

# Mining the Diamonds

*Leadership Lessons from the Recession*

*“Keep calm and communicate clearly.”*

*“We should all have a recession every  
now and again.”*

*“If you don’t offer a vital service you  
will always be vulnerable.”*

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**REPORT** 

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# About the Survey

Diamonds are created through extreme pressure. In late 2009 Catapult and EMA Central believed there must be some leadership diamonds created through the intense pressure of the recession. We decided to mine for these diamonds and in February and March 2010 we conducted our leadership lessons from the recession research.

Leaders from 70 organisations participated from a wide range of organisations: from micro businesses through to large organisations, from private sector through to public sector. Our thanks to all those organisations who took part.

The aim of this report is to share the diamonds so leaders can be better prepared next time the recession clouds roll in. But the learning is not only about the next recession. Catapult and EMA Central strongly believe the leadership practices and wisdom contained in this report are equally valuable during the good times. In fact, if the leadership lessons and philosophies contained within the report are put into practice we have no doubt your organisation will be in much better shape come the next economic storm.

The report provides an Executive Summary followed by detailed reporting on each of the five questions we asked. For each question we report on the most common themes and illustrate with specific quotes. Because respondents participated on a confidential basis the quotes are not attributed.

We conclude the report with Diamond Suggestions – great questions to help your leadership in good and bad times.

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## *Executive Summary*

The recession has had a positive impact on leadership development in New Zealand. It has helped build leadership confidence and capability.

The recession has forced many leaders to step up their leadership and undertake functions previously neglected. For example:

- Strategically reviewing their service or product offering to establish how vital it is to customers. In other words – engaging in the question “are we providing the right things to customers?”
- Reviewing processes and systems to establish whether things were being produced/delivered in the most efficient way.
- Increasing their focus on cost and resource management.

The recession has resulted in many leaders providing better people leadership, including:

- Communicating more often and more openly with employees
- Involving and engaging employees in the development of strategies and plans
- Increasing awareness of the impact of their mood on those they lead.



# Question One

What have been the most important leadership lessons for you from the recession?

## Results

Think strategically and long term. Develop plans	32%
Retain a positive and confident attitude	27%
Manage costs and cash flows	26%
Involve and engage people	25%
Communicate – lots, regularly and honestly	20%

## Commentary

It became clear from the responses that both the hard and soft skills of leadership are needed to navigate through a recession.

### **Strategic Leadership**

A core role of leaders is to future proof their business – making sure it remains meaningful and relevant so customers continue to choose their products or services.

For many respondents it appears the recession jolted them into strategic leadership. It forced leaders to explore just how compelling their organisation's service or product offer is in a recession and how can it be made more meaningful. For some this exploration resulted in them focusing on their core business and abandoning some peripheral activities. For others the inquiry resulted in them expanding their service or product offer.

*“Have a strategic plan so that when something like a recession hits unexpectedly you can revise what you are focusing on as a business and make any necessary changes and make the most of the opportunities of the recession.”*

*“Be confident and positive, but also take the opportunity to look at the organisation strategically and make change.”*

*“Stay true to your core business – do not grab at any opportunity just because it brings about income, customers will begin to distrust you. If your proposition is compelling enough, your service delivery of a higher enough standard, and you remain passionate, positive and committed to your task you will attract opportunities regardless.”*

### **Positive and Confident Attitude**

What came through loud and clear from many respondents was the need to remain positive and confident while dealing with adversity (27%). These leaders recognised that their attitude and mood is contagious. If they were down and depressed then this negative sentiment would spread to others in the organisation. The lesson here for leaders is to lead with attitude as well as actions: face the facts but remain positive and confident that you will prevail.

*“Demonstrate confidence to staff that the company will weather the storm.”*

### ***Manage Costs and Cash Flows***

Not surprisingly, keeping a tight rein on costs and cash flow was among the most important leadership lessons from the recession.

*“Concentrate on sales, ask for the order, watch cash flow.”*

*“Focus on the immediate return on investment.”*

### ***Involve Employees***

Actively involving and engaging staff in plans to fight the recession was mentioned by 25% of respondents. Doing so has the effect of giving employees a greater sense of control and ownership rather than being passive observers.

*“Be very clear on the reasons and desired outcomes for any restructure, such that staff can influence the process rather than [be] passengers.”*

*“Encourage discussion of the issues and you’ll be amazed where the smart solutions come from.”*

### ***Communicate, Communicate, Communicate!***

Many leaders identified the importance of clear, open and regular communication with employees:

*“Staff want to know what is going on - good and bad.”*

*“Communication with staff and customers – in times of distress communicate as much as possible.”*

*“Meet regularly with management and staff to inform and discuss the likely impact of the recession on business.” ■*

## Question Two

What were the best things your organisation /company/business did as a response to the recession?

### Results

Tightened up on expenses and reduced costs	26%
Reviewed processes	16%
Removed poor performers	10%
Improved communications	10%
Retained our best people	9%
Looked for opportunities and where we could change	9%
Introduced flexible working hours	7%
Greater focus on innovation and developing new ideas	7%
Focus on people	7%
Redeployed staff	6%

### Commentary

The major insight from this question is that a recession provides leaders with an externally mandated license to review everything. With that comes great opportunities to make changes that strengthen the business and lift productivity. As one respondent said “it gave us the chance to review all sorts of things”.

We have grouped the actions leaders took into three categories: efficiencies and expenses; innovation and ideas; and people management.

#### **Efficiencies and Expenses**

Gaining efficiencies and better management of expenses was mentioned by 26% of respondents. For some organisations this took the form of major organisational and capability reviews.

*“We did a comprehensive organisational review designed to ensure we have the capability required for the new environment. We did a value for money exercise and reassessed key areas of expenditure. This required managers to focus on their activities to ensure they are cost effective.”*

For others, cost containment was a mantra that became embedded into the organisation.

*“We communicated clearly with staff, tightened our belts and made decisions on spending money on good business principles.”*

Some respondents talked about the need to be careful not to exercise knee jerk cost cuttings. Cost cutting and efficiencies should follow from a strategic review of the business.

*“We did not blindly look to cut costs. Rather we identified areas to improve or new or better things to do with the resources.”*

*“We reviewed our processes and overhauled them to create more efficiencies placing the company on a better platform ready to grow further once things pick up.”*

*“We managed costs tightly, added value to our offerings, developed our relationships and thought about new approaches.”*

16% of respondents specifically mentioned that they have reviewed all their processes to see where and how they could bring about efficiencies and/or add value.

### ***Innovation and Ideas***

The recession provided leaders with an opportunity to engage their organisations in great leadership questions such as: What could we do better? How could we do things smarter? What else could we be doing? Why are we doing things this way?

Ideas and innovations generally fell into two categories. The first being innovation and ideas on how to deliver current products and services more efficiently. Those organisations that looked for innovation and ideas around current products and services tended to be those who had decided they needed to focus on delivering their current core business as best they could.

*“We encouraged our staff to look for cost reductions “with their blinkers off”. New ideas are still being put forward.”*

The second category being innovation and ideas on new ways to compete or add value. Organisations that fell into this category tended to be those who felt they needed to diversify to survive, or who saw the recession as an opportunity to accelerate planned diversification.

*“We developed a service that benefited our clients financially – it saved them money by lowering their costs by 30%. We got their attention and took business off our competitors.”*

*“We offered a more diverse range of services to spread the net wider since each customer was spending less. Used it as an opportunity to change and innovate. Staff were open to that.”*

*“It accelerated a move toward a more innovative business model.”*

### ***People Management***

The recession appears to have brought greater clarity and courage to leaders in terms of managing people. Clarity in terms of who is and who isn't adding value, courage to address poor performance, courage to try new ideas, and courage to communicate openly and candidly.

*“We looked at our people – which is our most powerful resource. It gave us the chance to review all sorts of things and we got rid of some dead wood.”*

*“We restructured and moved on some drift/deadwood.”*

*“We were carrying fat and had senior well paid people not earning their keep.”*

Some organisations redeployed employees to where the need was greatest or to encourage innovation.

*“We changed responsibilities. The best way to deal with problems is a fresh set of eyes.”*

*“We got agreement from management and staff to accept some measures including taking annual leave early and transferring staff from production to marketing roles for short periods.”*

*“We redeployed staff instead of making their jobs redundant.”*

*“We offered part time work instead of job cuts.”*

*“[We] managed staff with respect and open discussion...we put in place staffing arrangements that allowed for decreasing staff hours without trauma or drama and allowed for good understanding.” ■*

## Question Three

As a leader, how would you respond differently in the event of another recession?

### Results

Do nothing differently	25%
Act earlier	16%
Plan ahead be more strategic	11%
Communicate more	10%
Make more of the opportunity	7%
Have greater confidence	6%
Be open and flexible	4%

### Commentary

Some leaders felt they were slow out of the blocks and could have made a bigger difference had they acted earlier:

#### **Act Earlier**

*“Should have taken a harder look sooner.”*

*“Need to act more quickly to change.”*

*“Should have implemented cost controls sooner.”*

#### **Planned Ahead – Be More Strategic**

These respondents felt they would have been better prepared had they had plans in place or thought more strategically about their response.

*“Would ensure we had agreed process/policy/principles well in advance so that the framework is in place.”*

*“Be prepared with a plan before it hits.”*

*“Think more strategically prior to a recession.”*

#### **Communicate More**

Many responded to this question by saying they would communicate more. This result reinforces the importance of communication. If in doubt, do more!

*“Communicate more with staff.”*

*“Have more ongoing discussions with providers as to their situation.”*

#### **More Confidence**

The respondents who said they would have more confidence next time around were primarily referring to having greater confidence in the people around them.

*“Have more confidence in the team culture – that it will grow and survive.”*

*“Confidence that we have the right people.”*

*“Not be quite as pessimistic – in NZ’s case the world media hype did not apply in many respects.”*

***Make More of the Opportunity***

Recessions provide an environment that enables leaders to implement change more easily. These respondents felt they had not made the most of the opportunity.

*“Could have used this as an opportunity to upgrade and review systems and processes.”*

*“Have a broader approach – review everything not just sales and marketing.”*

*“More aggressive review of supplier contracts.”*

*“Use the recession to get better focus and more alignment internally.”*

***Be Open and Flexible***

Recessions are uncertain times. By implication leaders need to adapt and be open to opportunities that arise.

*“Don’t discount opportunities and keep options open for opportunities.”*

*“Look for opportunities in everything.”*

*“Be prepared to change positions in response to external events.” ■*

## Question Four

As a leader have you changed as a result of the recession? If so, in what ways?

### Results

Seventy percent of respondents agreed the recession had changed them as a leader, and in positive ways. An analysis of the research suggests the changes fall into one or more of the following categories:

#### **Attitude Changes**

The recession resulted in some leaders forming different attitudes about leadership. The following attitude changes were mentioned multiple times:

- Greater confidence in my ability to lead
- Greater awareness of opportunities that are out there
- More thoughtful about my leadership role
- Become harder nosed and more pragmatic
- Have higher expectations of employees
- Want solutions focused conversations with managers and staff

#### **Greater Appreciation**

The recession has given these leaders a greater appreciation of the different aspects of leading organisations and people. The following were mentioned multiple times:

Greater appreciation for/of:

- The people who work here/my team
- Managing costs

- The importance of communication
- How my attitude impacts those around me
- Customers/being customer focused
- Responsibility of running a business
- The big picture
- The cyclical nature of business
- Complexity of running an organisation
- Managing risk
- Importance of relationships and networking

#### **Skills Development**

Dealing with the recession has equipped many leaders with new skills or enhanced existing skills. The following improvements in leadership capabilities were mentioned multiple times:

- Strategic thinking
- Planning
- Communication skills
- Being open and honest
- Letting go of “lower level” work
- Delegating
- Decision making and being decisive
- Priority setting
- Being disciplined

It is easy to conclude from this that the recession, while tough, has improved the leadership capability and confidence of many leaders. ■

## Question Five

If you could wrap up your experience of leading through the recession in one phrase, what would it be?

This question had the effect of synthesising responses to previous questions into one phrase. As a result it generated some great diamonds. We have categorised the responses into three categories. The first category contains comments that are purely recession experience comments. The second category is comments that provide a philosophy of leading through a recession. The third category is comments that offer practical leadership tips for leading through a recession.

### Recession Experience Comments

- I have been there before and without a doubt it is easier with little or no gearing (debt)
- Tough
- Medic!
- Staff turnover was greatly reduced so it was a great opportunity to up skill and bed down team work and create synergies
- I am tired, need a break, thinking “is this all worth it”. Hopefully things will start coming right soon
- Challenging but a learning experience for the business and staff
- A very hard, unexpected learning tool that affects everybody one way or another
- Edgy
- Hard work but thought provoking and ultimately a growing experience
- Positive wrangling and juggling mixed with a good dose of grit and hope
- Draining – both physically and in terms of enthusiasm for the task
- It is a great challenge – it’s not over yet
- Growth through adversity
- Challenging but ultimately rewarding
- Every cloud had a silver lining

### Recession Philosophy Comments

- Remain positive, remain focused – expect success
- Be the authentic leader people expect from the salary and title
- Be confident and proactive – see it as an opportunity to make change
- We should all have a recession every now and again
- If you don’t offer a vital service you will always be vulnerable
- Believe in the people you work with and that you are a team that will come out the other side
- Business is always about looking forward from where you are. Recessions change where you are and change the way forward. Accept that and you’ll be okay
- If you do what you have always done, you will get what you always got. You have to change with your customers and your market quickly
- Ensure you protect the organisation so that it is ready and able to participate in the recovery
- Making money is not the emphasis but making the business meet its obligations is core

- To be successful in times of uncertainty when resources are restricted, the power of effective people management is highlighted, over and above any cost-cutting measures
- Remember how you act in the bad times will reflect on your business in the good times too. If you acted poorly and didn't pay accounts on time, were rude and arrogant – someday you may need those services of the people you were rude to.
- You won't beat the recession by thinking, worrying or wringing your hands about it. There are no get rich quick escape options, just get on and do your job better.
- Tough times are good opportunities for leaders to remind themselves of the value of their people and for staff to be reminded of the job security and the motivating example that their managers/leaders provide
- Big picture today and tomorrow – but live in the moment and address issues as they arise
- Important to stay positive and stick to your knitting
- Acknowledge the difficulties for others but keep work ethics and expectations the same
- excellent relationships with your customers, suppliers, bank and staff; and ensure excellent quality in all aspects of the business
- Communicate
- Obtain profitable sales at all costs
- Timely and responsive “workable” decisions are better than protracted “good” decisions
- Create efficiency through improved communication and team work to realise the opportunities and don't reinforce the negatives of a recession
- Lead by example – particularly in a management position. Inform all employees so they are involved - so they understand and can help make changes
- Keep calm and communicate clearly
- Focus on the facts facing your business
- Lead don't follow
- Continued to execute long-term strategy
- Maintain the loyalty of staff – it means you have staff to lead
- Focus, focus, focus on core capabilities and leverage these where possible
- Keep the longer term plan in mind, but focus on staff and the immediate term to ensure you don't lose valuable resources unnecessarily
- Make the hard changes quickly and identify staff for the long term – support them through the ride
- Be proactive
- Remain professional, pursue opportunities but beware of the hype and pitfalls
- Plan for the long term
- Continue to serve your customers well
- Plan then act swiftly with contingency plans
- Plan forward. Read the indicators and plan for them. ■

## Practical Leadership Tips

- Involve and trust the whole team in the process
- Create a strong team culture in good times, share your dreams with your team and seek advice from your team for ideas – a good culture will transcend the bad times
- In the words of Winston Churchill “Keep calm and carry on.”
- Stay true to your reason for being, stay the course, keep the vision in mind
- Tell it exactly like it is
- Don't panic... things may not be as bad as the media suggests
- Closely manage your cash flow; maintain

# Diamond Suggestions

Based on the wisdom and insights from survey participants, and Catapult's and EMA Central's experience, we have developed the following leadership suggestions. You may wish to put these suggestions aside and refer to them when the next recession looms. However we recommend the lessons be practiced at all times.

## Strategic Leadership

Strategic leadership is about making sure the organisation is doing the right things.

Ask these great strategic leadership questions:

- How compelling is what we offer to our customers? Is it recession proof?
- Are we still going to make the purchase list of our clients in tough times?
- If our offer is not compelling, why? Is it the nature of the product or service or is it a communication/marketing issue?
- If we don't know the answers to these questions how do we find out? (tip – ask your trusted customers)
- How can we make what we offer more compelling? How can we add value to it?
- Do we need to offer more or should we focus efforts on our core offer?

## Operational Leadership

Operational leadership is about making sure the organisation is doing things the right way. Always do a strategic review first. Involve your staff – gather their insights and ideas.

Ask these great operational leadership questions:

- Where can we save costs and make efficiencies?
- Where is the low hanging fruit? (changes that are easy to make and will save lots)
- What are some smart and innovative ideas to bring about efficiencies?
- What assumptions are we living with in terms of how we do things?
- If we were to start from scratch, how could we do things better?

## People Leadership

Effective leaders bring out the best in people.

Ask these great people leadership questions:

- What mood am I projecting? Is it positive and confident?
- If I was an employee right now – what would I want from me?
- Am I communicating enough both in terms of information and frequency?
- Am I being candid and open about the situation?
- Am I tapping into the ideas, energy and experience of my employees?
- How can I involve employees and give them a sense of ownership and control?
- How can I redeploy people to gain fresh ideas and apply resource where it is most needed?

For more information on leadership development visit [www.catapultleadership.co.nz](http://www.catapultleadership.co.nz) ■



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