Introduction

Much is being spoken of what qualities we need in a leader to take us out of recession and how the current situation requires a different type of leader from what we may have needed in the past. In this paper we question the wisdom around the need for a ‘change of guard’ to deal with a different economic operating environment. We argue that the same key leadership qualities are required regardless of the prevailing economic climate and that recessions enable true leadership to blossom.

From 1995 to 2006, annual CEO turnover grew 59%. In that same period, performance-related turnover increased by 318%. In 1995, one in eight departing CEOs was forced from office – in 2006, nearly one in three left involuntarily. And this was against the backdrop of a burgeoning global economy.

Now that we are in the throes of very different economic conditions we can expect to see the sights on performance and shareholder return become even more focused. It is the capability of leaders to react, respond and predict that will mark out their success as we prepare for on-going uncertainty. We believe that we don’t necessarily need different people to lead during a recession, but that a recession creates the demands and uncertainties that provide an environment in which effective leadership performance is much easier to distinguish from leadership posturing.

For example, leading through change is an important requirement of most leadership roles, but it is a more visibly pervasive requirement now than in the boom times. Leaders have always needed the capability to recognize the right strategy for the moment, to execute it with the visible and motivated support of their organization, but now is the time when we get to discover which leaders can genuinely do this.

Transformational Charisma?

What do you see in a good leader?

- ‘When they speak, people listen’
- ‘They are interesting, engaging and make you feel good about what you do’
- ‘They make you feel valued and help you feel positive about the journey your company is taking’.

Would you be happy with this leader? If you constrict the definition of a leader to the global CEO and assume most of us don’t interact with them frequently, then the above definition might suffice. If you limit ‘leadership’ to the way someone ‘talks the talk’, then yes, a leader with this type of charisma can give the organization a buzz of good feeling, spur people on and instill in them a drive to succeed.

Consider this common scenario of the recent past: “Sales were on the increase, customers kept coming back for more and they were prepared to pay more year on year. We didn’t really know if our leadership team was making the right decisions but we liked what we saw most of the time, the business results were good and we got bonuses”.

In this scenario ‘Leadership by Charisma’ probably appears to be quite effective; but only in the good times when its mettle isn’t stressed. When times are good the requirements of robust leadership are no different than at any other time, they are just less necessary and easier to avoid. Asking tough questions about the business fundamentals can be avoided when revenue and profit are growing. When you are hitting all your targets you rarely get criticized for not doing even better.
When the economy was booming and running smoothly, businesses didn’t need to worry about what was going on under the hood of leadership. For many businesses the reasons they were running smoothly was because it is easy to maintain momentum when you are letting gravity take you downhill.

Has inadequate leadership contributed to the current situation?

There certainly appears to have been a diffusion of the leadership responsibility for averting the economic downturn. Plenty of people close enough to the situation realized what was going on but no one really shouted loudly enough and with the conviction to make us stand up and listen. Maybe we just didn’t want to hear or we didn’t think it was our problem to fix. It’s only when the economy really spiraled out of control that business owners, shareholders and any commentator with a blog really started to look at the mechanics of what was happening.

In the context of this article, the ‘mechanics’ of the business are leadership behaviors. They are the little things done well that collectively construct and define a successful and effective leader.

When you try to throw a loose rein around how leadership theorists in recent times have captured the notion of ‘transformational leadership’, the ‘charismatic caring innovator’ would be the approximate caricature. The focus has tended to be on defining person-centered behaviors that inspire others and create a compelling view of a future that people want to be a part of. When these theorists talk of transformational leadership qualities they are not talking about people who have the competencies to effect change in organizations, they are talking about people who have the personal charisma to be nominated as a leader by their subordinates.

Put a charismatic person-centered leader on the luxurious platform of a booming economy and you might get duped into thinking you’ve got a true transformational leader in action. But of course transformational leadership can’t be just about charisma and the ability to woo the masses. There has to be more to it. Surely it has to be about the impact of those leadership behaviors. There has to be a clear link between what a leader does, what impact this has and what business results it achieves.

Leaders that are ‘right for the moment’

Pronouncing that we are searching for leaders that are ‘right for the moment’ seems like a rather hackneyed poke at the current economic-driven zeitgeist. What do we need in a leader for now that is so different from what we needed in the boom times? The truth is that we need to broaden our view of what an effective leader requires in terms of personal qualities and competencies. Charisma is never sufficient on its own. Good leaders in boom times are the same people who are the good leaders in a recession, it is just harder to spot the good ones in the boom times.

Now, as before, what we need are leaders who are truly transformational such that they can effect real change and drive organizational improvement as we start to hear more and more about the slow-growing ‘green shoots’ of recovery. We need people who are right for the moment only in so far as their leadership skills allow them to evaluate the changing environment and decide on the best course of action for the future. Moreover as we remain in uncertainty, they need to be savvy enough to revisit their decisions often and re-evaluate if they are still right for the moment. Consider these examples:

Example 1: Leadership is ‘thinking like a fox’?

Consider the current popularity of scenario planning as a way of dealing with the prevailing uncertainty. It is a proven, valuable and respected approach to business planning and is as important now as ever. But it tends to come to the forefront more in times of difficulty and uncertainty.

Why is this? In the good times business growth was the norm and our optimistic expectations of growth were reinforced by more growth each year. Leaders became lax to the point where the suggestion of planning for a global financial nightmare scenario would have been laughable and interpreted as unnecessarily cautious, unaggressive and likely to dampen the ability to focus on the existing growth and profit that was there for the taking.

But scenario planning isn’t a personality type or a leadership style. At its simplest it is part of a strategic planning toolkit. Nonetheless, the better leaders had the foresight and discipline to consider this current scenario as one of a number of possible futures. They set up procedures for recognizing as early as possible the likelihood of alternative future scenarios and altered their direction accordingly. The lesser leaders didn’t. Charisma is not going to save a CEO who is driving forward a strategy that is no longer relevant.

So leadership is about breadth of vision, tolerance for ambiguity and the ability to work in situations of high uncertainty combined with planning discipline. These are enduring dispositions that we would suggest are important for all leaders to possess in some modicum regardless of the prevailing economic environment.

Example 2: Leadership is avoiding ‘groupthink’?

The lonely voice of the financial regulatory bodies lobbying for better and more transparent risk management processes fell on deaf ears in the face of leaders and employees in the financial sector looking for and expecting greater profits and bonuses. Governments, likewise guilty, failed to intervene to redress this imbalance. Some would
suggest that the financial sector succumbed to a ‘groupthink’ mentality, unwilling to question the shaky foundations of credit upon which the boom times were tentatively balancing. This was probably further exacerbated by a belief that addressing and resolving such a globally pervasive phenomenon was outside the control or influence of any one individual or group.

Good leadership looks like the person who has the courage to raise their head above the parapet and question ‘conventional’ wisdom and combine this with a high degree of belief in their own ability to make an impact. Again, it’s hardly a new or unique characteristic to look for in a leader. Any good leader should be prepared to question, critique, refute and be brave enough to go against the tide to make a difference and gain competitive advantage. This is characteristic which is just as useful in boom times as in recession.

Example 3: Leadership by kindness

The idea of corporate social responsibility has not found a comfortable place in the psyche of many organizations. It has become disdained by some in recent times cynically as lip-service to enable organizations to enhance their brand. Likewise the concept of Employee Value Proposition was becoming more and more recognized as an important topic to enhance employer appeal and competitor differentiation before the recession, but has received less attention since the war for talent diminished.

These concepts have more resonance today as people have now lived through personal experiences around restructuring, and have seen employer and consumer brands enhanced or devalued by the management tactics used to bring human capital through redeployment and redundancy programs.

Once more, the concepts are not new but it is not every leader who has had the lucidity of vision to make the link between the cost of poorly executed restructuring and the cost and time it takes to rebrand your consumer products and your employee proposition.

Defining Leadership by its impact

At SHL we believe leadership is about influencing people such that they come to share common goals, values and attitudes and work more effectively towards the achievement of the organization’s vision. The implication here is that if leadership is about making people more effective we need to know what impact they have actually had and what has resulted from this. Successful leadership will result in improvements in organizational effectiveness that help the organization achieve its primary goals (market share, profit, revenue growth etc.) and are usually limited to the breadth of impact that the particular leader possesses within the organization.

Underneath this is the recognition that effective leadership requires specific behaviors, that some are more likely than others to display these behaviors, and that there are many external and contextual factors that impact on leadership effectiveness. But at its core is the idea that leadership is that which improves the organization’s ability to achieve its primary objectives. This focus differs from many of the more traditional and recent views on leadership which focus on defining the minutiae of behavior without linking the behavior to its impact.
consequence. Defining leadership as a set of features without considering the effect of these features is of limited use. Defining your end goal is the first step in being able to achieve it. The definition of a leader is not an easy or quick process and is particular to each organization.

It must involve deep understanding of the broad and specific strategic context that your organization operates in and understanding its prevailing and future culture and values. This will help define the leadership behaviors you need to see and what impact you need your leader to have on the organization and the marketplace. This process should be facilitated, but not led, by a behavioral leadership framework. Any broad leadership framework can only hope to define broad sets of leadership competencies which are required in different amounts at different times by different leaders. It is important to be clear in your definition phase about what particular attributes you need to look for in recruitment or development processes. Simply adopting some generic leadership model is unlikely to be helpful.

The SHL ‘Great Eight’ Leadership Model utilizes a comprehensive competency framework (the Universal Competency Framework) within which one can articulate in detail specific leadership requirements (See Figure 1). It uses the notion of leadership functions rather than focusing on the perhaps more populist concept of leadership style. As a functional model, it focuses on what leaders do and what impact they can have on the effectiveness of organizations. Whilst it also looks at their style, its focus is much broader and more concerned with effecting change and organizational improvement.

For each function, one competency factor provides a transactional or management focus and the other a transformational or leadership focus. Management is about keeping an existing system running, whereas leadership is about creating it, developing it or changing its direction. Confusion in leadership research is sometimes caused by the fact that it is difficult to conceive of a person who has leadership skills without that same person also having management skills. While they may be conceptually distinct, they are in practice found side by side. For that reason any practical application, such as the assessment of individual leadership potential, needs to consider both transactional (management) and transformational (leadership) areas. In this way the Great Eight provides a checklist for ensuring the functional needs of the organization are covered in the leader or across the leadership team. Analysis of popular transformational leadership style models shows these to be very constrained in that they only cover a small part of the full set of functions, typically the areas around ‘Interacting & Presenting’ and ‘Supporting & Cooperating’ in the Great Eight model. Of course, as mentioned, a framework is just that, it is not the definition of your leader but it is a robust and useful model to define and measure your organizational leadership requirements.

Figure 1

![Great Eight Leadership Model](image-url)
Leading through change

An inevitable constancy in life is the presence of change. Within this constancy, the context, intensity and direction of change can fluctuate quite dramatically. In the boom times of the last ten years change was more about fostering innovation, grasping competitive growth opportunity, creating a compelling reason for people to believe in your organization’s evolution over and above the competition and in doing so attracting and retaining the best people. Now the ‘change’ context is better represented by:

- dealing with an ambiguous economic environment
- devising survival strategies in an uncertain and changing market
- making tough decisions using limited resource
- restructuring the workforce and dealing with the impact of these changes
- motivating people as they stay with you through these uncertain times.

Managing change, then, is not new but the context and importance of good change competence is now perhaps heightened and is seen against a different backdrop. For example the importance of accurate and timely communication to ensure employee engagement is always important but perhaps more important in times of pessimistic ambiguity than in times of economic growth. A good leader then, is a good leader whatever the conditions, but some attributes become significant only when the situation demands significant and stressful change. If we review the SHL Universal Competencies model, we can identify those areas that become key under conditions of change (See Figure 2). Some are transactional aspects of management that relate to, for example maintaining productivity and managing resources. Others are related to the transformational aspects of leadership, driving change in difficult circumstances and bringing people through that change, through empowerment, reassurance and the creation and communication of a compelling strategy and vision.

### Figure 2. Great Eight behaviours that are key in times of change

<table>
<thead>
<tr>
<th>Transformational: Leadership Focus</th>
<th>Leadership Functions</th>
<th>Transactional: Management Focus</th>
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<tbody>
<tr>
<td>Creating &amp; Conceptualising:</td>
<td>Developing the Vision</td>
<td>Analysing &amp; Interpreting:</td>
</tr>
<tr>
<td>Gathering Information:</td>
<td></td>
<td>Targeting Communication.</td>
</tr>
<tr>
<td>Thinking Quickly;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Innovating; Seeking and Introducing Change; Approaching Work Strategically; Setting and Developing Strategy; Visioning.</td>
<td></td>
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| Leading & Deciding:              | Sharing the Goals    | Interacting & Presenting:       |
| Making Decisions:                |                     | Explaining Concepts and Opinions; Articulating Key Points of an Argument; Presenting and Public Speaking; Projecting Credibility |
| Taking Responsibility;           |                     |                                |
| Acting with Confidence;          |                     |                                |
| Taking Action;                   |                     |                                |
| Taking Calculated Risks;         |                     |                                |
| Providing Direction and Co-ordinating Action; Motivating Others; Developing Staff; Identifying and Recruiting Talent. | |                                |

| Adapting & Coping:               | Gaining Support      | Supporting & Co-operating:      |
| Adapting; Accepting New Ideas;   |                     | Understanding Others; Building Team Spirit; Recognising and Rewarding Contributions; Consulting Others; Communicating Proactively; Acting with Integrity. |
| Dealing with Ambiguity;          |                     |                                |
| Coping with Pressure;            |                     |                                |
| Showing Emotional Self-control;  |                     |                                |
| Maintaining a Positive Outlook;  |                     |                                |
| Handling Criticism.              |                     |                                |

| Enterprising & Performing:       | Delivering Success   | Organising & Executing:         |
| Achieving Objectives;            |                     | Managing Resources; Focusing on Customer Needs and Satisfaction; Maintaining Productivity Levels; Driving Projects to Results. |
| Working Energetically and        |                     |                                |
| Enthusiastically; Monitoring     |                     |                                |
| Markets and Competitors;         |                     |                                |
| Identifying Business Opportunities; Demonstrating Financial Awareness; Controlling Costs; Keeping Aware of Organisational Issues. | |                                |
The message here is that change is constant and that change can be an overtly positive or negative experience for the organization. The competencies that are important in taking organizations through either positive or negative change are not fundamentally different, but when there is a higher degree of uncertainty and potential negative consequence for the individual, more focus will need to be placed on the correct change-leadership behaviors to ensure employees remained engaged with the organization through this period. As one would expect, in Figure 2 the overwhelming weight of behaviors relevant in times of change are clustered under the Transformational functions.

Finding Leaders ‘of the moment’

So, if the boom times effectively masked the impact of poor leadership, the onset of difficult times will support us in identifying truly transformational leaders. Leaders who have the dispositional potential to identify what is right for the moment will succeed. Predicting and prioritizing what is right for the moment is the job of the leader. Examples might include: scenario planning, rebuilding corporate trust, positioning the business to take advantage of the emergent recovery, restructuring the business fundamentals, managing reputational risk around redundancies, motivating a stifled workforce, rationalizing or expanding the product line, reviewing manufacturing capabilities, insourcing, outsourcing, re-financing company debt, stepping up or winding back marketing/advertising, reducing the working week, exploiting the competition’s weakness through ‘mergers/acquisition’. The list of recession-beating tips is endless but the right action for the moment will not be dictated by external forces. Making sure we have put the best person in the leadership role to make the right decisions should be the focus. Using a functional model rather than a style-driven model will provide a better framework for securing breadth and depth of your organization's leadership capability. Bear in mind also that reality and human nature dictates that your leader will not be the complete functional article, so ensure that any of the functional requirements not strong in your leader are balanced and compensated for by the strengths of others on the leadership team. And as a leader, rest assured that if you excelled in the good times through living the right behaviors and making the right decisions, the chances are that you are good for the tough times too. But the devil is in the detail of your behavior. It was easier to be charismatic without substance in the good times – truly effective leadership in the good times required much more than this. If you or your CEO had it then, it will continue to shine through now. If they didn’t, its absence will now be painfully impactful.

Take-aways:

- Before you find the right leader you need to define what you are looking for.
- Avoid applying generic definitions of ‘Leadership’ to your organization. They are as useful as any one-size fits-all solution. Is your organization facing the same complex challenges as the leader in the next building? If not why would you define your leadership requirements in the same way?
- Relying on track record is fraught with difficulty. Most leaders of the last 10 years will be able to claim that they led a company through revenue and profit growth. Few leaders will have led through a recession.
- The context and direction of change in the current economic climate heightens our focus on the behaviors that are needed to support successful change management. Successful leadership needs to be able to manage change today in a way that wasn’t as important during the boom times.
- Use a relevant leadership framework to inform what you are looking for. Definitions of leadership that focus on stylistic or transformational charisma attributes are not likely to provide a well rounded leader that will improve organizational effectiveness. Ask yourself the question – is this model about style or substance? Does this model focus on a narrower set of charismatic behaviors that will inspire my people or is its focus more on impacting organizational effectiveness?
- Successful leadership today looks the same as it has always looked. Leading out of a recession doesn’t call for a different leader. It calls for a true leader.
References


ii Tan Suee Chieh. "Why no one seemed to see the crisis coming”. The Straits Times, Jun 23, 2009.


