

Leading in Tough Times

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It's Deja Vu all over again. We're into another concerning phase of the economic cycle precipitated by inflation and a volatile stock market. The operative word here though is "cycle." Unfortunately, when tough times evolve, many businesspeople forget the economy's cyclical nature and either panic and take rash actions, or freeze with fear like a deer in headlights.

Whether the challenges are a result of a bubble burst such as befell internet stock in 2001, the real estate woes of 2008 leading to the great recession, or the current volatility, there are four lessons to becoming an effective leader. One who is better equipped to navigate the tough times.

- Embrace the cycle, take risks now, 'buy low and sell high'
- Lead now, take prudent risks, get ahead of the pack
- Put time and money into developing your team
- Improve your emotional intelligence

Lesson 1: Embrace the cycle, take risks now, 'buy low and sell high'

It instinctively feels counterintuitive of course, but as this is a cycle, those who take risks now will be able to "buy low" and hopefully "sell high" as the economy improves.

Lesson 2: Lead now, take prudent risks, get ahead of the pack

Psychologically we want to hunker down, but that is the mindset of a follower not a leader. Now is the time to show that you are made of 'the right stuff'. There is a difference between prudent belt tightening and hunkering down. Those who take prudent risks now – who lead – will be ahead of the pack as the economy cycles towards recovery.

Lesson 3: Put time and money into developing your team

Just as the economy cycles, the hiring norms fluctuate. During an upward swing there is a tendency to hire bright people then step back and let them figure things out. The leadership vacuum has consequences though, as everyone wallows in a delusion of invincibility.

Research shows that managing people well is a learned skill, not something that most of us are born with. Trained managers will lead more effectively, achieve better results, and have lower turnover of their best employees. Remember the number one reason for people

quitting a job, even in tough times, is still, “I hate my boss.” The very best people will not tolerate a bad boss for long because they know they can find a new job and a better boss somewhere else, even when times are tough. Unfortunately, those who stay behind with bad bosses are usually your least skilled and least productive people or those who are the most afraid...not a recipe for building a successful company.

So, bottom line, put resources into developing your team...it will pay off.

Lesson 4: Improve your emotional intelligence

Emotional intelligence is the capacity to “manage” ourselves and our relationships effectively and consists of four fundamental capabilities: self-awareness, self-management, social awareness, and social skill.

During difficult stressful times, “emotionally intelligent” people manage their emotions better, react rationally with clearer heads despite the pressure, and hence make better decisions.

For example, effective leaders use varying leadership styles depending on the business situation and the people they manage. They are not prisoners to a one-size fits all approach to leadership.

Improving your “emotional intelligence” (EQ) can help you achieve better bottom-line results and be a better leader. If you would like to learn more about developing emotional intelligence, read **my recent post** and drop me a line.

Conclusion

Human psychology will always influence the economy and cause economic cycles due to our natural inability to remain in a steady state. We’re a creative species; we are not complacent.

The pendulum of risk taking is swinging over to the side of fear to seemingly the same degree it had previously swung to the side of no-fear. However, we’ll recover from this plunge, discover something else that will rev up our psyches and the economy, and there will be another plunge somewhere down the line...it’s inevitable. The upward swing creates innovations and wealth, and we are lucky for it. The plunge sobers us and can help us be more realistic about what can and should be produced.