

ARE YOU THE ROLE MODEL FOR LEADING THROUGH HUNKER DOWN?

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Winston Churchill once said, “When going through hell, the best course of action is to go through it.” Hunker down is a special form of business hell. The focus of this article is to advise business leaders on how to lead people through it. Hunker down is one of three options in response to stark financial conditions.

THREE STARK STRATEGIC OPTIONS

In response to stark financial conditions, business leaders have three options. One option is to alter strategy by ejecting losers and focusing on more lucrative products/services. The second option is to exit from the marketplace with dignity or lack of dignity. Being acquired is a dignified exit. Bankruptcy is an undignified exit. The third option is to "hunker down" in the hopes of being a survivor when the business climate eventually changes.

HUNKER DOWN MAY BE A GOOD OPTION

Altering strategy might be the most attractive option for imaginative CEOs backed by Boards of Directors. But it takes courage and financial resources to alter fundamental strategy in the midst of bad economic times. It is often a “bet the company” move that some Board members will not have the stomach for. Employees may also sabotage the effort because they fear that the new strategy will replace them. The CEO may see growth. Employees may see market share cannibalization. Finally, radical alteration of strategy may not be even feasible. For example, mission driven organizations may find fundamental Board resistance to changing products/services if it destroys the sacred mission of the organization.

Exiting the marketplace through bankruptcy or being acquired may be a financial necessity to help shareholders stop the bleeding. But it is an end-game scenario.

Hunker-down, on the other hand, makes the strategic assumption that trend is not destiny. At some point, the bad times will go away because market conditions will change. And when it does, there will be fewer competitors to deal with. Hunker-down is an easy default strategy for Boards to accept, given the dramatic changes required of the other two options.

If a Board buys into a Hunker Down strategy, how does one attract, retain, and motivate talent? The rest of this article will focus on providing ideas for managing the three phases of hunker-down.

Cheerleaders for Weight Watchers

The first phase of Hunker Down focuses on downsizing the employee population, scrapping programs, tightening collections, and examining inventory control. During this first phase, senior financial leaders and CEOs may sound like they are doing a job interview for a counselor job at Weight Watchers. How else could it be when they say so often, "We've Got to Become Lean!" and "We've Got to Get Rid of That Fat!"

The emergence of a trimmer and more efficient organization completes this first stage of Hunker Down. The second stage consists of managing those employees who are survivors of the first stage. At this second stage, one often finds:

- High Stress Levels. Employees must perform their regular jobs; they must also perform the jobs of others who were let go.
- Lack of Confidence. Employees are unclear about the company's future and their own future with the company. They seldom accept management's assurances that a recent round of layoffs signals the end of layoffs. Hunker Down assumes no major strategic shift in market focus. Some employees will view this decision as a fatal decision.

- Personal Financial Concerns. Salary increases are now barely keeping up with the cost of living, particularly when one combines poor financial results with general inflation. Variable compensation is often non-existent and not worth counting on. Options are "under water." People feel that their families are experiencing downward economic mobility.

The Second Stage of a Hunker Down Operation

A key leadership task during the second stage of Hunker Down is to instill an *esprit de corps* marked by high customer responsiveness and technical competence. These twin goals must be accomplished among employees who are experiencing high stress, high uncertainty, overwork, uncertainty about the future, and personal financial difficulties. In addition, this spirit must be developed among employees who may be reticent about complaining about their high levels of stress, their uncertainty and their poor family finances. Why bother complaining if management's response is only going to be, "At least YOU have a job. What are you complaining about?" That statement does keep people quiet. It does not address their concerns.

COLONEL POTTER AS A MANAGEMENT MODEL

What kind of manager is best suited for the Second Stage of a Hunker Down operation? We think the perfect role model for leadership is Colonel Sherman T. Potter (played by Harry Morgan) in the popular television series M*A*S*H. The series is long gone but it continues to run on local cable networks. The M*A*S*H unit consists of health care professionals who did not necessarily like or respect each other. These professionals had to function in a highly competent manner under battle conditions. Few of the Army's traditional methods of reinforcing behavior (medals, promotion, etc.) motivated the civilian health care professionals who dominated the medical unit.

The management task was to insure operational effectiveness while keeping morale up. Colonel Potter is a long-time U.S. Army Regular Officer. For more information about his background plus a picture, go to the following link:

http://en.wikipedia.org/wiki/Sherman_T._Potter

Why is Colonel Potter the proper role model for managing the second stage of Hunker Down?

Be Shirt Sleeve. The nature of any medical emergency facility is that it can easily go from overmanned to undermanned to overmanned. During times of under manning, Colonel Potter would become a surgeon. In a similar vein, no CEO should be too proud during times of stress to spend time as a customer service rep or help in the warehouse. It is the symbolism here rather than the specific content expertise that is important in keeping morale up.

Keep Status Images Low. Beyond the mandatory insignia of rank, Colonel Potter managed to avoid images suggesting that he is better off than his fellow soldiers. Status symbols are particularly obnoxious to employees during Hunker Down. As we mentioned earlier, employees may perceive that their living standards are falling. What is financially irksome to a CEO can be catastrophic for employees. Talking about how difficult it is to purchase ski tickets at Vail this year will not go down well among employees finding it difficult to pay contributions to health insurance. One CEO had purchased a new Lexus. But she drove for work in an old Honda.

We met one CEO returning from a business trip from to San Francisco. When he came back, he spoke glowingly about the great restaurants he went to and the wine tours he made. This conversation was in front of his secretary who was planning to cut out her vacation so that she could keep up with utility payments. This CEO was so engrossed with himself, he failed to appreciate how he was eroding his secretary's morale.

Party Time. During times of crisis, Colonel Potter could usually be found with his troops in the operating room...not in the office writing memos. He was often an active participant at

M*A*S*H parties. If not out with customers, CEOs should be strolling around the plant as often as possible. Learning the names of employees can be extraordinary important during times of stress. Shake their hands. Let them know that this is a stressful time and you are grateful for their cooperation.

In the absence of ability to provide employees with significant financial rewards, take every opportunity to celebrate small success. These opportunities could include the obvious (Free Movie Tickets for Employees and their Families When the Company Exceeds Sales Goals for the Quarter). It is also useful to celebrate minor movements in the right direction. Examples in this latter category might include "Fred Kept a Key Customer Account That was On the Verge of Leaving." In this situation, all employees of department might get Dining coupons for jobs well done by an individual in the department. This helps foster a positive esprit de corps.

When someone does a service that advances the company interests, reward the person immediately. Do not wait until the end of the quarter or the end of the year. Tie the reward to the behavior in a concrete manner. Middle managers' desks should be stuffed with coupons that can be redeemed for movies, dinner, flowers, etc.

Leaders fail to appreciate that they need to fully appreciate employee competence during a period of high stress and eroding personal finances. Small, frequent celebrations are better than infrequent, large events. Have a Hero of the Month Party. All employees get pizza, salad, and soda. The Hero of the Month gets a framed picture with the President with a suitable inscription plus a plaque. Another thought is to offer family financial planning counseling.

Quantity Beats Quality.

The quality of the celebration is less important than the quantity of events that celebrate achievement. The goal is to produce *esprit de corps*. Colonel Potter was never reluctant to tell his staff, "I really appreciate what you did....."

THE THIRD STAGE OF MANAGING HUNKER DOWN.

We have discussed the first two stages of hunker down. The third stage is when economic conditions change for the better. The Board and employees compliment the CEO for having the insight to recognize that economic trend is not necessarily destiny. During the third stage, employees will start demanding more compensation. They will request more staff to deal with chronic under manning. The third stage of Hunker Down also means you can finally get that Lexus out of the garage!

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