

When Business is Bad...Better be Good

By Carolyn Turknett

Atlanta Woman, May/June 2003

“We went through some tough times,” says Marcia Taylor, CEO of Bennett Transportation. Revenue and profits were down and Bennett was facing layoffs. Taylor knew that she needed to move fast to avoid disaster. She also knew that company survival depended on engaging the employees.

Many leaders today face similar situations, as organizations large and small struggle in the weakest economy in more than a decade. Managers find themselves forced to downsize and cut cost across the board to keep companies solvent. The intensity of the challenge too often results in plummeting morale and further erosion of profits. And companies lose top workers.

Thirty percent of those who responded to a National Survey Institute study say they are likely to leave their jobs when the economy improves. Forty-eight percent of younger workers say they plan to leave. And top performers, if dissatisfied, are more likely to leave first.

So how can managers head off defections and keep employees productive and happy? Dr. Barbara Reilly, professor of management at Georgia State, says leaders who inspire and motivate in a recession will likely come out of it stronger and even sooner. Reilly says successful leaders make changes because “they know that people don’t leave the company; they leave the boss.”

Some turnaround specialist think tough economic times call for tough leadership, but if Taylor is any example, leadership styles that are open and participative, while still holding people accountable, work better and faster. This gives people what they want most – a feeling of being in on things, a chance to use their ideas, and sense of mission and purpose.

When sales targets weren’t met, Taylor began her turnaround by telling the truth. “We brought in our managers, told them what was happening, and let them be a part of deciding how to deal with it.” The group agreed that wages would be frozen and bonuses held, but that a bonus pool would be paid if plan targets were met. The strategy worked, bonuses were paid, and 2002 was Bennett’s best year yet.

Leaders who don’t set themselves apart reap double rewards – they hear what’s going on and they motivate through dialogue. Meg LaVigne, who has spent five years as a general manager and is currently the GM and vice president of WUPA Atlanta, created effective staff meetings that employees actually enjoy. “We have monthly breakfast meetings where we discuss what’s going on, talk about progress on goals, and share ideas. But we also play games and have trivia contests.”

LaVigne says her previous years as a television producer taught her how to motivate others without using her position power. “As a producer,” she says, “you’re in charge of the project, but not the people. You have to work with people who don’t report to you.” The most effective leaders use collaboration to get things done. The key, LaVigne says, is not thinking of herself as “boss.”

In the late 1990’s the Gallup Organization confirmed via a huge analysis of 28 studies – involving 2,400 organizations, 80,000 managers and more than 1 million employees – that the most important factor in employee retention is the employee’s relationship with the direct manager. The problem is, managers in tight circumstances often revert to destructive leadership styles, such as the autocrat (“Do what I say because

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I said so”) and the pacesetter (“I have very high standards and can’t tolerate anything less”). This sort of leader always has a corollary belief – “I’m perfect and no one else measures up.”

Kellie Ann Brown, VP of financial planning and analysis of Synavant, admits to using this approach in her first corporate job assignment in Atlanta and recalls hitting a brick wall. As a high-flying MBA graduate, she expected all of her employees to work the hours she did and accept her no-holds-barred communication style. Instead of a willing, motivated work force, however, she got rebellion – people who did the least they could to keep their jobs, giving none of what motivated experts call “discretionary effort.”

She finally learned the error of her ways. “When I went through a leadership development program, I realized I had to work on my “brutal honesty,” Brown says. She got input from her employees, and the data opened her eyes. “I’ve learned it’s important to understand how someone will react while still being honest. I have learned to be constructive, not destructive.”

Emotional intelligence guru Daniel Goleman emphasizes the value of such lessons. Those who lead by creating a powerful vision, coaching and developing others and building strong teams have a positive effect on the working environment. Goleman writes in *Primal Leadership*: “Results showed that, all other things being equal, leaders who used styles with a positive emotional impact saw decidedly better financial returns than those who did not.”

Brown proved this theory works in real life. She recognized that coaching a young associate to help him gain the skills to finish a project was preferable to taking over, and that a little flexibility for a mother who wanted to see her daughter’s first softball game earned extra dedication when department deadlines were looming. She improved the climate, and motivation improved. And this didn’t cost a cent.

“Money is tight, and managers are feeling frustrated because they don’t have funds for merit raises or spot bonuses,” says Reilly. She teaches executive MBA students, all of whom are actively managing. “In every new class I ask students when they felt most motivated at work. The answers are always when they were involved in critical work, when they were on an important project that had high visibility, or when they got a lot of recognition. In more than 10 years of asking this question I have yet to have a student say, “It’s when I got that big fat bonus.”

Jackie Greaner, managing consultant at Watson Wyatt, believes that leading and rewarding in tough times takes more “creativity, communication and thoughtfulness.” She sees many companies making the mistake of using the same rewards for everyone. According to Watson Wyatt’s strategic rewards research, the top reward for women is a flexible work schedule. For people making more than \$100,000, it’s opportunities for advancement. And for those over age 50, it’s the quality of the retirement plan. Paying more attention to maximizing intrinsic rewards is essential when budgets are tight, says Andrea Deeb, Southeast practice leader for rewards and performance management at Towers Perrin. “When someone is working on a project, make sure they know how the project fits into the work of the total company. Put key employees on plum projects or in high-visibility assignments. And just say ‘thank you.’ Employees always complain that they are never recognized enough.”

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Small rewards for a job well done don't have to be expensive. Kellie Ann Brown now uses dinner for two, movie tickets, or gift certificates, and asks employees what they would like. Bob Nelson's bestseller, *1001 Ways to Reward Employees*, recommends posting a hand-written thank-you note on the employee's office door, offering a half day off, using employees in commercials or a job title change.

Nevertheless, pay can't be ignored. Deeb believes, with merit budgets down, companies need to be careful about how they distribute scarce resources. "It's much better to strategically reward top performers rather than spreading merit pay like peanut butter. We found that top performing companies (the top 25 percent based on total shareholder return) did a much better job of differentiating and rewarding top performers." Other options include delaying bonuses in lieu of not giving them at all, and/or offering incentive pay to employees for increased productivity or sales.

According to Deeb, the most successful companies identify their top performers, make certain that those top performers know they are valued, and give them the biggest slices when divvying up the bonus pie. This is one way to improve morale and keep employees.

Paula Mohan, senior VP of operations for the American Cancer Society's Southeast Division, knows how critical good manager/employee dialogue is to employee retention and performance. When the company's HR executive recommended a "Why Do You Stay?" interview, based on Beverly Kaye's *Love 'Em or Lose 'Em*, Mohan was interested. Many organizations do exit interview when people leave, but by then it's too late. Why not find out why people stay? "Each VP gave it to each of their managers," says Mohan. "The first two questions were, 'What about your job makes you want to jump out of bed in the morning?' and 'What makes you want to press the snooze alarm?'"

Mohan says she got great results. "The regional vice presidents sat down with each person and heard the good, the bad and the ugly. People felt heard, and the process helped build better relationships." At times managers discovered annoyances that could be quickly addressed. The process provided a platform for discussing long-term career goals and progress at other than performance appraisal time.

Good leaders at all levels are critical for creating an engaged, motivated work force, but if senior management says one thing and does another, those they supervise get conflicting messages about how they are expected to behave. Leaders who walk the talk become inspirational role models that managers want to emulate.

"We see many organizations interested in teaching managers to be good managers, helping them learn to give people the feedback and coaching they want," Deeb says. "But I think for that to really work it must be part of the culture and modeled at the top. Companies often reward managers for financial success, but don't reward for good management skills."

Mohan tries to model an involving management style and to create a culture that supports the values of the organization. "We use 'cultural assessment' surveys that have been very helpful in making sure we're living our values and supporting our people." The surveys ask about things like company values, integrity and ethics, whether people feel respected at the office, and adaptability to change. "When we do a survey, we're

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committed to follow up,” says Mohan. “We say, ‘Here’s what you told us we were doing well, here’s what we’re not doing well, and here’s what we pledge to do about it.’”

ACS strives to have headquarters support the field, not vice versa. “We build our business plan from the bottom up,” says Mohan. “Our managers out in the field make projections based on the potential of the area. Everyone is focused on our goal of eradicating cancer by 2015, so goals are aggressive. Managers write up their own business plan and roll it up to their manager, who rolls it up to me. That business plan also becomes a road map for the year.”

Meg LaVigne goes even further, encouraging senior managers to be fully engaged with their employees. “Someone said before I took the GM job: ‘Meg, being a GM is going to be really lonely.’ I haven’t found it to be at all lonely. I feel more connected than I ever have. If you don’t put yourself on a pedestal, you won’t be lonely.”

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