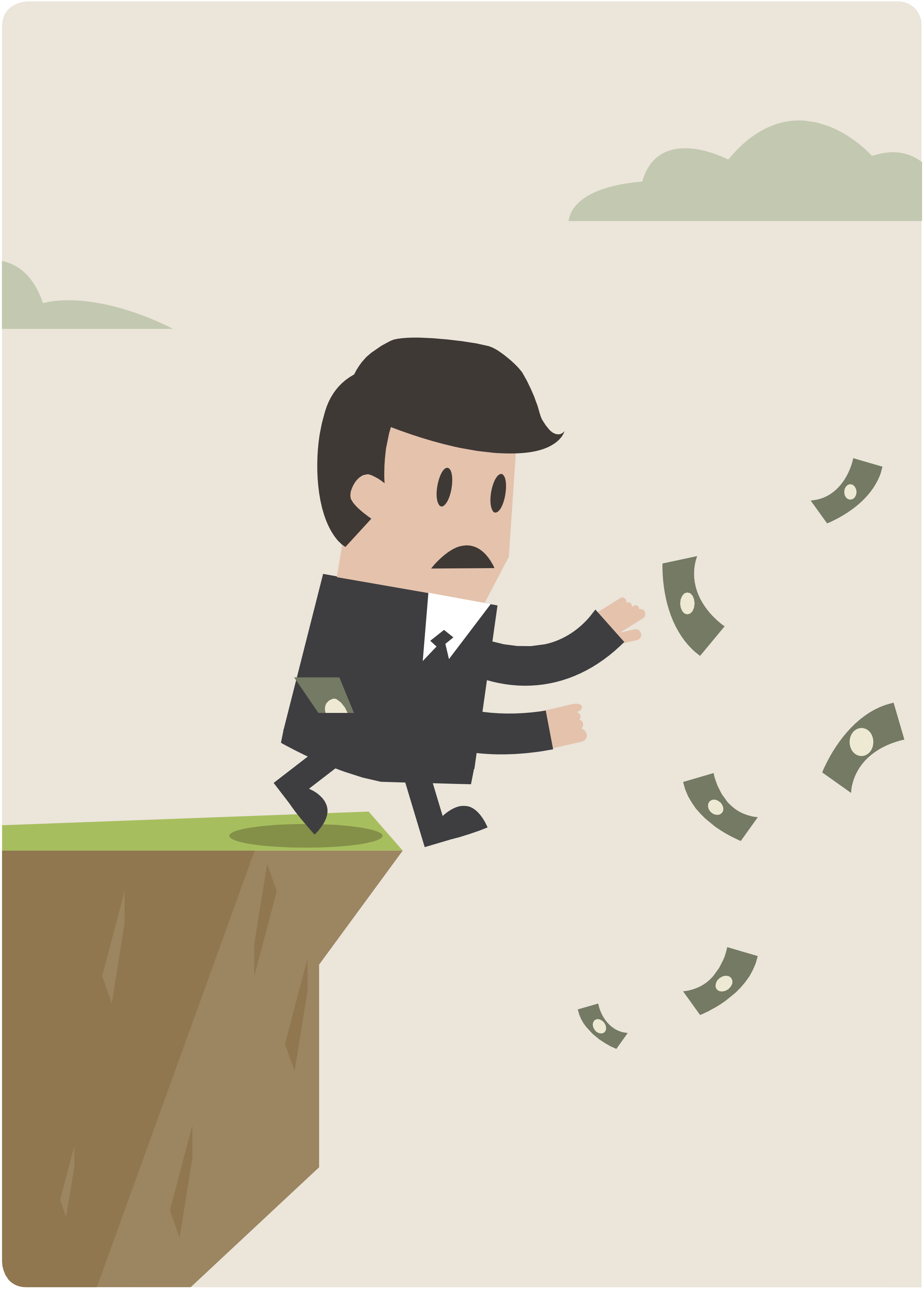
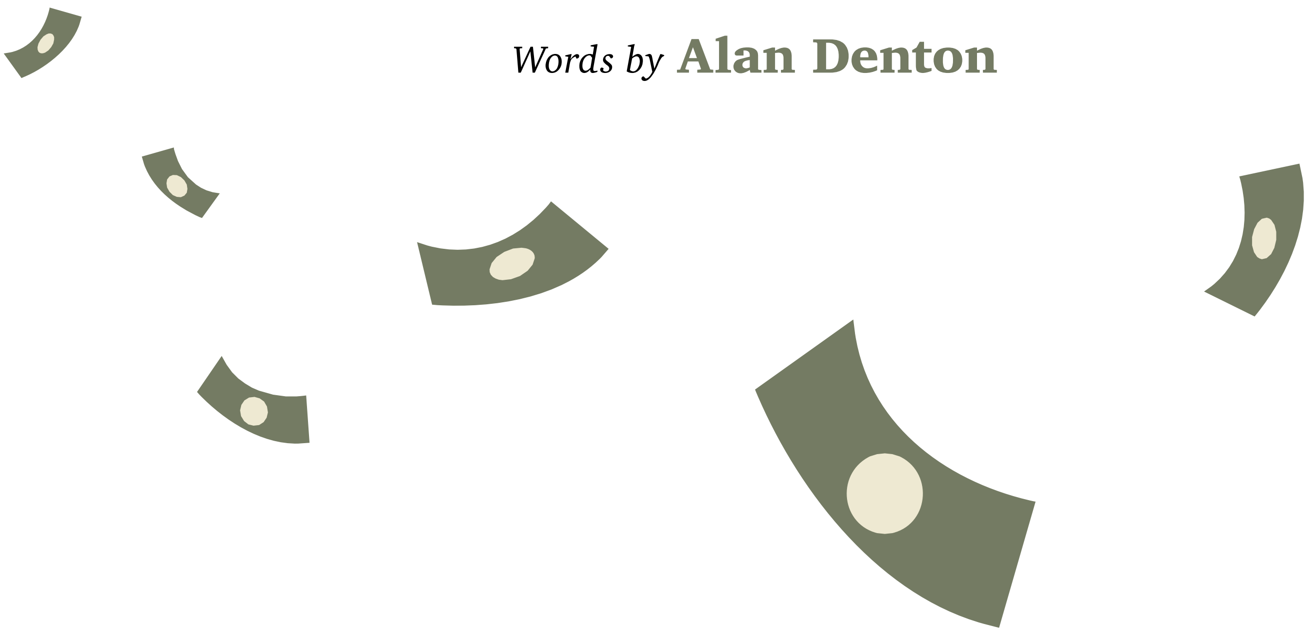


The mistakes that **LEADERS MAKE** *during a* **RECESSION**

The strategies business leaders adopt during recessionary times

Words by **Alan Denton**



We have a somewhat complex relationship with leadership in the UK. Whilst by nature we tend to be a largely compliant nation, rarely has public opinion of our constitutional leaders been lower - and criticism louder. Furthermore, resentment of the part played by financial leaders in the economic crisis has been exacerbated by media reports of the pay offs and bonuses handed to banking bosses. But, with the country still feeling the effects of a double dip recession, it is our business leaders who have the most promising opportunity to steer the country out of recession.

It's easy to blame those at the top when things go wrong – sometimes with good reason. Running a business, whether it's a small family firm or a large multinational, is difficult when the economy is in recession. The temptation is to take the safest route – but this isn't always conducive to survival or to growth.

My experience as a business coach working with executives at a senior level, across a range of industries has shown that leaders, from owners and MDs through to department managers, have to take the ultimate responsibility for their company's performance. Irrespective of the economic conditions and the industry that they operate in, some companies will fail whilst others thrive and flourish - and it is the quality of leadership that makes the difference.

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Defining a leader

Peter Northouse (2007) defines leadership as "a process whereby an individual influences a group of individuals to achieve a common goal". Ask almost any person what makes a good leader and they are likely to speak of competencies and attributes such as communication, vision, motivation and charisma. However, in his book Good to Great, Jim Collins asserts that many of the most successful leaders do not start out with a vision of where they want to go - they start out with the right people on board in the organisation. So why does it go wrong for some leaders and what common mistakes have been made during the last 5-6 years of recession?

Over management

Unfortunately, my experience has shown that during recessionary times, poor leadership often takes the form of excessive management, rather than getting those 'right' people that Collins mentions into your organisation and allowing them the freedom to take up leadership responsibilities within their own roles. Ineffective leaders often spend too much time trying to manage and retain the staff they already have, failing to recruit and engage with new connections in key positions that could help them. However, that isn't to say that management is unimportant. In fact, it's entirely necessary, forming the pivotal basis of any business and is often the bedrock of good leadership (without which chaos would

inevitably ensue). However, it should not be to the detriment hof effective leadership.

Executives and managers are always under pressure to perform – and this is multiplied many times over during difficult economic times. However, despite the pressure to cut costs and get quick results, a good leader should continue to communicate their vision, expectations and timescales, giving people the space to do their job rather than suppressing performance by an over reliance on detail and managing down the organisation.

Taking the short term view

With this demand for instant results, it is tempting to take the short-term view and neglect the essential strategy of long-term growth, which is more commonly

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favoured during times of prosperity. The result is that many executives are panicked into drastic cost cutting measures, looking for ways to increase short-term gains. Whilst this is all very well, it needs to be balanced with protracted concerted and focused planning for the future growth of the business. Ultimately, a strategy which is determined by narrow and short-termist decisions will almost certainly affect businesses adversely over time. To counter this, we encourage companies and their leaders to explore all the possibilities and potential in their business – as rarely have we come across a business that has done so. – to really stretch themselves, their people and their ideas beyond what they see as possible at present. The results of this 'stretch' thinking can often be both unexpected and amazing!

The bunker mentality

Great leadership becomes even more crucial during times of economic hardship, yet many executives retreat to the safety of their 'bunker', metaphorically digging themselves a hole where they sit and wait out the tough stuff. Proactive leadership tends to go out of the window. The 'loud' ideas of vision, strategic investment and long-term planning is passed over in the cut and thrust of survival, with the 'quiet' elements of leadership - getting the right people and making things happen in an often unassuming way - also lost in mêlée.

The great businesses that we work with focus on survival – but with a defined strategy for the future and post-recessionary times. Again, key to this is recruiting and keeping the right people. Ask yourself, what are you doing to attract new talent? What action are you taking now to ensure engagement so that your best people don't walk away once the recession lifts and more attractive alternatives present themselves?

Looking inwards

Coming out of your bunker involves looking at what other great organisations are doing. Whilst it's important to look inwards, this must be balanced by studying what competitors, industry leaders in your sector and leaders in the wider business community are doing. What can you learn from what they are (or are not) doing? Seek out success stories; study their foundations of strategy and leadership as well as what their people are doing.

Insularity can lead to an over reliance on cost reduction exercises to drive business practice instead of vision and investment. In fact, many of the organisations that we work with spend significant amounts of money on teams who look at the negative and reactionary i.e. ways of improving efficiency, cost-cutting and headcount reductions. Whilst this may be a necessary evil brought about by the impact of the recession, at the very least it must be counterbalanced by identifying opportunities for investment in risk focused, margin generating strategies.

"Coming out of your bunker involves looking at what other great organisations are doing"

Summary

Challenging times call for nerve, self-belief and a willingness to take calculated risks. During a recession, leaders need to guard against the natural desire to play it safe and stay true to the vision and qualities that propelled them to the top in the first place. Excessive retrenchment and insularity will almost certainly have a negative (possibly fatal) impact on your business. The most successful leaders trust in their own abilities and those of the people around them, making enrolment, engagement and investment a central part of the goal of long-term growth. BE

About the author
Alan Denton is MD of The Results Centre and regularly coaches newly appointed senior executives from a range of industries. Alan has created leadership and transformational programmes. He coaches and mentors at the highest levels in a variety of business scenarios, including international corporations.
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