

Leadership Challenges in a Recession

Leadership or Management ?

As we start, let's be clear about the difference between leadership and management. They are both essential, and most leaders spend a lot of time on management, but the two things are fundamentally different.

One way to put it is that leadership is about managing change, while management is about dealing with complexity. Alternatively, leadership is setting a direction and convincing people that that is where they want to go, while managing is the planning, controlling and organising needed make things happen. Leadership talks about what and why; management talks about how, who and when.

In good times, leadership may not be that difficult. When an organisation can produce acceptable results doing what it has always done, taking the prices which the market offers and growing in line with that market, leadership may take second place to management.

Pause for a few minutes to reflect on how you have been spending your time over the past couple of years. How much has been on leadership, creating a new vision of how things could be, and how much has been spent on management – planning, controlling, organising, problem-solving, and generally keeping things going ? If most of your time has been spent on management, be prepared for that to change.

Vision, Confidence and Hope

This is what people are expecting from you as a leader. Do they know where you want them to go ? Do they know where you are supposed to be in, say, two years ? Do they know how they are supposed to get there ? And do they believe it, or you ?

Be more Financial

You will need to think a lot more about money. You may even need to reverse your financial planning process. Historically, many businesses decided what they wanted their revenue to be, then worked out the costs. The third step was to calculate the cash required and assume that it could be provided. You may need to do this completely the other way around – starting from the cash you have, what sort of business can you afford ?

You will need to spread the financial message more widely than you probably have in the past – anybody who takes any decisions needs to be thinking not just about cost but also about return on investment and cash conservation.



Not revenue, but profit. Not profit, but cashflow. This is a major educational task.

Living with Yourself

You may well need to do some unpleasant and unpopular things such as making redundancies or withdrawing from parts of the business.. If you have to do unpleasant things and live with yourself afterwards, you need to be sure that they are necessary, and that they will achieve the intended result. This is when you need the vision, and the accurate financials.

Even if you don't have to make redundancies, rewarding and valuing your staff will be challenging. They're not enjoying the good feeling of growth and regular success, you don't have a lot of money to splash around in bonuses, but you need to show that you value them, to keep them motivated and committed. What will you do ?

Leadership for the next couple of years is likely to be more challenging than it has been for a generation. Alternatively, in the words of Abigail Adams to Thomas Jefferson in 1790, "these are the hard times in which a genius would wish to live. Great necessities call forth great leaders". Great leaders can't do it all on their own, and many of the things above are difficult to discuss with people who are part of the power structure. If you would value some objective, challenging but supportive input, give me a call.

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