

## The Leadership Crunch

### New approaches to leadership in the post credit-crunch era

Over the last two years we have lived through some of the most turbulent economic and commercial times that we have known for a generation or more. The massive impact of the credit crunch and ensuing global recession has caused all major Banks & financial services organisations to seriously reappraise the ways in which they create value for their customers & key stakeholders. Public confidence in these organisations has been seriously dented and the impact and effects of the financial crisis have spread like a virus into the wider economy.

And in times of challenge and adversity like these, the leadership of organisations is placed under a renewed and intense scrutiny like never before. For many high profile banking leaders this has resulted in the ultimate leadership sacrifice. However whilst changes in the personalities of leadership may be necessary to restore confidence in an organisation, they do not by themselves guarantee a change in the fundamental leadership culture of the business. Real change will probably only occur where new leaders are inspired to adopt different ways of leading their institutions unattached from the leadership practices of old.

In our work with many leading clients in both the financial services sector and beyond we have been seeking to identify the changes in leadership capabilities, behaviours and emphasis that will be most required in the post credit crunch era to re-energise & refocus organisations and help them restore their credibility, performance and integrity in the market place. We have identified six key areas where, we believe, change is essential:

- **From Transactional to Transformational** – a move away from a reliance on incremental short term change towards a more profound focus on the long term strategic purpose of the enterprise and the key transformations (involving tough strategic choices) that will be required to create a more sustainable, adaptable, innovative and customer-focused organisation for the future.
- **From Inside Out to Outside In** – a move away from a “take or leave it” mentality with customers to a more engaging style that actively listens and responds profoundly to the needs and aspirations of customers as the basis for developing innovative and compelling customer propositions. Tailored solutions will increasingly become the only acceptable solutions to ever more demanding and well informed customers.
- **From Compliance to Stakeholder Responsibility** – a move away from shallow rules-based compliance with regulatory requirements to a more fundamentally embedded acceptance of the need at all levels to behave in a responsible, balanced and ethical manner in the longer term interests of all stakeholders. This will require leaders who are acutely more risk-aware across the full range of business activities and who hold others sharply accountable for this.
- **From Short Term Gain to Long Term Value** – a move away from evaluating & rewarding performance solely on achievement of short term targets and financial gain to a more balanced and comprehensive performance management approach that provides ongoing recognition to those who contribute real added value to the long term sustainment and

profitability of the organisation. Exceptional rewards in the new era should be reserved only for exceptional sustained performance.

- **From Blind Conformance to Open Challenge** – a move away from an old culture where individuals are expected to conform with the dominant thinking and wisdom of the day for fear of penalty or disadvantage to a new culture where open questioning and challenge of key strategies, plans and decisions is actively encouraged as a means of providing essential checks and balances to critical leadership decisions & direction.
- **From Highly Individualistic to Highly Inclusive** – a move away from a culture that places pre-dominant emphasis on the contribution of the individual to one that instead relies more on better utilising the diverse array of talents available in the organisation to develop high performing teams that together deliver outstanding results for customers. As organisations become leaner, more complex and more global in reach then the ability to harness individual talent into high performing teams will be at a premium

Our contention is that, without such a shift in leadership practices, then there is a real risk that notwithstanding the seismic impact of recent events, little will have been learned and little will change as economic circumstances improve. The good news however is that the changes in leadership practices identified above are all learnable behaviours. With carefully constructed executive education and training activities these capabilities can be readily developed in both the current executive leadership cadre and, as importantly, in those identified as the high potential leaders in the future. Over the last 18 months, organisations have invested much time & money in recovering from the credit-crunch outfall. Perhaps now is the time for us to invest in renewed leadership capabilities to ensure that it cannot happen again.

**Tim Chapman & Terry Hawes**  
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**Training-Network.Org Ltd**  
[www.tno.org.uk](http://www.tno.org.uk)