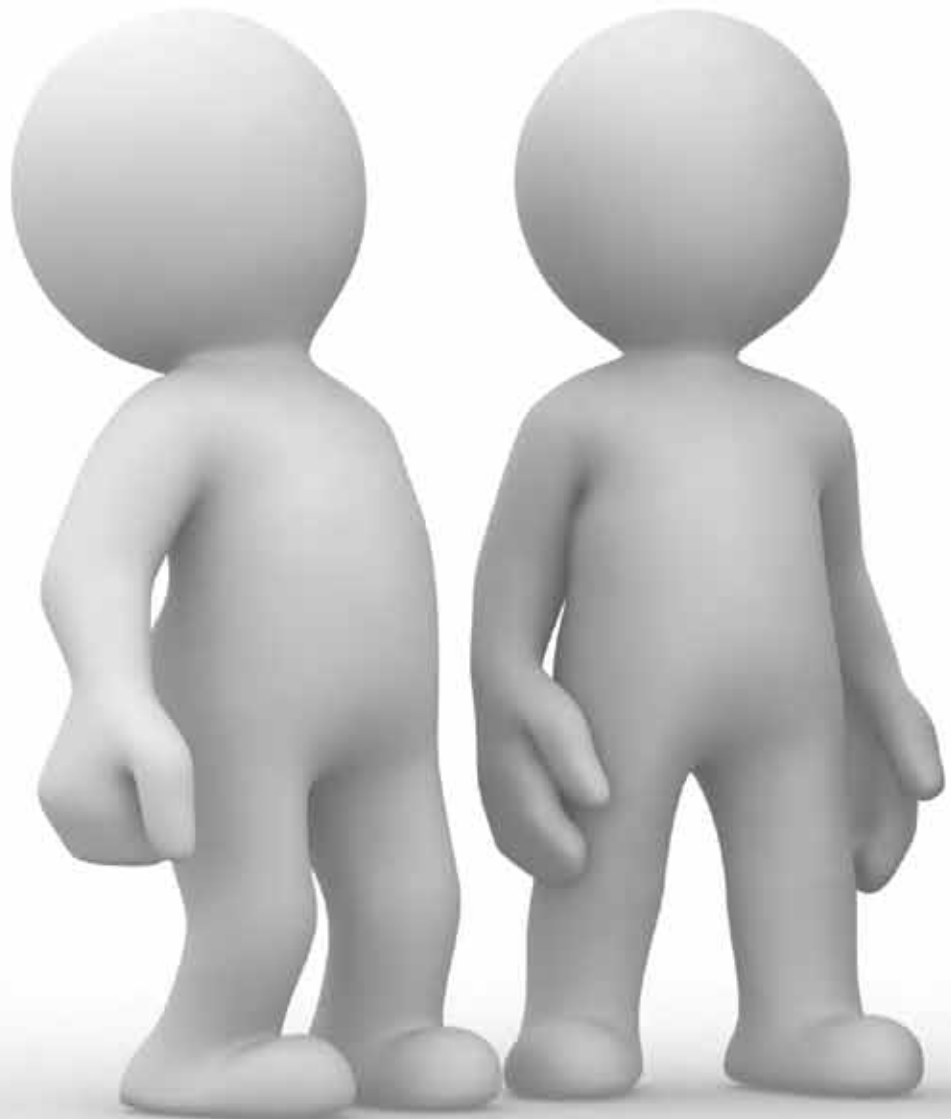


EXECUTIVE SUMMARY

In more normal times, leaders perform myriad important tasks at the strategic and operational levels that can include creating vision, clarifying the mission, developing action plans and building teams. An organization's success is greatly affected by the leadership prowess in effectively executing these critical practices. When organizations are experiencing rapid change and economic pressure, the likelihood of managerial failure increases. This increased likelihood of failure is brought on because of managers' inability to adjust their role to the demands of the current organizational reality. Managers must learn to handle the heat that is brought on by economic pressures.

Imperatives for

By Clinton O. Longenecker and Sonny S. Ariss



handling the

HEAT

Amidst the current economic slowdown, leaders of organizations in every part of the U.S. economy are finding their skills put to the test. Open up any newspaper or business periodical these days and you will see sobering headlines that include "Credit Crunch Hits Businesses Hard," "Change or Die," "Hard Times Hit Even the Best Businesses," "No One's Safe from Downturn" and "CEOs Struggle to Hit Numbers."

For the past 20 years, we have been researching why organizations succeed and why organizations fail. We have found that leadership plays a pivotal role in helping organizations survive economic and operational hard times. In fact, our findings on rapid organizational improvement have proven time and time again that leadership is the single most important factor for helping organizations execute rapid improvement initiatives and survive performance downturns.

With this backdrop, we decided to explore what specific things business leaders should be doing to help lead their organizations through these exceptionally trying times. In this descriptive study we will share what a sample of U.S. business leaders believe is most important for leaders to handle the heat.

In an attempt to better understand what business leaders can do to help lead their organizations and deal with an economic downturn, we surveyed 243 senior business leaders with an average of more than 27 years of leadership experience in the

manufacturing and service sectors. As part of a larger survey, we asked a basic yet critically important question: Based on your experience as a business leader, what are the most important things you must do to help lead your organization through a business downturn? On average, each participant leader generated 9.3 responses, which were content analyzed. Frequency counts were tabulated for each category of response that emerged during the analysis and a corresponding percentage was calculated for each response category.

A plant manager's call for leadership

Before we begin our discussion of the leadership imperatives that emerged from our study, several observations are in order. First, for an open-ended research question, there was a great deal of consensus around the themes that emerged. Second, in analyzing the response of leaders in this study it is clear from their comments that these are indeed trying times that are testing their leadership talents and forcing them to make adjustments to their current modus operandi. Finally, our participant leaders make a very strong case for the importance of practicing the fundamentals of effective leadership with the key themes of thinking, focus, people and taking control of the current situation to the degree possible. Now let us review the leadership imperatives for dealing with trying economic times and the consequences that can occur when these imperatives are ignored.



Leadership imperative #1: Stay positive and poised (76 percent). The single most important thing that a leader must do in an economic downturn is maintain a positive and poised attitude and demeanor. There is a substantial body of literature that makes a strong case that employees tend to follow and emulate the actions of their superiors. When organizations experience rapid performance downturns and the corresponding hardships, it is easy for leaders to become discouraged, disheartened and dispirited as they are confronted with the realities of their current situation. When leaders allow themselves to become negative, pessimistic, cynical and downtrodden in their attitude, these things will manifest themselves into behaviors that have a demoralizing and de-motivating effect on the people they are responsible for leading.

At the same time, when a leader melts down or panics, the impact on their people can be profoundly negative and, in some cases, catastrophic. A lack of poise in a leader can create panic which, in turn, can have a detrimental effect on planning,

problem solving, communication, teamwork, motivation and ultimately the bottom line. The senior-level managers who participated in this study made it clear that leaders must start with themselves and how they handle the hardship if they are indeed going to be effective in leading their people through an economic trial of this nature. Times of trial and tumult require leaders to demonstrate an honest and realistic appreciation for the situation while always maintaining a positive and calm persona if they are to demonstrate difference-making leadership.



Leadership imperative #2: Re-focus and re-prioritize (67 percent). Stop and take stock of the current situation. Having done this, leaders must then create clear focus on what must be done in order to deal with the current situation and to prioritize activities and resources correspondingly. This process of re-focus and re-prioritizing action must take place at three levels. First, determine a course of action and what behaviors and activities everyone must effectively demonstrate to meet the changing demands of their organization. This may require leaders to determine what results are now most critical to improve performance and design a set of actions, practices and behaviors that are most central to achieving desired outcomes.

Second, it is imperative that leaders create focus for their direct reports through their own actions. Leaders must create clear direction for each of their people by helping them focus their energies on realigned desired outcomes. Help

employees identify and determine the practices and behaviors that will help them achieve better performance.

Last, leaders must help their work units as a whole focus on the appropriate outcomes and activities that are needed for them to achieve desired results. In an economic downturn, it is easy for everything to become a priority, but the reality is that clear focus and a reprioritization of activity and resources must take place for a work unit to function most effectively in reacting to turbulent organizational challenges. These three activities must take place sooner rather than later to prevent a trying situation from degenerating into a full-blown crisis.



Leadership imperative #3: Solve problems and make changes fast (65 percent). The loss of a key customer, a new lower cost competitor, a new government regulation or an overall industry downturn creates situations that business leaders must react to quickly. These setbacks, in turn, can create myriad organizational problems driven by a loss of revenue, volumes, margins and resources. In both cases, leaders must solve these problems quickly and effectively to help their organization respond to these trials. While many managers have sophisticated process improvement and problem-solving models and tools, most of them are not designed for speed or rapid decision making.

With this backdrop, managers must learn to go through the problem solving and change process with a new mindset aimed toward speed and creating more effective business solutions.



Leadership imperative #4: Look for opportunities amidst the gloom (62 percent). In every difficult situation, opportunities for improvement exist, as well as new business opportunities that have been brought on by the changing demands and turbulence of the marketplace. Business leaders must spend sufficient time seeking out these opportunities, which can easily be lost in the heat of battle or in focusing exclusively on turning around existing operations. Looking for opportunities requires a number of important activities that do not necessarily come naturally to business leaders who are “under siege.” Business leaders must take adequate time to think about the current situation that is taking place all around them.

They must then think creatively. Some of these opportunities might be internal to the organization, some might be external, but the important point is that leaders make themselves aware of any and all opportunities that might assist them in their turn-around efforts.

These might include renegotiating a contract with a supplier, engaging with a trade association that has been ignored in recent years, wage and benefits reopeners, engaging in new market research activities and looking at partnership or co-op opportunities. Leaders need to be entrepreneurial and willing to take risks for the sake of improving performance. Successful leaders see opportunities when others see adversity and should be ready to capitalize on these opportunities to help their enterprises.



Leadership imperative #5: Identify and take control of what you can control (60 percent). While many things are outside of a leader's control, there are quite a few that fall within her control, including the leader's attitude and ability to focus and prioritize, daily managerial activity, solving problems, taking control of her time, improving working relationships and taking time to plan and think. All of these activities represent specific actions on the part of a leader that can make a real difference on her personal, employee and work unit performance.

The corollary to this imperative is that leaders must not allow the things that they cannot control to degrade their attitude and performance on the things that they can control.



Leadership imperative #6: Use time carefully with exceptional stewardship (58 percent). When you ask business leaders what they consider to be their most important resource, different answers can emerge. Leaders frequently cite their technology, competitive advantage, marketing acumen, brand recognition, distribution channel and, most frequently, their people as most valuable

assets. But the truth of the matter is, in our previous research, managers clearly identified time as their single most important resource. If managers do not properly use and safeguard this critical resource, all of the previously mentioned resources will suffer.

There is a strong link between using time wisely and a number of the key leadership practices in our findings. Managers operating in struggling organizations frequently have extensive work weeks that can have a debilitating effect on their effectiveness, energy and resilience. When business leaders find their organizations struggling, they must take proactive steps to manage their schedule more effectively and invest their time on activities that will get them the biggest return on their investment. When managers have clarified and prioritized the results they need to achieve and established the behaviors and activities that will help them achieve these results, time utilization becomes the single most important factor for their success. Reducing the amount of time spent on ancillary and non-essential activities can be a great long-term benefit of refocusing one's efforts.



Leadership imperative #7: Develop your working relationships and teams (49 percent). When a group finds itself in the middle of a challenge or crisis, the leader's role becomes even more important than in normal times. These types of difficulties can cause a work group to disintegrate, fracture, splinter or even implode. Conversely, a trying time can cause a workgroup to become more engaged, energized, creative and motivated to reduce the heat and improve performance. The difference in both of these scenarios is almost always the quality of the leader who is in charge of that group and the actions. When an organization is experiencing stress, work-

ing relationships become more important as they are the cultural glue that can hold an enterprise together. Nowhere is this more true than the relationship between a leader and a team member. When a leader is experiencing a crisis and their schedule explodes with activity, there is a tendency to allow working relationships and interpersonal communication to take a back seat to more pressing issues. Leading in challenging times requires leaders to push back against this tendency and to invest more (not less) time in their people on a more individual basis. This type of interaction can enhance an employee's understanding of the situation, can calm their fears, reduce their stress levels and can let the employee know that they are an integral and valued part of the turnaround process.

Team-building and training activities can go a long way toward creating more effective problem solving and process improvement talents that are sorely needed in helping an organization work through an economic trial.



Leadership imperative #8: Step back and review what you are doing and why (44 percent). One of the good things about going through a trial is the fact that it can cause a leader to step back and question a wide variety of activities, actions and approaches to doing business. It has been said that necessity is the mother of invention. Economic necessity causes people to think and analyze in ways that they might not under more normal circumstances. Taking time to analyze what you are doing, how you are doing it, how well you are doing it, why you are doing it and with whom, are all excellent questions that

deserve attention when a leader is attempting to improve performance. The encouraging part about an economic trial is that it becomes easier to engage people in these types of discussions as everyone has a vested interest in looking for better ways of doing things to increase the likelihood of future employment.

When a business leader steps back and asks hard questions like these and engages their work force in the dialogue, innovation and improvement are not far behind. It is interesting to note that many of the other findings that participants identified are contingent upon this practice of taking a step back and reviewing the current situation and comparing it with what must change in order to improve performance. The sooner a leader realizes the importance of reviewing all aspects of their operation, the faster their current approach to doing business can be adjusted. When leaders and employees come to the realization that the status quo is no longer defensible, it can be used as a powerful motivator to create a sense of urgency that is a critical dimension in driving real performance improvement.



Leadership imperative #9: Make coaching and people development a bigger part of your job (41 percent). Our managers claim that developing people and providing employees with ongoing feedback is a critical part of a leader's job in fostering turnaround. During an organizational downturn, employees want to know where they stand and coaching is the perfect vehicle to help motivate workers and encourage them to take corrective action to improve their performance on the fly. There is no substi-

tute for ongoing performance feedback and these managers recognize the importance of this activity during hard times. At the same time, managers need to continue to develop their people to meet the changing demands of the workplace.

In many organizations, training budgets are the first things to be cut when times are hard, yet these managers make it clear that workforce development becomes more important in a turnaround as workers are being asked to do more with less and can easily find themselves doing additional work for which they have received little or no training or preparation. In this environment, real leaders step up and help equip their employees to compete at a higher level and provide them with ongoing encouragement, praise and constructive feedback and, if necessary, reprimand to help them improve their performance quickly. Making employee development a bigger part of a leader's job can have a profound effect on teamwork, innovation, problem solving, productivity and ultimately both individual and work force performance.



Leadership imperative #10: Think beyond the current storm (35 percent).

There is no question that a crisis can cause a leader to think short term. In many cases, short-sighted thinking can create a long-term competitive disadvantage for the organization as they emerge from a downturn. Leaders need to think through a series of important issues that include the organization's long-term competitive position, protecting the organization's competitive advantages in the marketplace and protecting employees from raiders and defections.

Leaders need to ask themselves a series of

questions in this regard that should include: What will my organization look like on the other side of the downturn? What leadership skills will be needed to manage the upturn? Will we have the capacity to respond to an upturn? Will we have the human resources to match the needs of the upturn? How has the downturn affected our ability to compete on a larger scale?

The importance of thinking through these questions is driven by the simple reality that responding to an upturn will not simply be a matter of throwing a switch for most business leaders and their enterprises. It will require planning, time and forethought to avoid creating a new potential crisis caused by a surge in business in an operation that has been damaged by a downturn.

A call for reflection and action

In conclusion, the purpose of this study was to get a better understanding of what leaders believe are the most important things that they need to do to be effective as leaders during hard and trying economic times. Leaders are calling upon themselves to behave differently in responding to the heat of an economic downturn. In summary, these leaders realize that their attitude and poise are critically important in responding to trials. They make a strong case for keeping focused on the things that are most important, looking for new opportunities and taking control of the things they can control. They suggest that speed in problem solving and leading change is essential, as is the use of their time resource. They make it clear that developing strong teams is a leadership cornerstone in trying times.

Finally, they remind us of the importance of taking the time and energy to think about what is being done, how effectively it works and how they will respond to the potential economic upturn. All of these issues make it clear that leading in trying economic times is all about practicing the fundamentals of leadership that become more important than ever when the heat is turned up. ❖