

## Managing success

By Stefan Stern

We will get the recovery we deserve,” said the business guru René Carayol in a conference call to Barclays customers in the run-up to Christmas. A thought-provoking sentiment, but what does it mean in practice?

In part, Mr Carayol was probably warning against the danger of business leaders losing their nerve in the face of a possible recovery, following a prolonged period of unpleasant shocks. But even if senior managers have picked themselves up and dusted themselves down, will they be ready to lead their organisations on to better times?

Part of the difficulty may be that, even if they themselves are ready, their organisations may not be. “In general, we have seen two kinds of downsizing in this recession,” says David MacLeod, co-author of a government-commissioned report that looked at enhancing performance through “employee engagement”.

He says: “There have been some ‘good’ downsizings, where employees accept that tough but necessary things have been done. But then there are the ‘bad’ downsizings, and here people tell you: ‘Once the recovery is in place, I am out of here!’”

Mr MacLeod asks: “When the recovery really does set in, will your people be on their knees, or will they have their running shoes on?” Telefónica O2 is one company that is ready for recovery. According to the mobile telephone operator, an organisation that fails to enlist its staff to its “fan base” is not making the most of its opportunities. As part of this, Telefónica O2 makes a “seven-point people promise” to new recruits, which includes a range of induction techniques, personal development and goal-setting.

Kay Winsper, the company’s head of employee involvement and experience, says: “We want to create an employee experience that appeals to people’s emotional and rational commitment. So not only will our people feel proud to work at O2 ... they will know it makes financial and professional sense to stay here.”

If true, this sounds like a virtuous circle. It should be easier to manage a workforce that really believes in that management message. But with the economic backdrop still uncertain, corporate confidence remains weak.

According to the Confederation of British Industry, the UK faces a “slow and anaemic” recovery, and it adds that things will still feel pretty sluggish two years from now.

“The UK economy faces a number of structural hurdles over the coming two years, and this recovery – like that of the 1980s – will be relatively drawn out,” says Ian McCafferty, chief economic adviser to the CBI.

“Credit conditions will remain difficult as the banks slowly nurse themselves back to health, consumer spending will be shaped by the need to rebuild savings, and the public sector will soon have to tighten its belt. All three factors will act as headwinds to growth.” If that doesn’t sound gloomy enough, other market watchers believe that economic conditions may be even more perilous than is immediately apparent. Mark Thomas, who is head of PA Consulting’s strategy and marketing practice, says that it is impossible to rule out a “second dip” in the economy.

He recently published a sobering book entitled *The Zombie Economy: Leadership in times of uncertainty*. Why “zombie”? Because, according to Mr Thomas, many businesses and institutions may look alive, but inside may be near death.

He says: “There has been a semi-permanent change in the business environment in the wake of the financial crisis. Recovery in a ‘zombie world’ is much more unpredictable. It will polarise much more sharply who the winners and losers will be.”

His reasoning is as follows: the recession will have finished off some of the weaker players; at the same time, those companies that were already strong will have benefited even further. “People will look back in a few years’ time and realise that this was the moment when they established a strong, winning position in the market,” Mr Thomas says.

The biggest challenge, however, faces leaders themselves. “The really difficult part is being able to distinguish between what is real, in terms of recovery, and what is illusory,” Mr Thomas continues. “Where are the pockets of growth that are worth going for? Many expected profit rebounds are unlikely to come – the consumer demand will simply not be there.”

The current crisis has been an enormous catalyst for change in the economy, and companies have reacted quickly by cutting costs and taking hard decisions that had been put off in the past. That was necessary, according to Mr Thomas, but is not sufficient.

“There will not be enough opportunities for everyone,” he says. “It is like a game of musical chairs – this recession has removed some of the chairs. Those who sit and wait for the recovery to save them are making a big mistake.”

This month’s annual Management Agenda report from the Roffey Park Institute confirmed just how much work is still to be done. According to the report, companies that admit they are facing financial difficulties expect to have twice as much difficulty maintaining profit margins as those operating from a position of relative strength.

Successful businesses are also investing far more in leadership development than their struggling rivals, the report says. According to Roffey Park, the bifurcation that Mr Thomas referred to – between strong and weak companies – seems to be happening already.

Businesses will get the recovery they deserve, but only if they display judgment, courage and capability. And only if they take their workforces – what remains of them – with them.