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WHITE PAPER SERIES

Managing for Recovery

The seven behaviour patterns that need to be managed during a downturn.

By Douglas Reid

About the author

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At Queen's, Prof. Reid has taught either strategy, strategy implementation, or global strategy in the undergraduate programs and in all of the MBA programs. As a researcher, he specializes in inter-company alliance dynamics and large alliance evolution, drawing on an extensive single-industry database that he has compiled. He also has a research interest in cross sectoral partnering and pedagogy in management.

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The first casualties of a downturn are assumptions - specifically, assumptions about the behaviours of others in the future. In normal times, assumptions are reflected in expectations about the conduct of customers (through demand), capital providers (through the availability and cost of credit) and employees (through responses to efforts to heighten engagement). In a downturn, each expectation is replaced by uncertainty, which leads, often, to excessive caution, increased centralization of control, and decision paralysis.

If a recession is thought to be the opposite of "normal", then these behaviours are, not surprisingly, the opposite of those usually associated with success in normal times. If business leaders attribute success in normal times to their own acumen, then the suite of predictable responses observed during a downturn can properly be characterized as the triumph of the reptilian brain over a proper, well-considered reaction to an environment that is characterized as much by the presence of unseen opportunities as it is by the dread of unquantifiable threats.

Framed through that lens, a downturn should properly been seen as a psychologically-felt phenomenon wrapped in the ostensibly neutral language of economics. Likewise, its resolution requires a deft response, informed as much by insights into individual human behaviours as by forecasts of aggregate demand.

Simple, economically-rooted logic suggests that employees will become more attentive to their work during a recession, motivated by the fear of job loss. The economic rationale is straightforward: as job losses mount, the pool of available labour increases. This bids down the price of replacement hires and also creates a positive incentive to reduce hiring amongst older and presumably more expensive cohorts. Many managers believe that fear is widespread, and can be used as a lever to effect employee behaviour.

Like most conventional wisdom about managing during a downturn, this logic would be wrong. My research has revealed that managers encounter a wider range of on-the-job behaviours than simple economic reasoning predicts. Not surprisingly, relying on fear as a management tool is as poor a choice during a downturn as it is during a boom.

I have categorized behaviour into seven patterns, each with attendant challenges and distinct management requirements. The referent standard for assessment is the concept of employee engagement1. It is known that engaged employees care about the future of their company and display discretionary effort (above and beyond a job description, or what is customarily expected) in the performance of their duties.

Employee Type	Behaviour	Management Challenge
The Terminated	These employees have been fired as a result of the recession. While not physically present in the organization, their memories linger on. Moreover, the reasons given for termination are construed by survivors as important information for conduct in the future, though at the expense of introducing tremendous uncertainty.	Making meaning of the rationales for termination and ensuring they co-exist within company alongside employee-construed interpretations. Accurate and candid communication. Focus survivor efforts on recovery without falsifying the risk of future cutbacks.
The Fearful	These employees believe that they are the next to be cut. This fear may be manifest as a result of error, or, as is more likely, based on better knowledge than management of the value of their contribution (i.e., they see their work as being less valuable than perhaps it is). Members of this group always have a current CV, but will cling tenaciously to whatever certainty their existing situation affords.	Identifying this group, because of the shame associated with the revelation of doubt regarding one's worth to the organization. Assuaging those who are "keepers", which could include providing guarantees designed to attenuate uncertainty. However, these guarantees are not considered fully reliable if delivered only verbally.
The Indifferent	This group is watching the recession occur. They believe it is going to affect only someone else. This group strongly identifies with their silo within the organization, which is almost always a staff group or a high-performing line group.	Making real the obligation of such employees to consider their situation in relation to the business as a whole. This means changing their unit of analysis from "my division" to "our company".
The Delighted	Employees here are often evidently engaged and are usually considered to be high performers. Their delight arises from the improvement in their situation relative to the average consumer - the fact that they benefit from sales or other discounts offered in the marketplace means that the recession offers them an opportunity to prosper.	(This group matters only if demand for your company's products or services is affected by consumer or business spending or investment cutbacks.) Keeping members of this group performing at a high degree of engagement, even though the end of the recession will reduce their quality of life by diminishing their purchasing power.
The Apocalyptic	This group is small in most organizations. They believe that the recession presents a necessary "reset" for a myriad list of failures in the existing system of capitalism. They accept the need for such a reset and in many ways desire it.	Focus on your company's business rather than the system-wide effects that the recession will engender. Filter suggestions for improvement of your business from a broader systemic critique.

Employee Type	Behaviour	Management Challenge
The Longers	These employees have observed termination in the company and would welcome it, for the simple reason of obtaining a severance package. Highly confident of obtaining rapid alternative employment, even in a recession. May underperform deliberately, in the hope of raising their termination risk and hence the likelihood of a significant severance gain. Often are observed in environments where large severances have been paid to known or believed underperformers who were terminated.	Reestablishing some sense of fairness in the workplace such that this group feels able to re-engage with work. Emphasize the meaningfulness of work so as to focus this group's attention away from a sole emphasis on monetary gain.
The Engaged	This group is the core of your renewal efforts.They correctly understand the consequences of a recession to your business and act accordingly, focusing efforts on improved productivity, cost control and customer service.	Retention - these employees are in high demand by other firms. Preservation of the attitude of engagement, given the other types of employees present in the workplace.

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