DEPLOY THE THREE E’S OF EFFECTIVE LEADERSHIP TO SURVIVE THE DOWNTURN

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**Deploy the three E’s of effective leadership to survive the downturn**

*Our research shows that businesses focused on a combination of efficiency, evolution and empowerment outperform their rivals during difficult times.*

When a downturn hits, why do some companies emerge stronger and why do some sink without a trace? History tells us that a small percentage of firms buck the conventional wisdom of entrenchment and defense to grow stronger and more profitable during and after recessions.

Our research into previous crises reveals that, while there will always be winners and losers, the decisions and actions taken and made by companies in a crisis are crucial.

The most common response tends to be one of entrenchment, cost cutting, divestment coupled with a cyclical approach to R&D and advertising, but this approach often backfires. Companies that embrace the benefits of efficiency, evolution and empowerment, by contrast, can position to adapt and thrive while, crucially, motivating their teams to perform in a recession.

If you are an executive, what is it about you that can make the difference: to unleash your team’s motivation so that they give their discretionary performance to the specific situation you are in?

Here is our advice on how to embrace the three E’s of effective leadership during turbulent times, building on insights from our book, *“Leadership OS: The Operating System You Need to Succeed.”*

**Efficiency, not cost cutting**

Firms improving their operational efficiency do better than those just focused on reducing costs. This means using the downturn to make your business “fitter”, for example, by reconfiguring supply chains or processes.

In doing so, leaders need to provide clarity about what is expected of their employees with directions that can be driven by a bottom-up response. It’s about great leaders evoking a response in the people on the frontline. Employees also need to feel a strong sense of ownership, not just accountability. This can be achieved with the help of incentives of employee share schemes.

**Evolution, not innovation for the sake of it**

This is not about innovation or blue sky thinking, but evolving your business. Companies that look to evolve products, services or distribution and delivery channels fare better in downturns, but that does not mean you should just throw the latest technology at your problems.

Instead, leaders should invest in new product development, increase their advertising spend and develop new price strategies. This can be achieved successfully if people are given clear problems to solve, rather than being asked to dream up a miracle. It is also important to establish psychological safety for your teams to encourage open and honest exchange.
Empower, don’t micromanage
There is a wealth of evidence showing that decentralization and empowerment help companies adapt more quickly in leaner times and perform better in a recovery.

The value of local information grows in less predictable environments, meaning a “local focus” with empowered, local decision-making can enable greater responsiveness to market and customer needs. This also requires local discretion over outputs, from sales and products to pricing.

However, it can be harder for companies to empower local teams in a crisis. The instinct of many leaders is to take control, not to delegate or decentralize.

In reality, decentralization only works if people feel empowered to make decisions and act on them, rather than just being accountable for what happens. A balance is required, therefore, between keeping certain areas of decision making close to the center, while delegating those areas that can have the greatest impact on the ground.