

# Smart Leadership in Tough Times



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**B**usiness managers face a choice during times of economic stress and softer demand: They can make a panicked attempt to squeeze more out of already anxious workers, who will waste no time leaving for better jobs when things improve. Or, they can focus on the long term and invest in leadership skills, relationships with employees, effective reward systems and motivating work environments.

The long view leads to big payoffs, not only as businesses struggle during economic and market turmoil, but even more when the economy picks up and enhanced employee production provides significant competitive advantage.

## The Boss as Icon

The first and perhaps most important investment managers can make is to take an honest look at their own leadership. Too often, supervisors see themselves as simply one individual managing others who, if chosen carefully, are more creative, intelligent and innovative. These managers may have a deep desire to be liked or to fit in. They may even come to see themselves as just another worker coordinating the efforts of others.

The employees' view of the relationship, however, is quite different. For most employees, the boss and the company, or at least all management, are one in the same. The boss *is* the company, the management, embodied in one person. Employees view the company through the relationship they have with the supervisor. Since most make no clear distinction between their manager and the company, dissatisfaction with their manager becomes unhappiness with the company. And, for the most part, unhappy workers do not leave companies -- they leave bosses.

The truth is that the supervisor is an icon for the company as a whole. Managers need to understand the power they wield as a company symbol and recognize the importance of relationships with employees -- not only for their company's success, but their own as well. Many companies, for example, are beginning to hold managers accountable for turnover and talent retention in their departments.

How, then, can managers improve these relationships? Spend more time -- and more time talking -- with the people who do the work. In conversations, managers can show they are concerned about the employee, seek ideas, and encourage risk-taking.

Especially in an unsteady economy, managers must grapple with their employees' anxiety, offer more verbal support, and keep employees honestly informed.

"Over-communicating" is what Robert Nardelli, CEO of The Home Depot, calls it. In an interview with *Chief Executive* magazine this year, Nardelli said this style of management makes his people feel comfortable so they can perform at their highest levels undistracted by misinformation or rumors.

Scott Miller, writing in *Entrepreneur*, laid out recommendations for managing in a tough economy. Managers should tell employees everything they can about where the organization is headed; tell them what management and staff need to do to help the company weather the slowdown; ask for everyone's ideas to improve areas such as productivity, sales, and employee retention; and invite employees to discuss their fears and hopes.

Managers who are conscious of the way they deal with employees, and who understand the importance of these relationships, strengthen their bond with subordinates. This strength provides stability during lean economic times and positions the company for greater productivity as the business climate improves.

## Recognize and Reward

One of the most basic rules of human behavior is that "what gets rewarded gets repeated." But it's surprising how often managers forget, overlook or outright ignore this fundamental truth.

Without a well-conceived reward and recognition system, managers may just shake their heads in disbelief when they observe employees acting in ways that are harmful to themselves or the company. Managers often don't have a clue about what's happening or what to do about it.

Taking time to analyze why employees act badly can provide insights about how to change the behavior. Begin with the premise that every behavior has its reward, then look for the reward: what events occur just before, during, and after the undesirable behavior? Does the behavior occur at a specific time during the day, the week, the month or year? In fact, sometimes simply asking employees why they behave the way they do will yield surprisingly honest answers.

Once the existing reward has been identified, the manager can supply a more attractive alternative reward for the desired behavior. Managers may find that the original reward represents an employee's unmet need that can easily be addressed in a positive way.

In looking at comprehensive reward systems, what employees want -- and what actually works -- is quite different from what many companies offer. A study of 432 organizations by the Consortium of Alternative Reward Strategies confirmed that employees respond more favorably to reward systems that are well communicated, fair, consistent, timely, and based on objective measures rather than managers' subjective opinions.

Yet, many companies do not have clearly defined performance criteria. Others may have criteria that are not aligned with corporate strategic goals or are not clearly tied to rewards and advancement.

Some companies reward and recognize indiscriminately so that high and low performers are rewarded the same and feedback about individual job performance is zero to nil. Indiscriminate rewarding discourages the high performers and communicates to the low performers that their low-quality work is acceptable. Failure to provide constructive feedback discourages everyone.

Some managers pride themselves by saying, "I treat all my people the same" when what is needed is for employees to understand that different levels of performance garner different rewards -- or none at all.

The best managers treat employees fairly but reward differently based on individual behavior and performance. These managers reward employees who make larger contributions with higher levels of

compensation and more opportunities to grow within the company.

## Feedback and Freedom

The work environment is the third area in which managers can make wise long-term investments to boost attitude and performance. The challenge is to create an environment of accountability and high expectation without being over-controlling or domineering. It is about giving people what they need to do their jobs, then trusting that they will do their best.

This trust is especially important when the pressure is on, the markets are tight, and managers are forced to realize that the only thing that can pull them through is the determination, ingenuity, and grit of the people they manage.

We know that, as individuals, we want the opportunity to perform meaningful, interesting, and challenging work. But we also need to be given personal responsibility for our work, freedom to perform it in a way that makes sense to us, and feedback about the actual results of our labor.

Employees who are micromanaged and have little control over the work they perform describe the work environment as stressful, the boss as overbearing, and their own self-worth as shrinking.

In a feedback-rich environment in which employees are trusted to carry out their jobs in ways they judge appropriate, they describe the opposite. Said one veteran worker at New United Motor Manufacturing, a Toyota-General Motors joint venture in California, "You've got a say now in how your job is done -- it makes a person feel important."

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