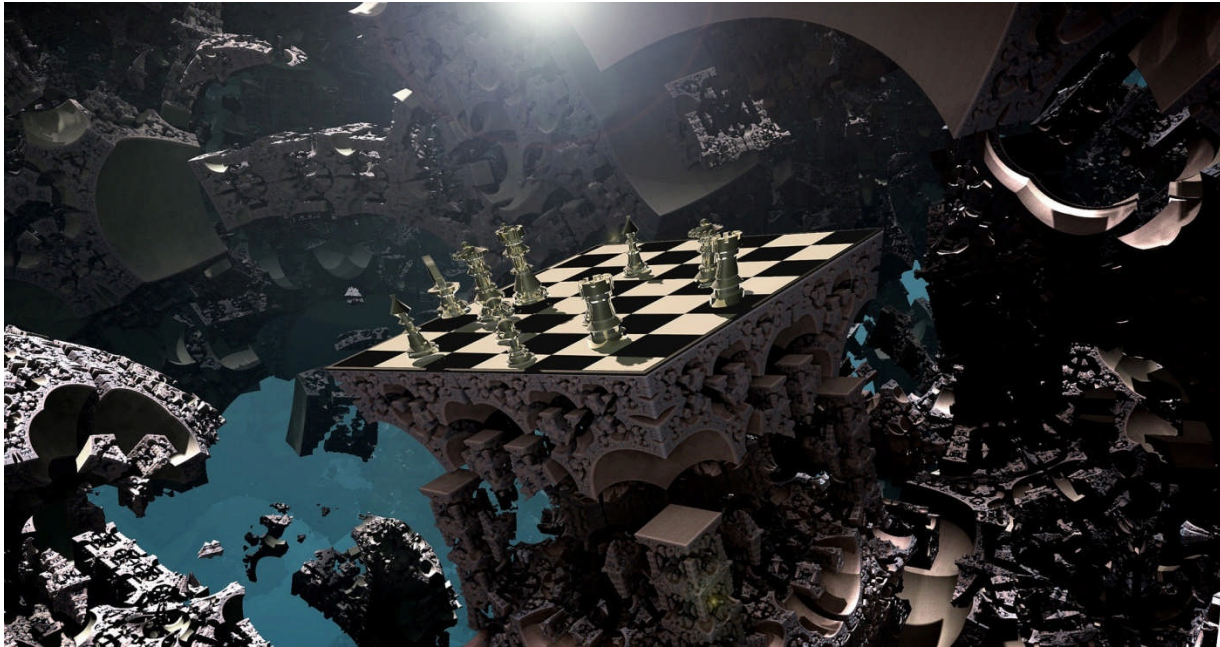


Leadership: Managing the Situation at Hand

Posted a month ago by [Jim Egerton](#) in [Leadership](#)



Last issue we introduced how important it is to have the right leadership style in place as your business grows. Many entrepreneurs even have an exit strategy in place when they are still in the opening of their business game. They like starting and then successfully exiting their business early and at the right time. They want to move onto their next endeavor and let an acquiring party take the business into the future.

Previously we discussed that the startup of a company is very different than a growing or mature enterprise. Starting a business requires an entrepreneur be a thought leader with a vision that can be translated into a working model. Transformational leadership takes a vision and translates it into a successful business. What comes next after the vision has been transformed?

The Middlegame

Shifting of leadership styles is one of the most difficult management disciplines to learn. A chess game is divided into three progressive phases called: the opening, middlegame and, endgame. A different leadership style is appropriate for each phase of the game: transformational in the opening, situational in the middlegame, and results-based during the endgame. The middlegame starts when the firm leaves the sanctity of angel investors with their start-up capital and goes public or is acquired. Now that the firm is established three new strategies emerge. Attack the competition, achieve a competitive advantage (make a profit) and maintain it by controlling market share. In chess those strategies result in attacking your opponent's pieces, acquiring an advantage (usually in the form of material) and exchanging off pieces so that your competitor has fewer chances to come back.

Facebook Enters the Middlegame

Facebook is an example of a company that left the opening and launched into the middlegame when they completed their Initial Public Offering (IPO). Attacks started occurring on the very first day with investor lawsuits and a botched offering. It's estimated the firm lost 47% or \$38 billion of its value after the IPO by not informing investors about key details relating to reduced earnings and revenue estimates. That was a costly attack by the shareholders.

Since attacks are more frequent and more powerful in the middlegame, situational leaders need to understand and manage the threats they face. Some do and some don't. Jamie Dimon successfully managed the London Whale fiasco and the Brexit situation keeping his job. While the head of British Petroleum didn't manage the Gulf Coast explosion well and lost his job. More recently, the head of Wells Fargo did not manage the situation his bank created with unauthorized credit cards and he too lost his job.

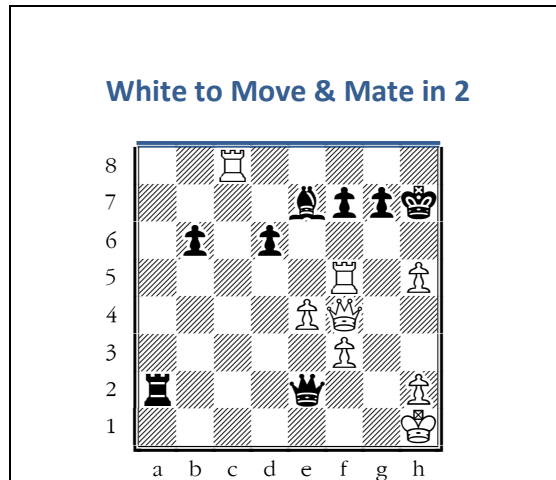
In chess, every game eventually becomes unique and the players are on their own for the success moving forward. That's where situational leadership starts. Playing chess develops the skill of managing the situation at hand. You made the moves, your opponent responded and now your creativity in responding to threats in the situation will determine the outcome of the game.

Strategies typically employed in the middlegame are:

- Complicate the situation if you are falling behind
- Put up the best defense to weather an attack
- Look for efficiencies to save time and effort in acquiring an advantage
- Evaluate your chess pieces like employees after every move
- Overprotect your assets
- Consider making investments (aka a sacrifice) that have potential to win the game
- Accomplish a reduction in force (RIF) to keep the advantage by trading off your opponent's pieces

Strategies are important and always present, but tactical opportunities can change the complexion of the game immediately. Jamie Dimon utilized a skewer tactic (scapegoat) with his Chief Investment Officer to harpoon the London Whale and won. While at Wells Fargo John Stumpf didn't skewer anyone in his chain-of-command and lost.

The following position is from the 2016 World Chess Championship held in New York City. Magnus Carlsen is playing Sergey Karjakin in a raging middlegame attack. Both Kings are in a precarious situation. White has made a profit of \$2 by having a \$5 rook while Black has a \$3 bishop. If this were an endgame that profit would matter, but this is a middlegame where a tactical combination in the position wins for White. With Black to move he would win with Qf1# or Qg2# but White plays his first? Can you find it?



Magnus makes an investment of sacrificing his \$9 Queen and played Qh6+ and Sergey resigned because if Kxh6, Rh8# or gxh6 Rxf7#. This tactical move won the game and allowed Magnus to retain his world champion title.

To be a successful leader of a company in the middlegame, use situational leadership to attack, win and exchange your chess pieces to enter into a winning position in the upcoming endgame.

Next Issue: Leadership - Expertise in the Endgame: use end-results based leadership because your business is in a strong leading mode and will continue or weakened mode with the end in sight. The ability to look ahead and reason backward will have you playing this business phase like a grandmaster. Evaluating your options, offer a draw (merger), resign (declare bankruptcy) or wind down into liquidation, which an iconic retailer is currently using are all ways to end the game.



J.K. Egerton is the CEO and founder of Business on the Board™, a leading-edge talent development company that uses a game-based approach with business strategies and tactics. His book, Business on the Board, is a #1 management self-help bestseller that reveals how business and chess are related. It's available on Amazon.
