



Leading in Tough Times

When business and economic conditions are unfavorable, corporate leaders face tough decisions. Skills are tested. Layoffs, furloughs, cutbacks, and concessions become the order of the day. Executives have a greater than usual need for the trust of the enterprise's workforce. Their continued engagement and commitment is essential to achieving economic recovery.

Managers and employees have needs as well. When times are tough, people want five things from their leaders: accurate information, straight talk, swift action, transparency, and compassion.

Fight Fear with Information

When a difficult event occurs, people first react to its occurrence. Later, they react to the manner in which their leaders handled it. Immediate anger and concern are common and understandable. Unchecked, these emotions breed fear, sap energy, trigger despondency, or worse. Anger which persists over a longer term is frequently attributable to the poor handling of the situation, not the disruptions themselves.

Only the most callous leaders fail to recognize such concerns. Recognizing a concern is one thing. Handling it effectively is another matter, especially for those unaccustomed to leading when business conditions are unfavorable.

During tough times, people can easily become disoriented in the absence of reliable information. Upon receiving bad news, the first thing one seeks is information. It is human nature to need to make sense of what's going on. "Tell us what is happening. What do you know? Give us the full story. We want the facts." People want to understand why certain actions were chosen by their leaders. They require meaningful explanations to questions such as, "Why is this happening now? What does it mean? How will we be affected? What will happen to our co-workers and friends?"

They also want to know whether other options were considered and if so, why those alternatives were not selected. "Could there have been another way out without these disruptions?" they ask.

Leaders who fail to share such information are unlikely to silence expressions of discontent. But they will surely fuel rumors, myths, or worse.

Communicate Directly

The manner in which critical information is shared

is as important as the information itself. Staff memos and e-mail messages are insufficient. People want to see their leaders and to hear from them directly. They want executives to be especially visible and accessible during difficult periods.

What should leaders do? Walk the floors of the building. Visit people in their work areas. Engage in direct discussions with project teams and staff groups to hear their anger, fears and concerns first-hand. Making personal visits to an enterprise's operating areas puts human faces on the work force as well as the leaders.

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Town hall meetings, providing open and two-way exchanges between business leaders and the workforce, can be of enormous value to all. Questions posed by employees not only provide opportunities for discussion but also reveal unanticipated and unknown concerns. An interactive town hall meeting is also a forum

where executives can field questions while learning first-hand about harmful misinformation and rumors.

When an enterprise's business units are geographically dispersed, the use of electronic media will be helpful. Telepresence and interactive video conferences, web casting, and web meetings may never fully substitute for face-to-face, in-person discussion. However, within sprawling, multinational enterprises, they are a leader's valued ally. Each offers opportunity for instant, real-time communication with a widely dispersed audience. Important announcements and updates of business development can be relayed simultaneously to remote company locations.

Regardless of their chosen medium, leaders must be direct and forthcoming to be effective. If employees are wondering "What did she mean?" or "Do we know everything?" or "What didn't he tell us?" they will withhold trust.

Candid and forthright communication from leaders is never as important as it is during tough times. Without it, the bond needed between a company's executives and its employees may disappear.

Face Priorities

Poor leaders often fail to rank activities and initiatives according to importance for the enterprise. They claim everything as a top priority—a judgment that defies logic. Consequently, when difficulties arise, their

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reaction tends toward handling challenges on a case-by-case, piecemeal basis.

While good leadership calls for the setting of clear priorities, the question is whether executives will adhere to those priorities during difficult times. What happens when they are challenged to administer significant and potentially permanent budget, spending, or staff cuts? Will they spread the cuts proportionally across all operating units? Will they ask all units to share the pain equally—even those that are of highest strategic importance?

Or, will they be guided by firm priorities, sustaining the resources needed for the most critical units of the enterprise and reducing allocations to those of lesser priority?

Good leaders will seek to turn tough times into opportunities that better the enterprise. When executives refocus their businesses according to strategic priorities, they frequently lead the enterprise out of an economic slowdown in better shape than at its onset. How is that possible?

First they will want to determine whether certain lines of business or services can no longer be supported except at the expense of a higher priority area of business. Perhaps a long-established product line—a “sacred cow”—has matured and is at the slow or no-growth stage of life. Can its residual value be recaptured? A decision to sell that line can produce dual benefits: It may generate cash and simultaneously free up resources and capacity for other promising, higher priority initiatives.

Similarly, leaders may look at favored initiatives. Sustaining funding for a well-liked program that is barely profitable, even after several years of ample funding, may no longer be feasible. The wise move for a leader is to make the tough call: Prepare for the eventual economic and market upturn by going with priorities, eliminating marginal programs, and ultimately strengthening the enterprise.

Avoid Delaying Tough Actions

No one wants ruthless leaders who coldly chop headcounts and uncaringly eliminate positions. Even when people are let go, they want to be treated with true compassion and feeling. They want to retain their dignity. Losing a job involves more than just surrendering employment. Intentional or not, the action is often taken by the employee as a message about personal worth. When executives care about their people, taking tough actions is difficult for them as well.

However, postponing difficult and potentially unpopular actions, whether because of compassion for affected employees or because of indecision, seldom improves a bad situation. Putting off tough but

necessary decisions hurts everyone. Delays are especially futile when the workforce knows well that times are tough and that cuts and reductions are inevitable and forthcoming.

Unless executives are certain that tough times will be temporary and short lived, any delay in taking needed action means the problem will go unaddressed. Circumstances may even worsen because of each delay.

When word of bad news gets out, people expect to know quickly how they will be affected. Having to wait, even for short periods of time, for impending announcements is always nerve-wracking. Attention is distracted from important activities. Anger and fear builds. Some people simply “check out.” They start focusing on what is best for them rather than on their organization. Top-tier managers and employees may decide to take positions elsewhere. Moreover, the belief they have in their leaders can suffer terribly. They judge them to lack the confidence and courage to act.


Lead Transparently

Employee trust also depends on transparency—the visibility of a leader’s actions. Even free sharing of information and open dialog with managers and employees is not enough. People expect their leaders to adhere to the same policies on concessions, constraints, and cutbacks that they have imposed throughout the enterprise.

Managers and employees eye executives closely to see if their actions are consistent with the policies they promote. Will a vacant position on their staff be filled even though the rest of the organization is under a hiring freeze? When executive planning retreats are necessary and the rest of the organization is dealing with travel cutbacks, where will they hold their meetings—at an exclusive resort, at a nearby conference center, or in a company conference room?

Barring unusual circumstances or meaningful justifications, executives who treat themselves differently from the rest of the workforce lose credibility rapidly. Once lost, regaining employee trust may prove to be very, very difficult.

Executive Leadership Today

When economic conditions turn downward, executives are inevitably faced with tough choices. The challenge is to determine priorities and to retain the trust of employees while doing what is best for the enterprise. After all, whether times are good or bad, an enterprise is only as good as the leaders at its helm. 

— Jim Senn

Director, Center for Global Business Leadership

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