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As one of the enduring clichés of business goes, it’s tough at the top – but thanks to the economy having enjoyed almost 15 years of continuous growth, managing hasn’t seemed that difficult. However, with a recession looming on the horizon, this could all be about to change. Even more worryingly, many observers fear that complacency bred by the boom years has left our leaders – and by definition their organisations – vulnerable when it comes to weathering a period of economic decline. Research carried out by Pentacle, the Virtual Business School, found that over 70% of senior managers believe UK bosses have little or no experience in dealing with a downturn and 62% feel leaders lack experience of exercising caution in a difficult economic climate. Equally disturbing is the finding that only one in 10 senior managers held equivalent positions at the time of the last UK recession.

Professor Eddie Obeng, director of Pentacle, predicts a steep learning curve for many business leaders and insists that they must act now. ‘Once we get into recession, the tendency is to panic,’ he says. ‘One of the key things is not to make any strategic decisions you might regret later.’ The popular definition of a recession consists of two consecutive periods of economic decline – but clearly managers can’t afford to stick their heads in the sand and wait for an official announcement from politicians and analysts. Once the country slips into recession there will

be no hiding from poor decision-making or bad management practices. Instead, individual and organisational shortcomings will be amplified and market frailties exposed.

So what are the guiding principles for managers about to have their first unpleasant taste of dealing with a recession and is it even possible to turn the situation to your advantage? Nicholas Bate, author of *Beat the 2008 Recession, A Blueprint for Business Survival*, notes that during the good times you don’t necessarily need total clarity about a business and not every manager will have the details of how a company works at their fingertips. ‘However, in a recession you can’t afford not to do everything effectively,’ he says. ‘It’s about being brilliant at the detail.’

Bate adds that it is also important to remember that you are a manager. ‘It might be that you decide to go on the shop floor and pack boxes but just make sure that you are also leading and managing people,’ he says. Like Obeng, Bate urges managers not to slide into a self-induced panic, which can bring on classic kneejerk reactions such as laying off staff or slashing prices. It may well be that a business case can be made for doing both of these but such decisions must be thought through.

‘Some of the things you do [in a recession] seem paradoxical,’ says Bate. ‘For instance, it can be more effective to put prices up. If you lower prices when fewer people are buying from you, you are on a slippery slope.’

Similarly, making staff redundant can be a false ▶

WEATHERING THE STORM

The past 15 years have been good for business and many managers have forged their careers on the back of the UK’s economic boom. But the looming recession presents new challenges for today’s business leaders – some of whom have never experienced a downturn. **Sue Weekes** examines strategies for managing your way through the difficult times



◀ economy since all too often the same people then need to be taken on as contractors at huge cost.

‘Maybe there is a need for some staff to go,’ says Bate, ‘but looking at a spreadsheet and deciding to go from 10 staff to two can be an expensive mistake.’ Managers also need to know precisely where their money is being spent and how employees are spending their time. As Obeng says, many managers forget that in business ‘every second of every day’ costs money and employees’ actions need to derive a commercial benefit.

‘Are the staff doing something that is important for the customer and which will therefore bring you money, or are they just filling out their job sheet and not really adding value?’ he asks. ‘They may well be busy all day but are they doing the right things? Challenge behaviours and work habits, especially if you think these may be wasting time.’

OPPORTUNITY KNOCKS

Recession may not seem the best time to explore new markets but paradoxically leaner times can provide the impetus to do just that. A case in point is Rolls-Royce and Bentley Motors, which suffered a slump in sales during the first Gulf War and the ensuing oil crisis of the early 1990s. In a low-volume, high-margin business such as the luxury car market, any change in demand can have a hugely damaging effect and the company was forced to reduce its skilled workforce by more than half and simultaneously look for new markets. Surprisingly, says worldwide commercial director Steve Whatmore, who managed the restructuring programme, the company found that there was a demand for a more high-spec vehicle with new features such as protective armour. The challenge was in meeting this demand with a drastically reduced workforce and a lack of development cash. Added to



this, the employees who remained were naturally concerned about their career prospects.

‘We had been a very traditionally run company,’ says Whatmore. ‘People were wondering “Who’s my boss now, where’s my bonus and what’s my career path?”’ Pentacle was brought in to manage the change and among the measures it put in place were multi-disciplinary project teams where planners, engineers, manufacturers and worldwide suppliers worked together ‘virtually’. These virtual project teams overcame the cashflow barriers and the company was able to bridge the supply/demand gap

Pentacle also provided coaching and mentoring for key people in the team. ‘We worked with our suppliers, outsourcing and sharing both cost and gain,’ says Whatmore. ‘Early sales success endorsed the change and the company managed to create a whole new business, which was then successfully sold to Volkswagen just six years after the initial downsizing.’

Obeng agrees that with creative thinking, downturns can provide new business opportunities. ‘You can use a recession to fix a problem or use it as an opportunity to do something different or better,’ he says. ‘Most organisations try to fix things but recession can offer a brilliant chance to do something else such as establish yourself in new

Above: recession can be the best time for exploring new markets as Rolls-Royce discovered
Top right: making staff redundant can be a false economy
Opposite: prevent negative rumours with constant communication

markets and re-write the business model.’ For Rolls-Royce and Bentley Motors, looking after key personnel and investing in their development via coaching and mentoring was important to the company’s reinvention and subsequent success.

TIME TO TRAIN

Another classic management reaction to recession is to put training and career development on hold. However, Narendra Laljani, director at Ashridge with responsibility for the company’s qualification programmes and Leading Strategy and Change Faculty Group, believes that because it is often the ‘opportunity cost’ of sending a manager out of the workplace for training that many companies are concerned about rather than the actual fee, it can make good business sense to provide career development in a recession.

‘[In recession] the opportunity cost of taking people out is reduced,’ he says. ‘This makes it a good time for training.’ There are signs, too, that the sort of management education people are looking for is changing in step with the altered economic outlook. Based on Obeng’s recent experience, there is an increased interest in business models and how to add value, as well as leadership training in areas such as how to ensure teams are energised and focused. Clearly, communication can play a massive part in keeping workforces motivated



during a recession. The big difference with this recession compared to previous ones is the level of personal debt many people have, which will place additional stress on employees who fear their jobs may be at risk. Bate urges managers to talk to their teams regularly.

‘In bad times, rumours can become magnified,’ he says. ‘So have weekly meetings and, most importantly, be honest. Remember that the thing we don’t like, for example from government, is a lack of honesty, so hold frequent meetings to keep people informed, whether they are the people who stack the shelves or the top sales people.’ Laljani agrees that it all boils down to honesty. ‘Explain that some hard decisions will have to be made but be open,’ he says. ‘We need to carry people with us in a recession. Remember that there is no room for

hypocrisy and cost reductions also need to be seen kicking in at the top. The actions of leaders always speak loudly but in a recession they are brought even more sharply into focus.’ Laljani’s colleague, Albert Zandvoort, director of the Ashridge Leadership Centre, adds that the way leaders manage themselves in a recession is key. It is important to work on your own resilience, he says, and remain authentic in how you act and what you do.

‘You’re going to have lots of people pushing you in different directions and if it looks like you are struggling to maintain a clear sense of purpose, people will start to lose hope,’ he adds. As well as demonstrating strong leadership and having a clarity of vision it is also important to keep morale high and, wherever possible, give the team something to

look forward to. Bate says that many companies make the mistake of ‘cancelling fun’ in a recession, but activities like social events and internal competitions are a great motivator.

‘Fun should be kept going in moderation,’ he says. ‘Try to have some good news at each meeting and if there’s a birthday on the team, buy a cake.’ While the coming months could prove hard for those who have yet to bear the brunt of recession, the upside is that some will emerge from it as stronger leaders, having tested their skills in a variety of new situations. It may be another management cliché, but viewing recession as an opportunity rather than a problem may well prove to be the difference between success and failure. After all, as Bate says, ‘Managing in a recession is what we’ve trained for – anyone can lead in the good times.’ ■

“YOU CAN USE A RECESSION TO FIX A PROBLEM OR YOU CAN USE IT AS AN OPPORTUNITY TO DO SOMETHING BETTER OR DIFFERENT”