

Leading in tougher times

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Clients have begun asking us where they should focus their time and attention during this uncertain period. We have reflected on our past experience and consulted best practice models. In the following pages, you will find our prescription for leading in tougher times.



As the economy weakens, many organizations are responding by implementing vigorous cost cutting measures. While this is an important step, it is only a small part of the best solution. Like many of the best solutions to difficult situations, effective leadership and management will entail doing a number of things well, in a co-ordinated way. We think there are five areas for you to focus on.

Conserve Cash

The days of easy credit and financing will not return anytime soon. We are likely to see credit markets tighten up over months and years, not weeks and months. This is a time to look at cash management practices and consider how cash can best be preserved and used. The following are questions to consider:

- How many months of cash reserves do we need to ensure we never have to undertake actions that would cripple our business?
- How can we sharpen our billing and

collection practices without provoking our customers?

- Should we centralize cash management practices to avoid having a cash surplus in one area when there is a need for financing in another?

Manage Meaningful Expenses

Avoid the tendency to see every dollar as a potential saving. Rather, increase your marketing and business development efforts, and find ways to achieve stronger market impact with less money. The underlying message, is do more with less, not simply spend less.

Meanwhile, this is not the time to consider across-the-board cuts to various expense categories. Implementing a 20-per-cent, company-wide reduction in travel costs, for example, usually has indiscriminate impacts. A dollar spent on travel in Marketing or Operations has a different effect than a dollar spent on travel in Accounting. Set targets for key costs, but let your management and supervisory teams make the spending decisions.

More significantly, reduce complexity and streamline your operations; this is where the real opportunities exist. Now is the perfect time to confront the high-cost but low-return elements of your business. Use the old rule that 80 per cent of your profit will come from 20 per cent of your activities as a lens by which you judge your business actions. The following are questions to consider when examining your market and customers:

- Are there products or services we offer that do not add value?
- Do we differentiate which of our lower-value products and services eventually lead to higher-value work and those that do not?
- Are there prospective customers with whom we should be engaging?
- Are there customers with whom we should not be dealing?
- Are there customers from whom we need to acquire more business?
- Can we bundle some products or services in ways that will be more attractive to current and prospective customers?

Apply a similar rigor when you evaluate your internal processes and practices. The following are some questions you should debate internally:

- What could we do better and faster for our customers?
- What could we do less of that would not affect customer satisfaction?
- What internal processes could be streamlined using inexpensive technology fixes?
- What internal process hand-offs are the most inefficient? What can we do about them?

What support function processes (e.g. HR) are the most time-consuming and how could we streamline them?

Place a Premium on Leadership

Management is the practice of planning, organizing, directing, controlling and communicating. It preoccupies most of senior management's time in organizations. Leadership, on the other hand,

is the practice of inspiring others to do things they did not know they could do. It is about encouraging best efforts in tough times, and setting a tone of optimism and possibility. In our view, the best definition of leadership comes from Peter Drucker who said “*Good leaders are purveyors of hope.*” He also said that most North American businesses are “*over managed and under led.*”

In tough times, senior people need

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to be held accountable for both conducting effective management practices and demonstrating excellent leadership skills. A workforce that is fearful and preoccupied with listening for bad news will never deliver the same results as an inspired and enthusiastic team that is looking for opportunities. This is not about becoming skilled at delivering inspiring speeches; it is about setting high standards, recognizing good work, and setting a personal example. The following are questions you need to debate at the management and supervisory levels of your business:

- Is everyone in the organization clear on what is expected of them in these times?
- Have we engaged everyone to be part of the solution?
- As a leadership team, are we demonstrating enthusiasm and providing hope?

Optimize your Workforce

When things are booming it becomes a challenge to get everything done. Reluctantly, you often settle for average skills and performance when you would rather have a higher standard. You also tolerate behaviors that you would rather not. Tougher times provide you with an opportunity to address this situation.

You need to begin by understanding that individual goals must link up to the company’s goals. Oftentimes, we find there is only a tenuous link between the goals set by the leadership team and the goals of the individuals at lower levels in the organization. By tightening these linkages and setting higher performance targets, everyone becomes more en-

gaged to thrive in tougher times. This step also lets you identify who cannot measure up to the higher expectations.

Additionally, you need to make clear the difference between managing performance and managing behavior. Performance is about how a person’s work outputs are contributing to company results. Behavior, in contrast, is about how an individual acts in the workplace. More people are fired for poor behavior

than for poor performance, but regardless, these departures are usually long overdue.

Now is the time for you to take a critical look at the entire workforce to ensure you have the best possible combination of skills, performance, and behavior. Identify those you absolutely need and then actively work to retain them. Use the same criteria to identify those with potential that you would really like to keep. Then, actively work on moving the remainder out of the organization. The ‘keeper’ employees in the organization will thank you for it. The following are questions for your leadership team to consider:

- What key performance measure(s) do we need to improve?
- Who or what can have the biggest impact on changing performance indicators?
- Is everyone clear on the behaviors that lead to termination?
- Who are the absolutely critical keepers?
- Whom should we replace with a better player?
- Where can we find a better player?

Actively Prepare for an Upswing

We know from experience that there will be a turnaround, the only question is when. Regardless of the timing, we believe all organizations need to be thinking about and preparing for an improved future. In our experience, the tendency for many organizations is to turn inward, consequently missing out on customer or competitor trends.

Now is the time to develop plans for

new products and markets. Acquaint yourself with events outside of your usual periphery. Develop an ‘opportunity bank’ mindset and incorporate it into your business planning. The following are questions for you to consider:

- Are we actively tracking and updating each other on key industry trends?
- Who is responsible for developing our ‘opportunity bank’?
- How do we strengthen our balance sheet, so when the time is right we can be the first out of the blocks?

Summary & Conclusion

Even though the headlines are full of dire predictions, we are confident that innumerable opportunities still exist for our clients. To realize these opportunities, we propose you focus attention on five areas:

- Conserve cash and use it wisely
- Manage meaningful expenses by improving services and reducing complexity
- Place a premium on leadership and continue to manage well
- Optimize your workforce by getting and keeping the best talent
- Actively prepare for the opportunities the upswing will provide

In looking at this list and at each of the individual elements, we encourage our clients to think of them as part of a ‘package.’ Doing one or two of them will be helpful, but collectively they will be transformative.

Conroy Ross is a large executive search and business advisory firm in Western Canada and a member of IIC Partners, Executive Search Worldwide.

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