

# Leading in an economic downturn

BY PEGGY HAILSTONE

Guiding your organisation through the economic crisis unscathed will require strong leadership. Peggy Hailstone speaks to third sector leaders about what they think it will take to be successful in this environment.

It's often said "if you always do what you've always done, you'll always get what you've always got." Yet the reality for the not-for-profit (NFP) in the midst of a global economic crisis is that you're likely to get half or possibly even less.

For the NFP leader it's a difficult situation. Do you revise [down] the expectations, intent on riding the recession out? Do you cut staff and services and reign in spending? Or do you innovate, transform and re-strategise?

Peter Holdsworth, founder and director of Pathways Australia, a specialist provider of

management support services to Australian NFPs and community organisations, is a strong advocate for change in a rapidly changing economic environment.

"Sometimes we become so involved in our organisations we find it difficult to see some obvious ways in which internal improvements can be made," he explains. For Holdsworth these changes could involve sharing accounting, human resources, and marketing expenses with other organisations, or merging with a similar organisation to avoid service duplication.

While many businesses have already buckled down and many more are tightening up, Holdsworth queries whether the economic downturn is perhaps an opportunity to work smarter rather than harder. From this perspective it's about reconceptualising; taking a fresh look at "how we do business to ensure that we are spending the funds we do have wisely."

Another advocate for change is Dr Judith Slocombe, CEO of Melbourne-based NFP, The Alannah and Madeleine Foundation, and a former Telstra Australian Business Woman of the Year.

For Slocombe, leadership in the current economic environment is about "reforecasting, reviewing, adjusting outputs, and encouraging innovation and ideas." The latter, she confides, is the key to how new revenues are developed, how funds are expended, and how services are delivered more efficiently. Slocombe also suggests that innovation and ideas are organisation enablers that allow an effective response to a rapidly changing environment.

Slocombe agrees there is no one aspect of leadership which should be done differently in an economic downturn. Instead she believes in "strong financial management, in line with a clear strategy, underpinned by a culture of innovation." She sees leadership in this environment as an amalgam of many different styles. "Leadership must be collaborative, sometimes authoritative and occasionally transformational." Collaborative because everyone needs to share the problem

## 7 LEADERSHIP TIPS FOR SURVIVING THE RECESSION

1. Work smarter not harder.
2. Reforecast, review, adjust and encourage innovation and ideas.
3. Ensure strong financial management, in line with a clear strategy, underpinned by a culture of innovation.
4. Be open and honest; it's about managing uncertainty.
5. Don't hide problems or pretend they don't exist.
6. The biggest challenge is managing uncertainty and fear.
7. Resilience and flexibility— the two key emotional competencies needed.



Dr Judith Slocombe, CEO, Alannah and Madeleine Foundation.

and be part of the solution, authoritative because there are hard decisions to be taken, and transformational so that new and more efficient ways of doing things can be found.

A young Australian with expert views and intensive leadership experience in the NFP sector is Larissa Brown, founder and Executive Director of the Centre for Sustainability Leadership (CSL), and 2008 Australian Young Environmentalist of the Year.

Frustrated with a lack of quality leadership on big-ticket social and environmental items, Brown established CSL as a means of creating systemic change through leadership and innovation. The Centre's flagship program, a scholarship-based eight-month training fellowship, was successfully rolled out in Melbourne in 2005.

On leading her own organisation through turbulent economic times, Brown reveals a people-oriented approach. "Leaders need to be open and honest," she says. "The biggest challenge in an economic downturn is to manage uncertainty and fear; keeping your employees, volunteers and supporters focused and aligned to your broader vision."

Brown also cites good communication as core. "Don't hide problems or pretend they don't exist." Such transparency, she explains, will ensure that stakeholders will understand if tough decisions need to be made.

Rather than a focus on styles or traits, many contemporary leadership theorists take the view that the leadership edge lies in emotional intelligence. Daniel Goleman,

former New York Times journalist and author of the (1996) best-selling *Emotional Intelligence: Why It Can Matter More Than IQ*, describes emotional intelligence as "the capacity of recognising our own feelings and those of others, for motivating ourselves, and for managing emotions well in ourselves and in our relationships."

It's a view supported by Peter Lanius, a Director at Leadership Mastery, a Melbourne-based commercial leadership and executive coaching business. Lanius has no doubt that recession places a much higher demand on a leader's emotional competencies. The demand arises, he explains, because of three dimensions: 1) a crisis of confidence 2) a crisis of employment 3) literal belt-tightening. The result is heightened workplace anxiety, as staff comprehend the seemingly limitless nature of personnel and expenditure cuts.

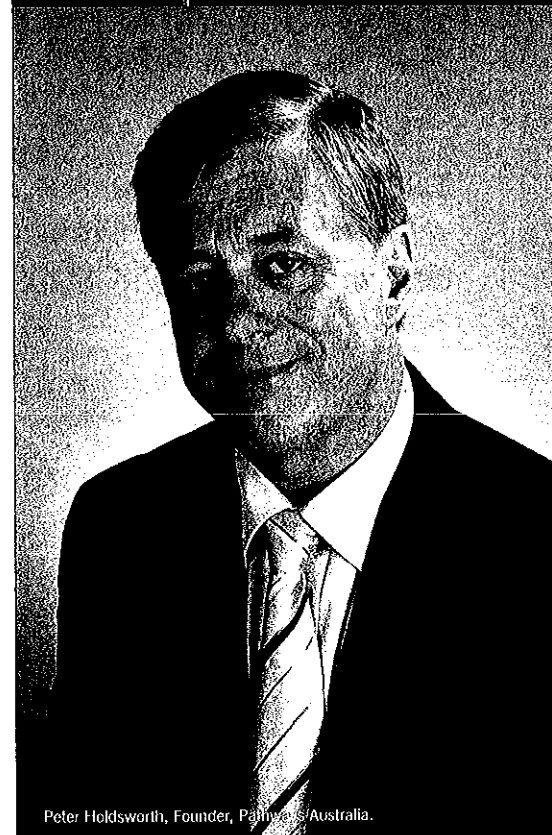
According to Lanius, the key emotional competencies required in such an environment are flexibility and resilience. And as Lanius counsels, and Goleman is famous for iterating, the beauty of emotional intelligence is that it can be learned.

Failing all this, all leaders, whether NFP, commercial or government, might benefit from the advice of Ram Charan, International speaker, global management consultant, Harvard graduate, and author of *Leadership in the Era of Economic Uncertainty* (2008):

"No leader succeeds without taking his or her people with him or her. Inspire them, be honest with them, engage them. Whatever you do now, don't forget you build your future as well." ♦



Larissa Brown, Founder and Executive Director of the Centre for Sustainable Leadership.



Peter Holdsworth, Founder, PAIN Australia.

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