



Leading through an Economic Downturn The Greatest Challenge for Leaders

Where should Leaders put their focus when the temptation is to “heave-to” and ride out the storm?

The glaring headlights of economic downturn can dazzle businesses into inactivity. Leaders can be stultified, not sure which way to move – only to be run-down by the very thing they should be trying to avoid. Action is needed, but where should the focus be? All too often the human aspects of the situation are ignored and rather than continuing to be “your finest asset” your employees seem to get in the way; they cost too much, they are not motivated and they don’t contribute to improving results. If morale is low then it is also likely that trust of the business and the leadership will also be low. The Leader’s role is to build direction and a sense of belonging and this cannot be achieved where trust is missing. The good news is that that if you can build a high level of trust you are likely to outperform companies with a low trust rating by more than 150% (1).

Based on our recent experiences with clients ChangeMaker can recommend some key areas of human focus that will create trust and drive a *Behaviour Strategy* to complement your business strategy. This enables Leaders to think strategically while addressing people’s concerns; to communicate effectively and implement actions that empower individuals and teams to engage their efforts enthusiastically for optimum performance.

Re-visit your Organisation’s strategy: Is it still relevant, both short and long term? Do you need a new strategy? What opportunities were dismissed before that might be relevant now? Look for any new revenue opportunities that may arise and consider that this might be the time to steal a march on your competitors who may not be able to react as swiftly or creatively to the economic situation as you can.

Provide Clarity of Business Direction: Once the strategy is agreed and the plan is in place ensure everyone understands the business plan, objectives and measures of success. Provide milestones so people can see how the company and their division or function are progressing.

Have a back-up plan: Anticipate ongoing deterioration in the economy and have a back-up plan. This might involve reducing expenses including a reduction in staffing levels. Look for ways to increase efficiency and effectiveness which may reduce costs and increase customer services. Look for areas where additional pressures and lower volumes may be alleviated by restructuring or changing processes. Redirect resources to critical priorities and put the ‘nice to haves’ on the back burner or remove altogether.

Keep your talent: Identify the competencies that will be needed to move in the (possibly new) strategic direction. Assess your internal talent and invest in looking outside. Use this as an opportunity to let poor performers go and invest now in discovering and developing the talent you will need for the future. Find remedies for skill gaps that may exist in the team particularly where staff may not have experienced difficult economic conditions. Help people anticipate the ramifications and build requisite skills. This helps to reduce fear and uncertainty and set people up for success.

Get Agile: Strategic Agility (2) is the ability to see ahead clearly; to anticipate consequences and trends accurately; to be future oriented. Someone talented in this area can paint credible pictures and visions of possibilities and likelihoods and can create competitive and breakthrough strategies and plans. This is one of the principal competencies of successful leaders in a changing environment.

Strategic Agility is one of four factors involved in what research has proved to be the most powerful differentiator for high performing executives - Learning Agility (3).



This is the ability to learn how to deal effectively with first-time situations or changing conditions; an essential skill in turbulent times.

People high in "Learning Agility" do at least four things well:

- They are critical thinkers who examine problems carefully and make fresh connections
- They know themselves and are able to handle tough situations
- They like to experiment and can deal with the discomfort of change
- They deliver results in first-time situations through team building and personal drive

These are the people you need when times are tough. Plans should be put in place to discover these talents inside the organisation and to recruit against them for the well being of the business in the future.

Manage expectations: Talk through with all staff, the possible ramifications of a downturn from mild through to severe and the plans for anticipating and responding to increasingly difficult times.

Address personal concerns: Don't wait for people to voice concerns about redundancies or lack of career opportunities – raise the issues head on. Generally people aren't listening to the rest of the messages if they are concerned about personal security.

- Do you anticipate any job losses – if so, when?
- How will they be handled if the situation arises?
- Treat people with respect; be open and honest about what is happening.
- Offer financial support and help in finding another job.

Involve Staff: Engagement in problem solving, brainstorming new ideas, planning for the future is motivating; more empowering than being told what to do and can result in ideas the leadership has not considered.

Ensure all staff are clear about their roles and responsibilities, their priorities and how these fit with the overall business strategy. Keep people focused upon what they can achieve and deliver rather than on the negatives – however also be there to listen, understand fears and provide support.

Relentlessly Communicate: Communicate (and communicate again) with staff in a wide variety of ways from presentations, team meetings, brainstorm sessions, and one to ones both formal and informal. Be out there with the teams to know what the issues are, have a good feel for morale and be able to respond accordingly. While e-mails and the intranet convey information quickly and easily – face to face is the communication style most preferred by staff, use it wherever possible particularly on sensitive issues.

Ensure all leaders understand the strategic message, the context, timelines and their responsibilities to "walk the talk" and then co-ordinate group wide messages on sensitive issues such as pay, bonus, job security etc.

Lead by example: Leaders should be honest about the economic environment and its challenges for the business – and stay positive, exuding confidence that the company can work through this. If the leadership convey anxiety and negativity – the staff will respond accordingly and productivity will slump. Be aware not only of the words used but also body language and tone. Some positive actions that will help:

- Use examples from previous downturns – how organisations have emerged stronger or seized new opportunities.
- Avoid all whingeing and critiquing between each other or between divisions or functions
- Know your people on a personal level so you can understand how the downturn is impacting them and what triggers motivate them.
- Focus the staff on what can be achieved and their core priorities.
- Provide personal support and encourage the team to support each other



- Know who the key team members are (high performers, those with critical skills, high potentials) and stay very close. Retaining these individuals is critical both for the business during the downturn and for planning the recovery.
- Coach team members through the downturn – they can learn and develop excellent business skills through experiencing financially tough times.

Don't stop Reward and Recognition: Just think about your focus - during a downturn pay increases may be modest or frozen and bonuses reduced or stop. Plan any communication around these with great sensitivity and military precision.

- Ensure staff understand what is happening in the wider market place and the rationale behind any decision.
- Never let an employee find out their pay increase (or lack of) or bonus when they open their pay slip.
- Take ownership of the message; communicate with the team or individual in the agreed timescale
- Be creative in how you recognise staff, their work and contribution particularly where money may be in short supply.
- Look for opportunities to praise, provide positive feedback, small recognition awards, provide Pizza, ice- creams or similar when the team have done something above and beyond the norm. Research shows it is recognition that most motivates staff and it costs little or nothing.

'Stick with it': Motivation, morale and retaining key players require doing all of the above day in day out, these are not one-off activities. A combination of **Management** (Systems, processes, planning and implementation) and **Leadership** (Clarity of direction, change – what/why/how/skills, motivation, and engagement) will bring success.

Cath Murphy
Director
ChangeMaker Consulting Limited
+44 (0) 1249 890031
cath@changemakerweb.co.uk

References:

1. Actually 168% (Source: Watson Wyatt: WorkUSA® 2002 – Weathering the Storm: A Study of Employee Attitudes and Opinions).
2. The Leadership Architect® Lominger Limited Inc. ©
3. Copyright © 2005 Robert W. Eichinger, Michael M. Lombardo, Dave Ulrich

This is the first of a series of ThoughtPieces to support organisations in Leading through an Economic Downturn. For more information see:
www.changemakerweb.co.uk/survival/toolkit