



# Leading During a Recession

## When the Economy Improves, Will Your Business Be on Top?

*point of view*

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As dramatic changes in financial and energy markets work their way through the economy, senior leaders face difficult choices in confronting higher expenses and news of a global downturn: Should we cut prices to maintain market share? How deeply can we cut costs? What about layoffs? As a leader, how can I mobilize my employees to address the looming threats in the economic environment for the good of my organization? How can I discourage defensive internal politics that protect others' narrow interests? *How can I lead my company to emerge from the end of the downturn on an upturn?*

Leadership tests can be severe during downturns, and there are no easy answers. Past recessions have taught leaders to:

- **Narrow the Focus** to provide the greatest value for key customers by ensuring that resources and capabilities are efficiently deployed
- **Bring People Together** to counter the internal competitiveness and defensiveness that often accompany belt-tightening efforts

- **Manage the Temperature** to establish a climate in which employees address difficult issues that may have been hidden in easier days

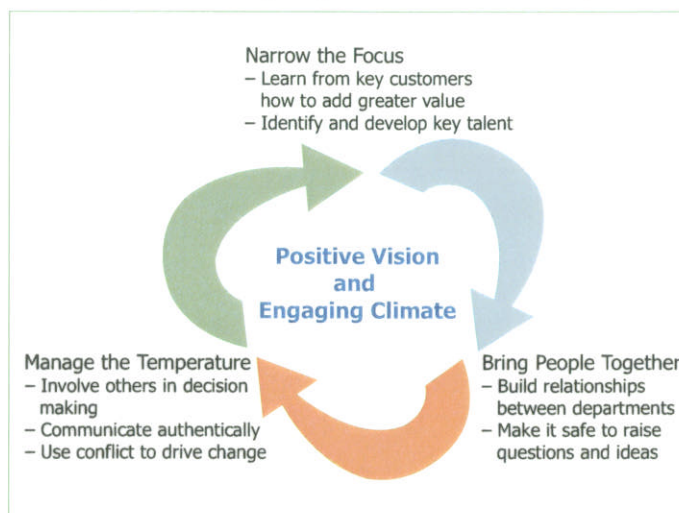
Applying these lessons promises a tremendous upside: uncovering new competitive opportunities that result in a stronger business when the economy improves.

weather a downturn more effectively.<sup>1</sup> Winners in a downturn narrow their business portfolios, focusing in areas where they can develop a clear lead. They also walk away from bad business—while losers chase unprofitable sales in an attempt to hold market share.<sup>2</sup> Forum's research has discovered that leaders in highly profitable growth organizations often suggest focusing on the "critical few priorities."<sup>3</sup>

### Set Priorities Based on Customer Needs

In tough times, leaders know they need to cut costs, and they often do so aggressively. Trimming costs is important, and selecting what to cut is critical. Some businesses cut voraciously, only to realize months later they have cut the very capability required to sell and deliver their business. For

example, in 2007 electronics retailer Circuit City cut the jobs of 3,400 of its top-paid sales associates just prior to undertaking an effort to transform its customer experience and revive sales. But lacking the knowledge and experience of these key employees, the transformation fell flat. A year later, Circuit City's sales were



### Narrow the Focus

Relaxation in good times and desperation in bad times can lead to losing focus. Taking a disciplined approach clearly makes a positive difference. Research on past recessions confirms that businesses that move quickly to reduce costs and control spending

