smart leadership in tough times

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Tight markets, declining stock prices and recessive economic conditions offer both investors and managers who focus upon the long-term opportunities to make wise investments. Just as there are bargains to be had in stocks during a down market, a sluggish economy offers discerning managers the opportunity to assess how they lead their people and make refined investments in their leadership style. These investments will pay off handsomely, not only as businesses struggle to maintain position during economic storms, but perhaps even more when the business cycle heads upward and enhanced employee production remains imperative. There are three basic areas in which smart managers can invest that will yield the largest return in improved employee satisfaction, retention, performance and ultimately, profitability.

The first and perhaps most important investment a manager or business leader can make is in his/her self as leader. Too often, supervisors see themselves as simply one individual managing others whom, if chosen carefully, are perhaps more creative, intelligent and innovative.

For these reasons, as well as desires to be liked, fit in or thought well of, managers frequently allow their perception of their leadership role to be eroded or minimized. They may come to see themselves as just another worker coordinating the efforts of others.

However, the direct reports' view of the relationship is quite different. For most employees, the "boss" and the "company" or, at least, all management is one in the same. The boss is the company/management embodied in one person.

The employee sees the company through the lens of the relationship s/he has with the supervisor. Since most employees make no clear distinction between their manager and the company, dissatisfaction with the relationship with their manager becomes, in their minds, unhappiness with the company. For the most part, unhappy employees do not leave companies—they leave bosses. The truth is the supervisor is an icon for the company as a whole and his/her relationship with employees powerfully influences employees' thoughts, emotions and behavior. As such, managers would do well to reassess their view of the influence of their relationship with employees. Usually this means significantly upgrading their understanding of the hidden, but real, power they wield as company/management symbol. Because retention of key employees is directly related to their relationship with their manager, many companies have begun to hold managers accountable for turnover and talent retention in their departments. Understanding and improving relationships with employees is paramount to a manager's (and company's) success.

How can managers wisely invest in their leadership style for the long term? Managers can: (1) reassess their view of their leadership role and relationship with their employees, adjusting it to reflect the view employees hold of the supervisor, and; (2) enhance their relationships with employees by investing time interacting with direct reports in positive, constructive ways.

For example, simply being more visible and spending more time with employees goes a long way to improving relationships. During conversations with employees, managers can demonstrate they are aware of and concerned about the employee, seek employee input and ideas, encourage creative risk-taking and work to drive out fear of failure. Especially in a time of economic recession, managers will need to effectively grapple with employee anxiety/uncertainty, offer more verbal support and keep employees honestly informed. Robert Nardelli, CEO of The Home Depot, recommends "over-communicating" so his people feel comfortable and can perform at their highest levels undistracted by misinformation or rumors.

It's recommended that, during tough economic times, you, as manager should: (1) tell your employees everything you can about where the organization is going; (2) tell your employees what they—and you—can and need to do to help the company weather the slowdown; (3) ask for everyone's ideas for ways to improve productivity, employee retention, sales and whatever needs improvement and; (4) having laid the groundwork for addressing their concerns in a positive way, invite your employees to discuss their anxieties, fears, concerns and hopes. In general, managers who are conscious of interactions with direct reports and who understand the importance and invest in their relation-ships with their employees, strengthen the bond between themselves and their subordinates.

This strength provides stability during lean economic times and positions the company for greater productivity as the business climate improves.

The reward and recognition system used to encourage productive employee behavior is the second area requiring wise managerial investment. One of the most basic rules of human behavior is that "reinforced behavior recurs" or "what gets rewarded gets repeated."

Although a fundamental truth, it is surprising how often managers forget, overlook or ignore it. Often when managers observe employees repeatedly behaving in ways that are damaging to themselves and/or the company, they simply shake their heads in disbelief and fail to understand the drivers of these undesirable behaviors. This is particularly unfortunate because often the rewards that prompt behavior are relatively easy to uncover. Sometimes employees will tell managers with startling honesty why they behave the way they do if they are only asked.

If not, managers can get some idea of hidden rewards by taking note of the circumstances in which the behavior occurs including events that occur before and during the behavior. They can also determine if the behavior occurs at a specific time during the day, week, month or year and uncover the conditions that seem to be related to the onset of the behavior.

Such an assessment can often yield important insights into why employees behave as they do and will offer managers clues as to what they can do to modify the behavior. Research has shown that while many behaviors can be stopped through punishment, such a method often takes a long-term negative toll on the relationship.

More effective measures include determining the nature of the existing reward for the undesirable behavior and supplying an alternative, more attractive and salient reward for the desired behavior. Often the original, hidden reward may represent an employee's unmet need that the manager might easily address and, by meeting the need, remove the problem behavior entirely.

In terms of comprehensive reward systems, 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.

Many companies do not have a set of clearly-defined performance criteria for jobs, have ones that are not aligned with corporate strategic goals or have performance criteria not clearly tied to rewards and advancement.

Often, companies reward and recognize indiscriminately so high and low performers are rewarded the same and there is little or no individual feedback about individual job performance. This discourages the high performers and communicates to the low performers that their current poor performance is acceptable.

Such a reward system is guaranteed to produce future problems because of what it rewards. Some managers pride themselves by saying, "I treat all my people the same" when what is needed is for employees to experience the rewards (or their lack) that are associated with differing levels of performance. The best managers treat employees the same in terms of fairness and mercy, but reward differently based on the individual's actual behavior and performance.

These managers reward employees who make larger contributions with higher levels of compensation and more opportunities to grow within the company. An effective performance management system rewards, recognizes and encourages desired behaviors while discouraging undesirable or unproductive behaviors by removing any rewards attached to them or by redirecting such behavior with rewards that are important to employees.

The third area in which managers can make wise investments to positively impact employees' attitudes and performance has to do with the opportunities to perform meaningful work and the autonomy to carry out these tasks freely.

We have known for some time that internal rewards are obtained by individuals when they have knowledge, through feedback, of the actual results of work activity that they have personally performed on a task that is both important to them and necessary for the success of the business. The "personal" aspect of performing the work entails not only personal responsibility for the task but also personal autonomy or freedom/ discretion to complete the task in ways that make sense to the individual.

In a nutshell, there are two task factors employees need to keep motivation and performance levels high: (1) opportunity to perform meaningful, interesting and challenging work about which they receive positive feedback and (2) autonomy to perform that work in a way that is relatively free and under the employee's control.

Employees who are micromanaged and have little control over the work they perform describe the work environment as stressful, the boss as overbearing and report a diminished sense of self-worth.

In an 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 joint venture between Toyota and General Motors in Fremont, California), "You've got a say now in how your job is done—it makes a person feel important."

The challenge for managers is to create an environment of accountability and high expectation (stretch goals), without being over-controlling and domineering. It is about giving people what they need to do their jobs and then making the investment of trusting they will do their best.

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

Business managers and leaders face two roads during times of economic stress and softer demand. They can take the road that focuses on the short term and involves a panicked attempt to squeeze more productivity or creativity out of already anxious workers who, when times get better, will waste no time leaving for a more attractive work environment. Conversely, managers can take the route that requires a long term view in which investments in leadership skills, relationships with employees, appropriate reward systems and work environments that provide opportunity and autonomy make good business sense no matter the external economic conditions.

We advocate the latter course and offer this article as encouragement for you to manage and lead your people in ways that give your company a sustainable competitive advantage in both down and boom times.

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