ROSELLE LEADERSHIP STRATEGIES

Helping you select and develop great leaders

Three Compelling Reasons to Invest in Star Performers during an Economic Downturn

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When storms keep fishermen at port, they spend the time mending nets, repairing their boats, and discussing strategy so that they will be more productive once the storm clears.

The conventional response. In a shaky economy, many organizations choose to freeze expenses related to new hires and promotions, to downsize, and to suspend or dramatically limit expenses for things like travel and capital expenditure. These moves, plus a focus on generating new revenue, are often necessary in the short term to insure that organizations remain viable for the long term. However, it is critical to offset the increases in workload and frustration on remaining employees caused by such measures. Even the most talented and motivated workers will respond with fear and sub-optimal performance in response to such changes in the work environment.

The courageous response. A great way to offset the negative impact of cost-cutting measures is to invest in high potential and high producing leaders throughout the organization during the slow economic times. Relative to the savings netted by freezing new hires or downsizing overall head count, the cost of leadership development is small. However, to engage in such initiatives during an economic downturn, even a major one, sends a strong and reassuring signal to the star performers who remain. This is the courageous response, and it leads to stronger companies long-term.

Though it may run counter to conventional thinking, it is even more important in the midst of an uncertain business environment to invest in your star performers. Although the tendency may be to put leadership development in the “nice to have” category, smart organizations invest in their retained talent. They maximize the productivity of their people now, even with limited resources, to prepare for a quick and competitive start when the general business climate improves.

Some companies actually increase their market strength during tough times. Toyota, for example, pulls people offline in the slow times and provides classroom training for them (based on an article in the December 2008 Training + Development Journal, American Society for Training and Development). They do this to better position themselves for the inevitable upswing.

Why develop your leaders? It is helpful to remind ourselves why successful organizations invest in leadership development initiatives in the good times. Our research with clients over the last decade indicates these primary reasons for investment in their leaders:

- ***Increase productivity:*** From a quality/continuous improvement point of view, people—like products and processes—need to become more effective; greater effectiveness yields greater productivity.

- ***Retain top performers:*** The relationship between manager/executive and his/her subordinates is the key factor in retention; when leaders are ineffective at building and maintaining relationships, when top performers are not developed to their full potential, retention suffers.

- ***Plan for Succession:*** Senior managers and managers must look at how to leverage strengths and manage their development edges every year to be ready for greater responsibility. The leadership pipeline needs to be robust for the future, and stars need to see opportunities on the horizon.

- ***Foster a Motivated Environment:*** The effective role model of leaders who are motivated to become better, themselves significantly impacts the drive to continuously develop and improve. Leaders set the tone, especially in economically shaky times.

- ***Form More Effective Teams:*** When leaders at multiple levels identify obstacles to the effectiveness of their team and exhibit a commitment to work through these, the team becomes more effective. Often, their own leadership style and capacity is one of the obstacles.

The compelling three reasons. If these five outcomes are important in the good times, *how much more critical must they be during business downturns?* Here are three reasons your organization should plant leadership development seeds in its stars now (based on the results of several recent leadership surveys described in the Training + Development journal of the American Society for Training and Development), in order to harvest their increased capacity when business turns around later in 2009:

- **Increase motivation, productivity.** Though 75 percent of senior leaders identified leveraging leadership talent as a top priority, 60 percent of leaders at lower levels were not satisfied with their leadership development options. This leads to reduced satisfaction and a less motivated and productive environment.

- **Maintain competitive edge.** Star performers want on-the-job opportunities for skill development, and this is even more important when their options for promotion or increased responsibility decrease in a sluggish economic climate. With many organizations already lowering salary increases or freezing them in 2008, providing development opportunities is a way to offset the lack of financial reinforcement.

- **Retain top talent.** Close to 50 percent of high performers leave their jobs due to ineffective leadership above them and/or a poor relationship with their immediate manager. Though these employees might not have the opportunity to leave your organization in slow economic times, up to 30 percent will likely jump ship quickly when opportunities open up in the marketplace.

The bottom line. Costs involved in providing leadership training and coaching is relatively small compared to the potential ROI in the following economic cycle. Leadership development is not just nice to have; it is an essential competitive advantage in propelling your organization into the future. Tomorrow's industry-leading companies will be the ones that leverage the current economic climate by cutting the fat and elevating the talent that remains. In so doing, these leading organizations position themselves to move quickly and effectively when the economy inevitably comes back around.