

# “GREEN SHOOTS”: RED IMPACT

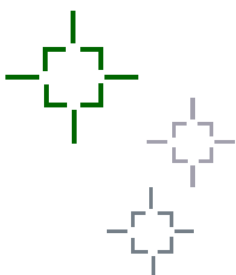
## Key Takeaways

- An economic recovery may be detrimental to a majority of organizations in Asia who are unprepared for the speed of resurgence.
- Organizations with systematic talent processes have a clearer view of their in-house capabilities and can make better talent redeployment decisions to weather the crisis.
- Building a robust pipeline of leaders has been shown to be a strong predictor of long-term success.
- The ‘war for talent’ will reignite with the upturn but many top executives are already primed to move now.

**W**hat a difference a year makes. Much of 2009 was dominated by what was called the ‘the next big crash after 1932.’

Fourteen months since the fall of Lehman Brothers, global economic sentiment is on a rise and business vernacular is peppered with terms like ‘green shoots’ and ‘stunning recovery.’ To better understand the critical issues faced by organizations in their talent strategies, Korn/Ferry International invited a select group of CEOs and senior executives to a roundtable discussion in Singapore to discuss the impact of the impending recovery on organizations at large, the effects of the crisis on their businesses, their level of preparedness and their resultant priorities.

The discussion initially began with the possibility that any ‘green shoots’ or economic recovery could be detrimental to a majority of organizations in Asia who are unprepared for, and frankly surprised at, the speed of resurgence.



These organizations are expected to experience an overall negative or 'red' impact that would be played out in a variety of different ways.

They might at first experience an immediate attrition of key talent once the economy picks up in earnest and organizations resume hiring. Secondly, a drastic mid-stream change in senior executive orientation, for example from 'hunkering down' to 'assertive rebuilding,' could cause significant confusion among the ranks.

In addition, a recent Korn/Ferry Executive Survey revealed an alarming trend in terms of employee morale. Thirty-five percent of employed executives polled said they were 'somewhat' or 'very dissatisfied' with their current position. The current lacklustre job market had not only left executives unhappy with their jobs, but the survey results also uncovered a lack of trust in corporate leadership, with a third of executives reporting that they do not trust their boss or their CEO.

Consequently, the need of the hour is not to tweak traditional HR programs like rewards and recognition, but to start with the top of the house and enroll, engage and excite senior executives to help them re-engage with employees and prepare for the post-crisis renewal.

### **Lessons from the Crisis**

Leaders need to continually learn from more challenging periods of business. They should add those lessons not only to their own 'personal development' library, but to the organizational knowledge pool as well. The key lessons from the past few months raised in the discussion included the following:

### Asia's Immense Opportunity

Organizations and leaders in Asia have been shaped by navigating through severe economic downturns that have hit the region in recent times, from the dotcom bust to the Asian financial crisis. This time around, while most organizations in the region felt the impact of the downturn, they emerged out of the deep trough quicker than before.

For example, financial institutions in Asia had been far more conservative than those in the West, allowing them to avoid large scale flameouts in the sector. Leaders of businesses in the region universally recognize the immense potential and opportunities and are optimistic that the crisis will be but a bump in the upward journey ahead.

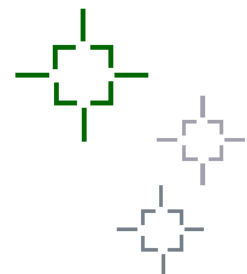
### Fundamentals Matter

More than ever, events during the past year have demonstrated that fundamentals of the business matter. Cash in the bank, solid inventory management systems and stable distribution systems are just some of the fundamentals that are critical in a crisis. Organizations that continued to keep their eye on these fundamentals in the prosperous earlier periods performed relatively better during the past few months and are poised to emerge more quickly.

### The Difference: 'Talent Quotient'

The crisis amplified the importance of the 'talent quotient' in organizations (i.e. the ability to retain and develop talent and leadership capabilities). Organizations with systematic talent processes had a clear view of their in-house capabilities and thus could make effective talent redeployment decisions to weather the crisis. Such organizations had capable managerial and leadership talent at multiple levels with the skills to navigate through the unnerving months.

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### Leadership Awareness vs. Preoccupation

It was surprising to note that many leaders and senior executives across organizations did not anticipate the magnitude and ferocity of the crisis. This point reinforced the notion that senior leadership needs the ability to not only take all external factors and events into account and make robust decisions, as well as to rally the forces around those decisions (no matter how painful).

### A Perfect Opportunity to Create Distance from Competitors

Executives were unanimous in their view that a crisis of such magnitude is the perfect opportunity to showcase the real 'winners' in any industry. Organizations that are able to create a gap between themselves and their competition will be able to further extend their lead during the recovery.

### Priorities for Leadership

So what then does the future mean for senior leadership? Korn/Ferry posed an important question to the senior executives at the forum - "What are the 'Top Five Actions' for a CEO to take coming out of this past year?"

#### 1. Invest Heavily in a Second Layer of Leaders

Building a robust pipeline of leaders has been shown to be a strong predictor of long-term success in any enterprise. Organizations that do not take advantage of a high-growth period to create a sturdy second layer of leaders will pay the price of not being able to emerge out of any crisis as fast as their competitors. Therefore, the CEOs need to re-look at the way they are funding and building leaders across the organization. Not only does it make good business sense, it is also a critical weapon to have for upcoming crises.

#### 2. Simplify Strategies

While most senior executives recognize the power of simplicity, especially in areas of strategy formulation and articulation, in Asia it is easy to get carried away trying to be everything to everyone. Most executives reinforced the importance of focused strategies that are articulated in simple language and then communicated and acted upon (i.e. 'Business 101').

### 3. Going Concern

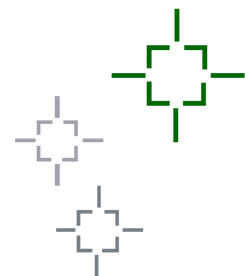
A fundamental rule of Accounting - 'The Going Concern Principle' - assumes a firm will continue to operate in the foreseeable future. It was difficult, however, for many firms to believe this principle in the last few months, especially with the downfall of several large and established institutions. Senior executives emphasised the value of communicating to employees that their organization can and will ride out the downturn. Not addressing the issue internally merely creates an 'ostrich in the sand' syndrome, with value creation in the organization grinding to a halt.

### 4. Communicate, Communicate and Communicate

The sheer pace and ferocity of the downturn made it difficult for many senior executives around the region to respond quickly or adequately to questions asked by managers and employees down the line. This paralysis cascaded quickly throughout entire organizations. Executives shied away from much needed communication when over-communication is necessary to ensure consistent and correct messages are relayed across the organization.

### 5. Turn the Crisis into an Opportunity

While the business landscape is rife with legends of HP and Google taking on a life of their own during past crises, those are difficult acts to follow. Nevertheless, senior executives maintain that it is possible to find pockets of huge opportunities even during the current uncertain climate. To do this well, leaders need to have an 'Opposable Mind' (i.e. the ability to assess and balance new and conflicting ideas and come up with an entirely new way of doing things). Unfortunately, the consensus at the forum was that leaders with such abilities are a rarity in Asia.



### “The Next 100 Days” Agenda for Leaders in Asia

There was much consensus amongst CEOs in the forum that the worst is behind us and the road to recovery is more visible than ever. Leaders and executives around the region need to take charge and articulate a near-term agenda for themselves and the organizations they manage. To pave the way, we provide a snapshot of what a “100-Day Agenda” for a CEO might cover:

- **Take Stock of Key Talent in the Organization:** Partner with HR leaders to quickly draw up a map of key talent that you cannot afford to lose. Have a fully fleshed out ‘Key Talent Engagement Plan’ and follow up rigorously.
- **Get ‘New’ Key Messages out rapidly and consistently:** Clearly articulate ‘new’ key messages and themes around which to rally the entire organization. Do not allow employees to hear about your renewed thrust from external parties; they need to hear it from you repeatedly.
- **Galvanize the Leadership Team:** During a downturn, it is natural for business targets to be missed, egos to be bruised and latent conflicts to surface. Now is the time to rebuild the glue and energy of the team.
- **Identify Opportunities to Quickly Gain Market Share:** The leadership team must identify and map quick opportunities to regain market share. Whatever tactics you decide upon – price-led promotions, penetration of an underserved customer segment, marketing blitzes – the goal is to implement them fast.
- **Source for the Best Talent:** Now is the time to identify and scout for the best talent to boost the ranks. The ‘war for talent’ will reignite once the recovery picks up steam. Recognize that many top executives are already primed to move now.

Perhaps, the biggest takeaway from this study is the notion that what has worked well before for most organizations will not necessarily work again, especially in areas of employee retention and motivation. In the coming months, priority needs to be given to a reassessment of mission critical capabilities for key talent and leaders and a fundamental shift from succession planning to succession mapping. Only then will organisations be able to build the right foundation to weather the next economic climate.



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#### **About Korn/Ferry International Asia Pacific**

Korn/Ferry International, with a presence throughout the Americas, Asia Pacific, Europe, the Middle East and Africa, is a premier global provider of talent management solutions celebrating 40 years in business. Korn/Ferry was the first major global executive search firm to operate in Asia Pacific when it opened its doors in Tokyo in 1973 and today has 18 offices in key business centers throughout the region. Based in Los Angeles, the Firm delivers an array of solutions that help clients to attract, develop, retain and sustain their talent. Visit [www.kornferryasia.com](http://www.kornferryasia.com) for more information on the Korn/Ferry International family of companies and [www.kornferryinstitute.com](http://www.kornferryinstitute.com) for thought leadership, intellectual property and research.

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