



Point of View

Leading in an Economic Downturn

Bad leadership got us into today's economic crisis—and it's good leadership that will get us out. Global financial markets are in turmoil, politicians are scrambling for solutions, employee layoffs are increasing, and corporate strategies are unable to address the rapidly changing economic landscape. All are strong indications of a serious dearth of leadership.

Leadership is about focusing on the future, mobilizing people behind a vision, and inspiring them to achieve it. It's about implementing needed changes. And in the end, it's about achieving results. Leaders are confident and their followers are confident in them; they follow willingly. If a leader lacked this duality of confidence before the economic crisis, it will be especially difficult to develop it now.

The core principles of leadership have stood the test of time, and current circumstances will not change that. Leadership is leadership. But there are certain behaviors or practices that leaders need to emphasize now or risk having their inaction later deemed a fatal flaw.

Working with a number of organizations to weather this current economic tsunami, we developed ten guidelines for leading effectively during this downturn:

Don't deny reality. In a period of economic crisis, leaders need to face reality harder and faster. The tendency to deny current economic realities and "wait for Christmas to come" is strong. Leaders need to be even more in touch with markets, customers, employees, shareholders, and competitor moves and forced to confront the facts.

Don't cut across the board; cut with strategic intent. Under-funding everything simply won't work. Cost-cutting is always a necessary response to an economic downturn, but it must be done with strategic intent. Be clear about what you need to preserve—and what you need to grow. And if you must cut, cut deep and fast.

Seize opportunities. History has shown that periods of economic turbulence create great wealth. Leaders everywhere know this and say it—it's an opportunity to acquire undervalued assets or bolster your talent. But history has also shown us that few leaders do what they say in a downturn. Seizing opportunity is about agility and the ability to read the competitive landscape, know the market signals, and see them faster than the competition—and then having the courage to take action.

Reset priorities and then be ruthlessly

focused. It's amazing the number of leadership teams that haven't reset their priorities. Bets we were willing to make six months ago are off. It doesn't mean we aren't making bets—they've just changed. Now is the time to refocus. This means communicating and executing the "critical few" business priorities so the organization stays on track.

Act with a sense of urgency and discipline.

It's particularly important in times of crisis to mobilize effort, provide clarity and accountability, monitor progress, and then readjust, if necessary. There needs to be regular and consistent review of where you stand. Daily 7 a.m. calls with your leadership team will ensure a greater sense of urgency and accountability.

Communicate and clarify. Leadership needs to be sensitive to the temper of the times. While agility and focus are important, they alone can't allay the fears and apprehensions of constituents and employees. Bad news is everywhere, creating widespread confusion and disengagement. Great leaders must be clear, confident, and open in a world where transparency is lacking.

Ensure that you have the right leaders, right now, focused on the right bets.

Sub-par leaders who could be tolerated in a good economy become more of a detriment in a crisis. Now is the time to focus on leaders who have displayed consistently high performance and place them in those roles most crucial to the organization's survival and recovery. This is also a time to be more assertive about removing sub-par leaders.



Tighten up time frames for accountability.

As sports fans, we're astute observers of great coaches. And many coaches—particularly during a game when their team is getting blown out—will calmly say, "Let's just focus on the next two minutes." We think that's wise counsel for business leaders as well. Break the "game" down into shorter cycles. Business and market cycles are shorter and faster, and they demand that leaders review alternatives and take decisive action more quickly. Leaders will achieve wins in the current economic conditions by shortening focus and time frames.

Leverage your brand. A crisis is a branding opportunity for all companies. People tend to develop stronger and longer-lasting memories during a crisis than during the good times. How a company handles layoffs, restructuring, and employee relations in general will be long remembered not only by employees, but by the public—and the source of potential talent in years to come.

Pay attention to your top talent. It's startling to see the number of troubled organizations that fail to pay attention to their best people. These top performers are the ones who will help you weather the storm and recover quickly. You may want to pretend they have nowhere to go—but they do. Savvy competitors will upgrade their own talent by poaching yours. And even if they don't, your best employees will long remember how they were treated in bad times and will quickly jump ship in better times.

Great leadership takes practice, discipline, and time. During an economic downturn, organizations will often abandon or ignore the very behaviors, programs, and stakeholders most needed to survive and win in these difficult times. The organizations that emerge as winners when the turmoil subsides will be those that ride the momentum generated by the prudent and insightful actions they took to survive the economic tough times.

To arrange a meeting with a Hewitt Leadership expert, please e-mail us at **humancapitalconsulting@hewitt.com**.

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