



HERE WE GO AGAIN LEADING IN TOUGH TIMES LEE J. COLAN

TRUISM: NO TREND GOES ON FOREVER

This truism prevents complacency during good times and instills hope during tough times. I wrote this article in 2001 to address how to lead in an economic downturn. Well, 2008 seems to be singing the same song to leaders. I hope you find some timely and timeless leadership nuggets in this reprised report.

Have you been wishing for the good old days lately? Or at least to rewind the economic clock 12 months? Leading a company during a slowing economy has plenty of challenges: What should you change, stop or continue doing?

No graph goes up (or down) forever. The path to sustained growth is like a roller coaster ride. Your personal assumptions about change and tough times will dictate how your company will experience the roller coaster ride. In fact, the greatest opportunity for your company to create a sustainable competitive advantage is during a tough economy.

Organizational change is just a concept. Organizations do not change—individuals change. If enough individuals change, then you start to reap the benefits of organizational change. Therefore, this article addresses common vs. effective responses to tough times.

POWER OF ASSUMPTIONS MODEL

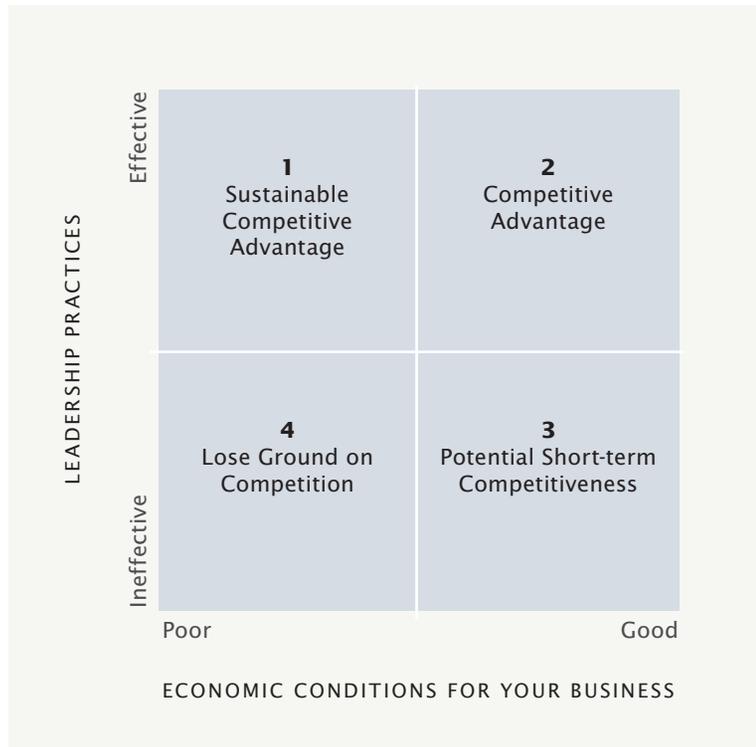
The most important conversation you will ever have is the one with yourself. This self-talk reflects your underlying assumptions (about people, the market, your own capabilities). As an example, if market conditions require your company to change, you have three choices: stop, start or do something differently. Since most people assume that “change = loss,” leaders reflexively *stop* spending, hiring, training, etc.



These assumptions dictate your personal response to tough times. Personal responses predispose you to certain behaviors or practices. Ultimately, your behavior has a significant and lasting impact on the organization. The employees observe your behavior and start to create their own assumptions of you and the company, and then they start a similar cycle of their own. For better or for worse, this is how your culture is perpetuated.

Let’s take a look at how the current economy and our leadership practices interact in this 2x2 matrix. Focus on how your leadership behavior can affect two of these quadrants. Quadrant 2 illustrates that it is easy to be a good leader during good times—high revenue growth forgives many sins. It is harder to create a sustainable advantage because if an economy is forgiving, anyone can ride that wave, even companies with less effective leadership. In Quadrant 1, effective leadership and poor economic times offer the best opportunity for you to create sustainable distinction in the marketplace.

LEADERSHIP PRACTICES: IMPACT ON MARKET POSITION



PERSONAL RESPONSES TO CHANGE

There are three common responses to change with corresponding effective responses for each one:

1. Survival vs. Opportunity
2. Control vs. Involvement
3. Panic vs. Focus

Let's examine each of these separately.

1. SURVIVAL VS. OPPORTUNITY

The survival response uses as its operating assumption, “We just need to stay afloat.” The resulting leadership behaviors include: reducing headcount, decreasing employee development and controlling expenses. The organizational impacts of these leadership behaviors are employee cynicism and sacrificing the company’s long-term capacity to sustain growth.

These are fear-based, defensive responses that reflect the “change = loss” paradigm. It is true that cash is king during bad times (and good times!) but avoid “majoring on the minors” by eliminating important rituals, reducing training or saving paper clips.

The more effective alternative to the survival response is the **opportunity** response. The assumption that underlies the opportunity response is, “Here is an opportunity to improve our business.” This results in leadership behavior like upgrading the workforce and strategic cost cutting. Greater employee commitment and a strengthened ability to sustain growth are the outcomes.

The realities of your business may require you to reduce headcount. If so, make sure that you do the right thing—from a legal, employee relations and market perception standpoint. Resist the convenience of an across-the-board cut and use this opportunity to get rid of your ‘C’ and ‘D’ performers. Even if you are closing a location, try to re-deploy your best performers elsewhere.

The best run companies always behave like they are losing money. All of your employees should understand the most basic unit of profitability (e.g., the airlines use revenue/passenger mile). If your employees understand the drivers of your cost and revenues they can act more like owners of the business. During tough times, shift your focus from the top line to the bottom line with a close eye on inventory control, receivables and cash flow.

2. CONTROL VS. INVOLVEMENT

The second common response to tough times is **control**. This response assumes, “We know what is best for employees. They will just worry.” Resulting behaviors include leaders work *in* the business rather than *on* the business and TLM (tight-lipped management). These kind of behaviors create distrust in company leadership and an expanded organizational blind spot (weaknesses that everyone, except you, are aware of).

Many companies that have previously grown over the past several years are now responding with control. Controlling management practices set them back to old ways of managing when they were a smaller company. When the leader shifts back to working *in* the business, rather than *on* the business, it predictably squelches any type of ownership behavior by employees.

Studies on organizational change show that most employees do not resist change itself. Rather, they resist that unknown place between where we are now and where we will be—the Abyss.

The effective alternative to control is **involvement**. The involvement response assumes, “We must harness all of our ideas to manage these conditions most effectively.” Leaders who take this more effective approach work *on* the business and solicit employee input for solutions. Naturally, these behaviors result in greater ownership behavior (what every leader wants more of) and a reduced organizational blind spot.

It is important to not just make employees *feel* like they are involved—a common, mechanical substitute for real involvement. Remember, those who *underestimate* their employee’s intelligence overestimate their own.

Analysis of cumulative employee attitude research shows that the biggest concern for employees is *communication*. However, leaders are continually frustrated that their communication efforts do

not improve employees' perceptions of company communication. Further analysis of these historical data reveals what employees want to know. It boils down to four simple questions leaders must address:

1. Where are we going? (Strategy)
2. What are we doing to get there? (Plans)
3. How can I contribute? (Roles)
4. What's in it for me? (Rewards)

Your answers to these “Fundamental Four” questions create a bridge that connects today's possibilities to tomorrow's results. Without this bridge you are dead in the water. With it, you have the necessary platform to fully engage your team.

In today information-rich, time-poor world, it can be quite challenging to decide what to communicate to employees and what to withhold. It's easy to say (usually to ourselves), “They don't really need to know all that” or “My team won't really understand” or “I don't think they can handle that news right now.” But the truth is that **leaders who underestimate the power of their employees generally overestimate their own.**

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When employees don't get answers to the Fundamental Four, they tend to fill in the blanks with their own assumptions... and their assumptions are often worst-case scenarios. This is not a reflection on the leader. It's human nature. Therefore, beware: Unanswered questions start the **silence spiral:**

Silence leads to Doubt,

Doubt leads to Fear,

Fear leads to Panic,

Panic leads to Worst-Case Thinking.

This spiral can take five minutes or five weeks to develop and play out, but in most cases, it happens more rapidly than we would imagine. **Fill in the silence for your team by answering the Fundamental 4.** For instance, if you learn about a new project in another department that won't affect your team for a few months, tell them about it. They can start preparing or, at minimum, they won't be caught off guard or perpetuate rumors.

3. PANIC VS. FOCUS

The third and final common response to tough times is **panic**. The panic response assumes that “We better do something different to get through this.” This assumption leads to a continuous eye on the next deal and an obsession with creating new initiatives. This results in eroding customer service and the “ship is adrift” syndrome.

This is a classic entrepreneurial response. Look for a new deal or create another business model. The problem is that it’s five times more expensive to obtain business for a new customer than it is from an existing customer. Also, employees really want clear direction—not a plethora of new initiatives—during tough times.

Focus is the effective alternative to panic. Focus assumes, “Let’s keep doing what we do best.”

Leaders that respond with focus reinforce customer service and existing customer relationships, and they sustain their marketing efforts. This results in improved perception of market position and stronger, more profitable customer relationships (again, what every leader wants more of).

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Focus assumes, “Let’s keep doing what we do best.”

Put your resources where you are strongest (core competency). It is tempting to try to shore up your weak areas during tough times. However, unless those areas are strategic, you will just be throwing good money after bad. Think about this: since some approximation of the 80/20 Rule exists in almost all systems, we can safely infer that it also exists in your business.

This means that **the most profitable 1/5 of your company is 16 times more profitable than the remaining 4/5**. Needless to say, you should regularly look at your most/least profitable sales people, products, service lines, divisions etc.

Focus on the “vital few”—the 20 percent that has the greatest impact. Do not only rely on your instincts to identify your vital few—use data to determine the truth about your team’s performance. Look at customers, services, products, processes and people to find the 20 percent that drive the majority of your productivity, activity, waste, conflict or down time.

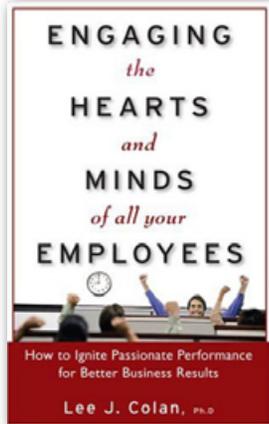
IN GOOD TIMES AND IN BAD

Many of the leadership practices that we suggest under “Effective Responses” should be done all of the time. For example, watching your expenses is like cleaning your house—you always have to do it. Regardless of where your company is on the economic roller coaster, you should consider the organizational impact of your own personal assumptions and leadership behavior.

We led our way out of the 2001 downturn, and we will do it again. First, let’s get to work!

On the following page is a table that summarizes each personal response to change.

Response	Assumptions	Leadership Behavior	Organizational Impact
Common: <i>Survival</i>	<i>"We just need to stay afloat."</i>	Eliminate headcount Decrease employee development Control expenses	Employee cynicism Sacrifice long-term capacity to sustain growth
Effective: <i>Opportunity</i>	<i>"Here is an opportunity to improve our business."</i>	Upgrade workforce Strategic cost cutting	Committed employees Strengthened ability to sustain growth
Common: <i>Control</i>	<i>"We know what is best for employees. They will just worry."</i>	Work in the business TLM (Tight-lipped management)	Distrust Expanded organizational blind spot
Effective: <i>Involvement</i>	<i>"We must harness all of our ideas to manage these times most effectively."</i>	Work on the business Solicit employee input for solutions	Ownership behavior Reduced organizational blind spot
Common: <i>Panic</i>	<i>"We better do something different to get through this."</i>	Look for a new deal or project Obsession with getting new customers or initiatives	Eroding customer service Missed, low-cost new business opportunities "Ship is adrift"
Effective: <i>Focus</i>	<i>"Let's keep doing what we do best."</i>	Reinforce customer service and existing customer relationships Sustain marketing efforts	Improved perception of market position Stronger, more profitable customer relationships



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Get more details or buy a copy of Lee J. Colan's [*Engaging the Hearts and Minds of All Your Employees.*](#)

ABOUT THE AUTHOR

Lee J. Colan, Ph.D. is a leadership advisor, engaging speaker and author. Colan's cut-through-the-clutter insights appear regularly in a wide range of print and on-line media. Lee has written nine rapid-read books designed for an information-rich, time-poor world. Busy leaders can finish them quickly and immediately take action. Learn more at www.theLgroup.com.

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