

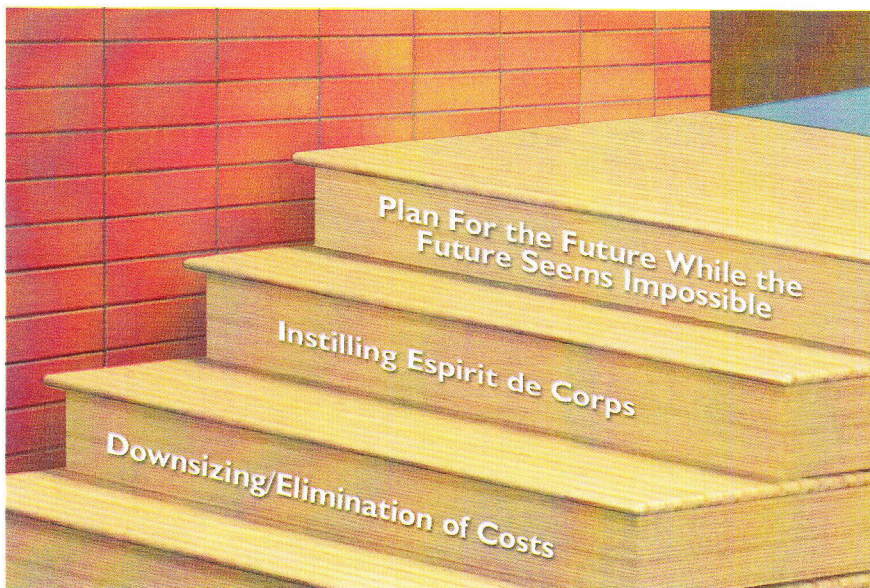
Positioning Your Company for Growth During a “Hunker Down”

The Three Phases

There is surprisingly little literature focusing on tactical management during a recession. This article reviews the literature and presents a three-stage model based on our global talent management company’s intervention with 16 global companies that managed significant downturns over a 15-year period. The key managerial concept is that most practitioners tend to view these managerial events as focusing on cost reductions only—layoffs, salary reductions, etc. This one-stage perspective will hamper the speed at which companies regain full operational strength once the economic cycle turns positive. We argue that it is more fruitful to think of downturn management as a three-step process.

Winston Churchill is reported to have said, “When going through hell, the best thing to do is... keep going.” Recession management is a special form of corporate hell. The focus of this article is to help

global business leaders frame their tactical responses for going through this business hell. I call this process “managing through Hunker Downs.” Leaders will find little practical value in looking at the academic literature.



There is one exception. Joel Brockner and his colleagues at Columbia University did excellent work on how to maintain employee productivity following a layoff. He and his team conducted a field study on the relationship between job insecurity associated with a layoff and the work effort of employees who survived. The relationship took the form of an inverted U. Work performance was highest under moderate threat. Moderate threat was defined as employees understanding that there was no job security but they knew the company would actively help them to land on their feet through generous severance and outplacement programs. Employee productivity was lowest under conditions of guaranteed job security (no threat) and no job security and no assistance (high threat) (Brockner, 1992).

In an earlier study, Brockner and his colleagues found that post-layoff employees had the most negative reactions to management when they identified with layoff victims and perceived that those victims had received inadequate compensation or outplacement assistance (1987).

Our Field Research

The field research described in this article represents participatory observation as an outplacement consultant with fifteen US-based global organizations ranging from \$200 mn low-tech manufacturing companies that are family businesses to *Fortune* 500 companies. In each case, there was a significant downsizing in response to external events and our firm was called in to assist management in the wake of the layoff. We are not addressing the layoff itself or the outplacement. We

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are focusing only on post-layoff management or what we call managing through Hunker Downs.

We found that 13 of our 16 companies had leaders (CEOs and heads of human resources) who managed Hunker Downs as if it was a one-phase operation—elimination of costs and reduction of employees. One way to measure success in managing through

ness leader has a crystal ball, no responsible person in a company would say "We are finished with downsizing." A pall of uncertainty always hangs over the surviving employee population. The worst performing organizations assumed that this was the entire program. The best performing organizations assumed this was but phase one.

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Hunker Downs is assessing the time taken to full recovery when the economic cycle finally turns favorable. We found that the quickest recovery times took place in four companies where there was a three-phase concept behind "Hunker Down" management: downsizing/cost elimination; instilling *Espirit de Corps*; and planning for the future while that future seems impossible.

Phase One: Downsizing/ Elimination of Costs

The first phase of "Hunker Down" focuses on scrapping programs, tightening collections, centralizing functions, examining inventory control, and reducing payroll through layoffs of salary reductions/salary freezes. The emergence of a trimmer organization completes the first stage of Hunker Down. Given that no busi-

Phase Two: Instilling *Espirit de Corps*.

In the wake of Phase One, we found most remaining employees reported at least two of the following three complaints:

i **High Stress Levels**

Employees must perform their regular jobs and they must also perform the jobs of others who were laid off. There are usually fewer administrative/fiscal resources to carry out these expanded tasks. Customer facing employees are under particularly high levels of stress in that they must convey a sense of calm they do not really feel.

i **Lack of Confidence About the Future**

Employees may be unclear about the wisdom of the company strategy or they simply think the

strategy is doomed. They often express the belief that top management only has tactical plans to cope with quarterly results. It lacks the vision and the courage to make the necessary changes to succeed once the recession lifts.

i **Personal Financial Concerns**

Employees complain about downward economic mobility for themselves and for their families.

Given these three factors, the attempt to create *Espirit de Corps* at such a time seems counterintuitive. From another perspective, what is the alternative? Having middle management focus on day-to-day survival while hoping that poor employee morale doesn't infect customers doesn't seem an inspiring idea.

Colonel Potter as a Role Model for the Second Phase

We found that the most effective leader builders of *Espirit de Corps* had leadership characteristics similar to a fictional US television leader: Colonel Henry Potter, leader of the Third Army Mobile Army Surgical Hospital (MASH). The long running television serial *M*A*S*H* takes place during the Korean War. The *M*A*S*H* physicians meet the three criteria outlined above:

1. **High Stress**

The MASH unit is chronically undermanned and under-resourced and yet they have to perform well under battlefield conditions. Most of them are in the Army because they were drafted.

2. **Lack of Confidence about the Future**

Most of the doctors are draftees. They do not buy into the war or see that the government has a way out of the war.

3. **Personal Survival Concerns**

Pain, death, and disability are daily issues.

Colonel Sherman T Potter (played by Harry Morgan) is the regular Army leader of this group. His mission is to ensure operational effectiveness while keeping morale high. In other words, his focus is *Espirit de Corps* under the worst of managerial conditions. What does Colonel Potter do?

➤ **With The Troops**

Colonel Potter is never accused by his physicians of not knowing how difficult our conditions are. During times of crisis, he will conduct surgery. He is usually walking around and talking with his troops rather than sitting at his desk writing memos. Indeed he delegates all administrative tasks to his administrative assistant, Radar.

➤ **Low Status Image**

Beyond the mandatory insignia of rank, Colonel Potter managed to avoid images suggesting that he is better off than his fellow soldiers. When Colonel Potter speaks about recreation he speaks about simple things like fishing. The message is we are all in this together.

➤ **Encourage Celebrations**

The M*A*S*H unit was always looking for an excuse to party and Colonel Potter would be there to celebrate. Celebration of small success is critical during these times. People need frequent, concrete reminders that their team is moving in a positive direction even it means we survived this week.

➤ **Readily Expresses Appreciation**

“I Really Appreciate What You Did” is a phrase Colonel Morgan utters over and over again. He frequently uses the names of the soldier when complimenting him. He looks directly into the person’s eyes.

Give Small Luxuries to the Team for Small Steps in the Right Direction

In addition to having the right leadership role model, we found that fostering Espirit de Corps meant an emphasis on inexpensive team-based compensation. We observed the following: the group being given movie tickets for themselves and their families, prepaid gas cards, dining cards, cards for sauna/massage, etc. The group focus was on small luxuries that people may have eliminated during their family financial cost cutting.

Phase Three: Plan for the Future While the Future Seems Impossible

We saw a team-based focus on the future side-by-side with the day-to-day survival focus. Our most successful companies put together task forces to develop scenarios that link the company’s current strategy to how the

unit can make its biggest contribution corporate-wide within 30 days after the company once again goes on the business offense. Key team questions:

- What are the unique leading indicators that allow us to determine that better times are ahead?
- What plans need to be implemented immediately to help the unit rebuild quickly?
- How can we carve out time to conduct informal interviews with potential employment candidates we might want to quickly hire in the future?
- How can we do a better job of keeping in touch with our customers now and quietly talk about their anticipated needs when the recession lifts?

If it is Done Right...

Effective management of Hunker Downs may not have as much gratification as managing high growth, but it is an important, practical leadership skill all global leaders need to master in this global economy. ❁

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