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FUNCTIONAL EXPERTISE - SECTOR SPECIALISM - INTERNATIONAL REACH

Human resources forum

Leading leaders in a downturn



Unlocking Leadership Potential

We can help **maximise** the **potential** of your **people** to improve company **performance**



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Human resources - leading leaders in a downturn

'Leadership in a downturn' and 'managing a business turnaround' should not be confused.

Downturn refers to the fortunes of an economy. It is a recession or an economic depression. In times like these it is difficult to find funds to invest in capital projects, marketing initiatives or in people. As profits erode, there is pressure on business leaders to find savings. As sales slow, inventories rise and debtors stretch payment terms as far as they can, cash flow problems will be exacerbated.

Turnaround relates to the fortunes of a firm and may occur in times of economic growth. It happens when a company's business model, the capabilities that differentiate it, its products, services or strategy are no longer viable in the market in which it operates.

An economic downturn exposes weak leadership. In times of growth poor decisions are masked by proliferating sales. A downturn does not afford the opportunity to hide mistakes. The pressure to deliver is on irrespective of the economy, and there is a risk that intra company conflict will escalate through competition for scarce resources.

Human resources - defending and building strategic capabilities

If the finance function claims to protect the company's assets then the human resources team must claim to build the company's strategic capabilities.

Strategic capabilities are a combination of effective processes, and people who have the right skills as well as deep understanding of what is required. These components are 'glued' together by reward systems that focus efforts on common goals and values that foster collaboration. Strategic capabilities provide sustainable competitive advantage and should be dismantled only as a last resort.

The **challenge** for human resources leaders in a downturn is to protect, maintain and even build these capabilities while responding constructively to the economic pressures that demand cost reduction. This makes effective collaboration and ongoing dialogue with the executive team as well as other functional leaders the essence of human resources leadership challenge.

What skills are needed by human resources leaders in a downturn?

From our extensive experience of working with successful human resources Leaders, we have observed 11 critical capabilities that make the difference.

These are divided into four areas:

- Strategic leadership
- Performance leadership
- People leadership
- Role relevant experience



Critical leadership success factors

Strategic leadership

The ability to develop a clear view of what the business wants to achieve and what is needed to deliver these results:

- Vision: a frame of reference for decision making and leading
- Judgement: an ability to rapidly make sound decisions

Without good vision and judgement, human resource leaders become the implementer of decisions made by others and fail to fulfil the role of leading the executive team in matters of Human Capital.

People leadership

The ability to engage senior stakeholders both within the company and the broader business context.

- Engagement: influencing by connecting quickly with others
- Communication: frequent, clear communications that make an impact
- Collaboration: creating a spirit of cooperation across the organisation

Without the ability to engage, build cooperation and manage conflict across the company, human resource leaders lose track of emerging issues, find it difficult to win commitment to plans or be part of business decision making at the outset. They are seen as an internal supplier rather than leader.

Performance leadership

A focus on tangible outcomes; the personal drive to deliver results. It includes a will to get results through other people and the perseverance needed to see things through.

- Drive: energy and will to deliver results
- Resilience: taking knocks and bouncing back
- Commercial Acumen: understanding business fundamentals

Without achievement drive the human resource leaders becomes 'a-pair-of-hands' and relies on the push from line to get things done. Without resilience the function is immobilised by fear of failure. Without commercial acumen the HR function cannot contribute.

Role relevant experience

The technical and functional capability of the human resource leaders. There are a few that are critical in a downturn. It depends not only on skills and knowledge of a particular subject, but on the insight derived from a track record of having successfully led a function through a range of challenging times.

- Talent management: ensuring the essential supply of executive and professional skills
- Organisational design (culture): creating the structure and climate for success
- Exit: managing essential downsizing with commercial insight and respect for the individual

Without effective talent management human resources leaders lose control of knowledge management and this allows strategic capabilities to erode as scarce talent is lost in the course of cost saving.

