as one investor put it, "very, very tough in business dealings". Maybe because of this perceived concentration on business achievements, these founders were also well-received when they showed a softer side. One investor spoke of lending "a sympathetic ear" to a founder who was feeling low about losing some key employees. "A few of us would just go out and get drunk…It's more a support mechanism than anything else," the investor reported. Another investor said of the same founder, "I mean, [founder] is a businessman first, but I also regard him as a friend. I would say, 'Come on, let's go out for a beer or let's have dinner.'"

Our findings imply that "fake it till you make it" is only the first step toward effective self-presentation for innovative managers and entrepreneurs. An unflappable leadership exterior should be complemented by purposeful action taken to address others' emotions not just during a pitch, but throughout the protracted journey of scaling up a business.

In the final analysis, emotional regulation is about being a businessperson first. But that does not mean disregarding emotions entirely. On the contrary, emotional regulation creates the parameters that allow for genuine, mutual emotional support between stakeholders. It triggers a kind of perfect storm of psychic and business benefits for managers who are selling a dream.

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