



Leading During Downturns

Continuing on the theme of what the current market uncertainties may mean for leaders and their organizations...

Second, management capabilities will be at a premium. Think of it this way. Normally, managers have, in crude terms, two basic resources to resolve issues and make things work better. They have financial capital—they can put monetary resources to work and so resolve shortcomings in their business model (new facilities, new hires, motivational perks, etc.). And they have human capital, and I mean here in the broadest sense (their creativity and smarts, their ability to talk to people sensibly and work through issues in a constructive fashion, their tact in building consensus and a common purpose, etc.). Now, the cynic in us all may place a lot more weight on the first form of capital. After all, wouldn't the first form of capital cover many sins and weaknesses in the second form of capital? Leaders with deep pockets are easily tempted to reach down and throw money to help make problems go away.

But we can safely assume that financial capital is now scarce. Managers simply won't have the deep pockets these days. All they will really have is themselves. In a sense, they are fully exposed during recessionary times. At a premium will be their human capital—how they communicate, their energy levels and emotional state, their creativity, and so on. Some of these things they may not be able to change (at all or in the short run), but there is a good deal that leaders can do to improve their human capital. The starting point is giving it greater focus.

What makes this especially important is an additional curse of recessionary times. Career moves will be scarce as job opportunities dwindle. This means managers will need to spend longer in their current roles. What disappears—plentiful during booms—is the lure of not only throwing money at problems but then disappearing into another role before the longer term consequences are fully evident. Taking away job-hopping opportunities means that managers will be more accountable for the fruits of their leadership.

In some ways, the best testing grounds for a manager's raw potential is what she or he can do without financial resources, when it's mostly about just them.

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