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Leadership in a recession

It's tough at the top. When things are going well, few people offer the pat on the back that you may feel you deserve. When things go badly, you are often first in the firing line. And quite rightly - good business leadership is crucial at any time, and particularly when times are hard. It's all too easy to cite the stagnant economy every time low sales figures, lack of new product innovation, high staff turnover or falling productivity are mentioned. However, my experience as a business coach has proven that with the right leadership, most businesses should be able see out the recession – and even achieve growth along the way.

Leadership is often considered lonely, but being a great leader largely involves getting the right people on board who can then help to both develop and fulfil the vision of where their organisation should go. In recessionary times, ineffective leaders often spend too much time managing, neglecting to recruit, retain and engage the right people within key positions. Of course, management is essential and should form the pivotal basis of any business; it is often the bedrock of good leadership, but not to the exclusion of everything else.

So, what are the common mistakes that leaders in industry are making and why?

One of the most damaging side effects of a recession is a general lowering of expectations, which seems to increase the longer the downturn lasts. However, the attitude that it's enough to get by will do little to help the industry grow. In fact, the latest Cefic Chemicals Trend Report, which showed a contraction of 1.5% in EU chemical production in 2012, compared with 2011, should act as a wake-up call. Figures such as these show that the preferred recessionary strategy of avoiding risk and failing to invest in growth is not working. No matter how understandable, the bunker mentality of focusing on quick gains to cut costs and increase short-term revenue inevitably impacts on the individual company's survival and the industry's general economic health.

It takes guts to maintain a course of strategic investment and long-term planning during times like these, but this is the key to growth. The most successful businesses that I work with focus on short-term survival with a clear plan for medium to long-term prospects. This includes a strategy for post-recessionary times – which will come.

This strategy includes ensuring that you have the right people in your organisation – and that you are in a position to keep them when the market begins to expand. Teams that have been subject to the drip-drip of cost cutting and short-term management during the bad times will often reward this behaviour by walking away once the good times return.

A good way of evaluating the nature of your strategy is to write down all the activity in the business that is focused on short-term management and tactical survival. Next, summarise in one paragraph how you are focusing on medium to long-term growth and getting the right people. It's also worth spending some time identifying what it is that people are eager to follow in your particular business leadership style.

The desire to protect what you have at all costs and ignore what is happening around you – a bunker mentality – becomes more popular during a recession. While this is an understandable and utterly human reaction, it has serious implications for individual companies as well as the industry as whole, meaning that leaders are failing to look at what other great organisations are doing. It's important to study what your competitors, industry leaders and leaders in the wider business community are doing – and to consider what you can learn from what they are or are not doing.

Another recessionary trait is insularity of practice whereby cost reduction exercises become the main force driving business strategy. Many organisations that we work with spend money on project teams who look at ways of improving efficiency, cost-cutting and headcount reductions, with very little emphasis on looking for opportunities to invest in the risk-focused strategies that companies could implement to increase productivity and profits.

Risk avoidance is rife when the economy is unpredictable, but the most successful leaders strive to balance the need for cost-cutting with the investment necessary for growth. Ultimately, those who fail to take risks, to speculate and look for long term opportunities as well as taking calculated risks are almost certain to lead their organisation and its people down the path of failure.

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