How to Be a GOOD BOSS in a Bad Economy

BY ROBERT I. SUTTON

hese are tough times for every boss I know. Fear and paranoia are running wild, not just in financial markets but in workplaces, too. A few weeks back a weary executive at a professional services firm told me how painful it had been to lay off 10% of his people and how he was struggling to comfort and inspire those who remained. When I asked a mutual friend, the CEO of a manufacturing firm, to "show some love" to this distressed executive, he jumped in to help – but admitted that he was wrestling with his own demons, having just implemented a 20% workforce reduction.

It was not a coincidence to find two friends in such similar straits; few organizations seem to have avoided them. Even in businesses renowned for having heart, bosses have been forced to wield the ax. NetApp, declared number one in *Fortune*'s "100 Best Companies to Work For" for 2009, announced it was cutting loose 6% of its employees



less than a month after the ranking appeared. Google, top-rated by Fortune in 2008, has shed hundreds of full-time employees. And layoffs aren't the only reason it's a miserable time to be the boss. Where cuts haven't occurred, people suspect they will, and the lingering dread creates its own challenges. One technology sector CEO I've worked with for years felt compelled to inform his people in writing that not only were no layoffs planned but the company would be hiring a lot more people in the coming year. Yet, he said, "no matter how much I share about how safe we are, people still ask, When are the layoffs coming?" Even where jobs are demonstrably safe, lesser but real disappointments occur: Salaries are cut, budgets are pared, projects are back-burnered.

As a result, most bosses – like you, perhaps – are operating in difficult and sometimes unfamiliar territory. Equipped with skills and approaches honed over

long years of business growth, they now find their roles defined by an unexpected question: How should people be managed when fear is in the air, confidence is slipping, and it looks as if the road ahead will remain rough for many miles? This isn't the job most executives and managers signed on for, and not everyone will rise to the occasion. This article is designed to help those who want to do so – first by clarifying why it's so hard to be a good boss, and then by sharing the essence of what the best bosses do during tough times.





- It's not easy being the boss during a downturn. Your natural impulse is to focus on your own well-justified concerns, but your people are watching your every move for clues to their fate.
- You need to rethink your responsibilities in terms of what your people may lack most in unsettling times: predictability, understanding, control, and compassion.
- By making tough times less traumatic, you'll equip your organization to thrive when conditions improve – and earn the loyalty of individuals who will remain in your network for years to come.

The Toxic Tandem

Let's be clear: It's never easy to be a great boss, even in good economic times. It's challenging in part because of an unfortunate dynamic that naturally arises in relationships of unequal power. Research confirms what many of us have long suspected: People who gain authority over others tend to become more self-centered and less mindful of what others need, do, and say. That would be bad enough, but the problem is compounded because a boss's selfabsorbed words and deeds are scrutinized so closely by his or her followers. Combined, these tendencies make for a toxic tandem that deserves closer study.

To appreciate the first half of the dynamic – that bosses tend to be oblivious to their followers' perspectives – consider the "cookie experiment" reported by the psychologists Dacher Keltner, Deborah H. Gruenfeld, and Cameron Anderson in 2003. In this study, teams

of three students each were instructed to produce a short policy paper. Two members of each team were randomly assigned to write the paper. The third member evaluated it and determined how much the other two would be paid, in effect making them subordinates. About 30 minutes into the meeting, the experimenter brought in a plate of five cookies – a welcome break that was in fact the focus of the experiment. No one was expected to reach for the last cookie on the plate, and no one did. Basic manners dictate such restraint. But what of the fourth cookie – the extra one that could be taken without negotiation or an awkward moment? It turns out that a little taste of power has a substantial effect. The "bosses" not only tended to take the fourth cookie but also displayed signs of "disinhibited" eating, chewing with their mouths open and scattering crumbs widely.

It's a cute little experiment, but it beautifully illustrates a finding consistent across many studies. When people – independent of personality – wield power, their ability to lord it over others causes them to (1) become more focused on their own needs and wants; (2) become less focused on others' needs, wants, and actions; and (3) act as if written and unwritten rules that others are expected to follow don't apply to them. To make matters worse, many bosses suffer a related form of power poisoning: They believe that they are aware of every important development in the organization (even when they are remarkably ignorant of key facts). This affliction is called "the fallacy of centrality" – the assumption that because one holds a central position, one automatically knows everything necessary to exercise effective leadership.

Now let's look at the other half of the dynamic - that followers devote immense energy to watching, interpreting, and worrying about even the smallest and most innocent moves their superiors make. This is something we've long known about animals; studies of baboon troops show that the typical member glances at the alpha male every 20 or 30 seconds to see what he is doing. And although people don't check what their boss is doing two or three times a minute, this tendency is well documented in human groups, too. As the psychologist Susan Fiske puts it, "Attention is directed up the hierarchy. Secretaries know more about their bosses than vice versa; graduate students know more about their advisors than vice versa." Fiske explains: "People pay attention to those who control their outcomes. In an effort to predict and possibly influence what is going to happen to them, people gather information about those with power." Further, people tend to interpret what they see the boss do in a negative light. Keltner and his colleagues report that when the top dog makes an ambiguous move

(one that isn't clearly good or bad for followers), followers are most likely to construe it as a sign that something bad is going to happen to them. Related studies also show that when people down the pecking order feel threatened by their superiors, they become distracted from their work. They redirect their efforts to trying to figure out what is going on and to coping with their fear and anxiety - perhaps searching the web for insight or huddling with their peers to gossip, complain, and exchange emotional support. As a result, performance suffers.

Even in the best of times, bosses fall prey to this toxic tandem. In a crisis, however, both sides of the dynamic are amplified. So it's not your imagination; it is harder to be a good boss in a bad economy. Your own stress presses you to shut down emotionally, to focus attention on what your superiors are up to, to turn inward and wrestle with your fears. The heightened threat causes your followers to watch your moves even more closely, searching for clues about what is likely to happen to them and what they can do about it. The threats that arise in tough times are also more likely to be real than imagined, and to hit with greater frequency. Everyone involved is only human, with the usual foibles, quirks, and blind spots. The equipment remains the same, and it's being put to an unusually hard test.

How can well-intentioned bosses avoid the toxic tandem? By mindfully taking attention from themselves in order to give it to their people's challenges and worries. Bosses

IDEA IN PRACTICE

SOME YEARS AGO Robert Sutton led a workshop with the senior managers of Procter & Gamble that touched on the importance of providing workers with predictability, understanding, control, and compassion. It turned out that his framework aligned with what they'd already learned in the context of plant closings. John E. Pepper, Jr., who was then P&G's chairman, explained an internal analysis of the effects that management's actions had on productivity, retention of employees who were offered jobs elsewhere in the company, and sales in the cities where the closings occurred. Plant closings did far less damage when leaders:

Announced the closing date and key milestones well in advance and described how events would unfold both for employees and for members of the affected community.

Explained in detail to

community the business

employees and the

case for closing the plant.



Gave affected employees options for finding other jobs inside the company or resources to job hunt outside.



Expressed human concern - in public and in private - to affected employees and community officials.

In other words, P&G executives saw the value of predictability, understanding, control, and compassion in times of distressing organizational change.

> who do so will find that in stressful times people have an acute - and often unmet - need for four remedies: predictability, understanding, control, and compassion. My mentor Robert Kahn and I outlined the first three in a 1987 paper that was inspired by the great and lousy bosses we had observed during a deep recession in the midwestern United States. Some years later my colleague Jeffrey Pfeffer helped me recognize the fourth as a distinct and equally crucial antidote to organizational stress.

Providing Predictability

The importance of predictability in people's lives is hard to overstate, and has been demonstrated in numerous studies. The most famous is Martin Seligman's research on the signal/ safety hypothesis. Seligman observed that when a stressful event can be predicted, the absence of a stressful event can also be predicted. Thus a person knows when he or she need not maintain a state of vigilance or anxiety. Seligman cites the function of air-raid sirens during the bombing of London in World War II. They were so reliable a signal that people felt free to go about their business when the sirens were silent. The hypothesis was bolstered by studies in which some animals and not others were given a warning in advance of a shock. Those that were never warned lived in a constant state of anxiety.

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The same holds true for organizational shocks like layoffs. If you give people as much information as you can about what will happen (to them as individuals, to their work groups, and to the organization as a whole) and when it will happen, they will prepare to the extent they can and suffer less. Just as important, they can learn to relax in the absence of such a warning. This was the thinking behind one CEO's decision to issue a heads-up memo to the staff of his nonprofit organization. In it he laid out in detail the worst-case scenario that would result if the stock market and donations failed to rebound over a certain time period. But while preparing people for a future that might well involve job losses, he also made a firm commitment: No one would be asked to leave for at least three months. At another company I know, managers opted for a deeper staff cut than was immediately necessary, because they were determined not to inflict a second one right away and thus create a distracting fear of still more to come. They followed that cut with the message that although more might be needed in the future, none would be made for at least six months.

Providing more predictability is in large part a function of reducing the seemingly random. Certainly there are times when people seek out surprise and novelty. Most of us come to points in our lives when, in the words of Arthur Conan Doyle, we abhor the dull routine of existence. This is not one of them. It is also important to realize that what will be seen as surprising or routine, as fair or unfair, is dictated by the quirks of your organization's history. Unfortunately, the better you have treated your

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people in the past, the more bruised they will be by layoffs, pay cuts, and other blows. When Advanced Micro Devices, which once touted its no-layoffs policy and called other firms that used layoffs "myopic as well as misanthropic," had to resort to staff cuts in 1986, the resulting anger and despair struck many as disproportionate. The same intensity of reaction was seen when other historically humane companies – Levi Strauss and Hewlett-Packard come to mind – were forced to lay off employees. Meanwhile, companies with a history of treating people as mere expenses and tossing surplus bodies out the door at the first whiff of bad times seem scarcely to miss a beat. After all, that is what their people expect. A 2006 study of 3,080 Canadian workplaces by Christopher Zatzick and Roderick Iverson showed that layoffs had the most negative effect on productivity in "high involvement" organizations – places where employees have greater responsibility and decision-making authority, and where more emphasis is put on treating people well than in traditional workplaces. Zatzick and Iverson also found that productivity dropped most sharply in once-enlightened workplaces that had shattered employee expectations with a one-two punch: They did deep layoffs *and* abandoned high-involvement work practices. The effort that people are willing to expend and the anger and anxiety that they suffer don't simply result from their objective fate; their reactions are shaped by the difference between what they expect and what they get.

Increasing Understanding

If predictability is about what will happen and when, understanding is about why and how. The chief advice here is to accompany any major change with an explanation of what makes it necessary and what effect it will have – in as much detail as possible. This advice, too, is rooted in psychological research: Human beings consistently react negatively to unexplained events. The effect is so strong that it is better to give an explanation they dislike than no explanation at all, provided the explanation is credible.

Good bosses also know that more than a single communication is needed to bring a large group to a point of real understanding. I mentioned above the technology CEO whose people

> persisted in expecting job losses even though the business was growing. Rather than assuming that his "no layoffs" message would suffice until further notice, he knew he would have to keep repeating himself and looked for other ways to help employees comprehend the reality. "We shared our bank statements with everyone," he told me, "so that they could understand where our assets are and how safe they are."

> When operations are going haywire and people are rattled, it's especially hard to get new ideas to take root or to teach new behaviors of any complexity. Your job as boss is to design messages that will get through to people who are distracted, up-

set, and apt to think negatively given any ambiguity. When it comes to internal communications, your mantra should be "Simple, concrete, and repetitive." Think of the attendants on Flight 1549, in what has been called the Miracle on the Hudson. As the plane plummeted down, they chanted in unison, "Brace, brace, heads down, stay down." Bosses who lead people through crises need to provide the same kind of clear and emphatic direction. For many scientific reasons, as Chip and Dan Heath show in their book *Made to Stick*, people are more likely to act on such messages. The best bosses I know have usually arrived at the same conclusion on the basis of experience. A.G. Lafley, the effective, humane, and wise CEO of Procter & Gamble, falls

Beware the Cone of Silence

BE DISCREET. To be sure, the

ROM AN employee's perspective, when to get nervous is often obvious: Bosses start huddling behind closed doors, deciding God knows what,

and betraying as little as possible. As a boss, you might find some such "backstage work" unavoidable – but be aware that it can reinforce feelings of unpredictability, misunderstanding, lack of control, and management's indifference, which will ultimately make things harder on everyone.

DON'T HIDE. In the worst cases I've seen, bosses have even hidden from their people: Knowing what they knew about impending cost cutting, they couldn't look subordinates in the eye. Years ago, when colleagues and I studied the collapse of the video game company Atari, we learned that top executives were using a back door rather than the front entrance to come and go, so determined were they to avoid contact with the rank and file. That study came to mind when, quite recently, a boss I know disappeared from his office for weeks after a layoff. In each case employees interpreted leadership's absence as a sign that something truly horrible was going to happen. The rumor mill sped up, and even less effort went into the work at hand.

answer cannot be that senior managers should spend less time conferring. In a downturn the pressure is immense to make decisions that demand a shared understanding of rapidly evolving financials, scenarios and options, and constraints. Often it is impossible to open up this messy decision process to broader involvement and scrutiny, which might not only threaten legal and ethical requirements for confidentiality but could lead to worse decisions. (As the psychologist Philip Tetlock has shown, decision makers operating under excessive scrutiny tend to make the choices that are easiest to justify rather than those they think are best.) Information leaks can also hurt people or be downright embarrassing. Witness the chagrin of a major law firm in February 2009 after one of its partners had a sensitive phone conversation with the firm's COO while riding on a train from Washington, DC, to New York. Fellow

passengers could not help overhearing that the firm was planning deep staff cuts in March, and at least one person deduced what firm the partner was with after he rattled off the names of two dozen candidates for dismissal. That passenger promptly posted the news in a blog, and the story spread like wildfire. (To its credit, the firm quickly apologized for the indiscretion and acknowledged that the news was true.)

RELY ON YOUR PEERS. Some closed-door mystery is clearly inevitable. And even the hardiest of bosses need some time away from the fray to recharge. But don't let such absences go unexplained. Your employees can appreciate the stress you are under, and won't begrudge you an occasional break. You won't want to burden them with your troubles when they have their own – but you and your management team can support one another, and you'll be available to talk about the team's fears and problems along the way.

The key is to be deeply sensitive to people's interpretations. Follow long closed-door meetings with longer open-door periods. Communicate everything that can be communicated, both in writing and face-to-face. Be present and visibly on top of the situation. Express warmth and concern, but also whatever optimism is warranted. Above all, look your people in the eye. into that camp. One of his favorite pieces of advice is to keep it *"Sesame Street* simple."

Remember: You may have spent an hour carefully crafting an e-mail and many hours making sure that all your direct reports know what is happening and what they can do – but even so, any one of them may have just glanced at the e-mail and become so agitated when you spoke that the message simply didn't stick. I suspect that Lafley has repeated some of his *Sesame Street*—simple messages so often that they bore him silly. But he is smart enough to know that there is always someone in the room who hasn't absorbed the point before – and that those hearing it for the tenth time can only conclude he really means it. If you aren't saying the same things over and over again, and aren't a bit bored with yourself, it may be that you aren't repeating yourself enough or your messages are overly complex.

Affording Control

People don't embark on careers to feel powerless. The whole point of work is to achieve outcomes and have impact. That's why people are so deeply frustrated when events seem to render them helpless. As a boss in a bad economy, you may not be able to give people much control over *what* happens, but it's important that they have as much say as possible in *how* and *when* it happens.

A boss delivering bad news to a subordinate is, by definition, at a later point in the emotional cycle of reacting to it.

During overwhelming times, a good boss finds ways to keep up a drumbeat of accomplishments, however minor. The organizational theorist Karl Weick shows in his classic article "Small Wins" that when an obstacle is framed as too big, too complex, or too difficult, people are overwhelmed and freeze in their tracks. Yet when the same challenge is broken down into less daunting components, people proceed with confidence to overcome it. One boss I know at a troubled company recently launched a crucial sales campaign that in the best case may enable the company to raise everyone's pay and in the worst case may result in huge layoffs and possibly even the company's demise. It was a bet-the-farm move that had every chance of paralyzing his already spooked people. But rather than allowing them to fret about the scale of the effort, he kicked it off by asking the team to jot down on sticky notes every discrete task required to do the campaign right. Then he sorted the notes on a whiteboard according to whether each task was "easy" or "hard" in the team's opinion. It turned out that more than half were easy and could be accomplished within a few days. He then asked for a volunteer to take responsibility for each of the easy tasks and requested that when a task had been accomplished, its owner report back to the entire group via e-mail. Not only was a lot of progress made in the following week, but the flurry of "got it done" e-mails dramatically lowered people's collective anxiety, enhanced their collective energy, and gave them confidence that the hard tasks, too, could be handled.

Showing Compassion

Jerald Greenberg, a management professor at The Ohio State University, provides compelling evidence that compassion affects the bottom line in tough times. Greenberg studied three nearly identical manufacturing plants in the Midwest that were all part of the same company; two of them (which management chose at random) instituted a temporary 10-week pay cut of 15% after the firm had lost a major contract. At one of the two, the executive who conveyed the news did so curtly, announcing, "I'll answer one or two questions, but then I have to catch a plane for another meeting." At the other one, the executive who broke the news gave a detailed and com-

passionate explanation, along with apologies and multiple expressions of remorse. He also spent a full hour answering questions about why the cost cutting was necessary, who would be affected, and what steps workers could take to help themselves and the plant. Greenberg found fascinating effects on employee theft rates. At the plant where the curt explanation was given, the rate rose to more than 9%. But at the plant where management's explanation was detailed and compassionate, it rose only to 6%. (At the third plant, where no pay cuts were made, the rate held steady at about 4% during the 10-week period.)

After pay was restored at the two plants, theft rates at both returned to the original level of about 4%. Greenberg's interpretation is that employees stole more at the two plants where cuts were made to "get even" with their employer, and stole the most at the plant where managers exhibited a lack of compassion because they had more to get even for. This suggests that compassion from a boss adds corporate value – in good times and in bad. What's more, it's free.

Compassion can and does take many forms. At its heart it is as simple as adopting the other person's point of view, understanding his anxiety, and making a sincere effort to soothe it. A manager who had just completed a second round of layoffs shared with me a valuable lesson she had learned about empathy: A boss delivering bad news to a subordinate is, by definition, at a later point in the emotional cycle of reacting to it. By the time they talk, the boss has already worked through the shock, anger, and embarrassment; gone through all the scenarios in her head; made decisions; and come to terms with them. "You need to remind yourself," this manager said, "that the person across the table is hearing the news for the first time and is just starting that process." Not only will that person be unready to engage with the considerations the boss is outlining, but he may be appalled at how dispassionately they are presented. And as a boss, don't assume that an employee's initial reaction will persist. This manager told me that employees who had hugged her and thanked her sometimes came back to scream at her a few days later, after the shock wore off. Others, who had reacted angrily, came back to apologize and then hugged and thanked her.

Compassion is most important when it helps people retain their dignity. When layoffs and closings are unavoidable, tending to the emotional needs of people who are let go is essential both for them and for those who survive the cuts. One of the worst things a boss can do after a layoff is to bad-mouth or in any other way demean those who have departed. Even if you believe that you've cut out the deadwood, saying so will anger and demoralize your remaining employees and may drive the best of them to jump ship. Ray Kassar, the former CEO of Atari, generated a lot of anger in the 1980s when, after a deep layoff, he told survivors that the weak people were gone and only good people were left. Many survivors we interviewed perceived the layoffs as purely political and believed that some great people had been let go.

Unfortunately, not every executive has learned from Kassar's blunder. Elon Musk, the CEO of Tesla Motors, which makes and sells electric sports cars that cost about

\$100,000 each, cut some 10% of his workforce in late 2008. Although he was more subtle than Kassar, Musk made pretty clear that he was getting rid of the weakest people. "One of the steps I will be taking," he wrote that October, "is raising the performance bar at Tesla to a very high level, which will result in a modest reduction in near term headcount. To be clear, this doesn't mean that the people that depart Tesla for this reason wouldn't be considered good performers at most companies – almost all would. However, I believe Tesla must adhere more closely to a special forces philosophy at

Making the Best of a Bad Situation

Whether you oversee just a few direct reports or are the CEO of a big company, these frightening times mean that you need to rethink your responsibilities as the boss. More than anything, people now need you to address deficits in four areas:

PREDICTABILITY Give people as much information as you can about what will happen and when. If shocks are preceded by fair warnings, people not only have time to brace themselves but also get chances to breathe easy.

UNDERSTANDING Explain why the changes you're implementing are necessary – and don't assume you need to do so only once.

CONTROL Take a bewildering challenge and break it down into "small win" opportunities. In situations where you can't give people much influence over what happens, at least give them a say in how it happens.

COMPASSION Put yourself in the other person's shoes. Express empathy and – when appropriate – sorrow for any painful actions that have to be taken. this stage of its life if we aspire to become one of the great car companies of the 21st century."

Musk's statement was interpreted both inside and outside the company as misguided and destructive. But it teaches us a valuable lesson: Before making a statement, stop to consider how it will sound to an upset and touchy person.

The Sign of a Great Boss

Bosses who increase predictability, understanding, control, and compassion for their people will allow employees to accomplish the most in a time of anxiety – and will earn their deep loyalty. A manager who provides all four will be perceived as "having people's backs." That's a good phrase to keep in mind when you know your people are feeling vulnerable, because it will inform all your actions, big and small. Years ago, during a downturn, I was a consultant to a supplychain group within Hewlett-Packard called SPaM. The company was struggling to cut costs and had eliminated free doughnuts in the morning - a long-standing tradition. At the time, people at SPaM were working very long hours and bringing in quite a bit of money. They were remarkably annoyed the day the doughnuts disappeared, and remarkably happy, proud, and motivated when their boss, Corey Billington, found some internal SPaM funds to bring the doughnuts back. I remember sitting in the coffee room one morning right after their return. One of the first employees to come in, who barely recognized me, couldn't help commenting when he saw the spread: "Isn't it great to have your boss in your corner?"

Bosses who do this sort of thing usually do it on many levels. I still hear stories about Bill Campbell's leading the senior team of Go, a troubled pen-based computing com-

pany, in the early 1990s. Campbell is affectionately known as "the coach," because he was head coach of the Columbia football team in the 1970s, and is widely respected in Silicon Valley. (He is known to be one of Steve Jobs's most trusted advisers.) He played a major role in growing many companies and mentoring dozens of bosses, from Google's executive team to the Netscape cofounder Marc Andreessen to the entrepreneur and venture capitalist Randy Komisar. I've talked extensively with Komisar about how Campbell fought to save Go during those tough times and why not a single member of its top team left, even though things kept looking worse and worse. When I asked Komisar to explain exactly how Campbell made people feel so loyal and invested in saving the company, he pounded out this impressive list:

He would hug people when he happened upon them.

He would always make some hackneyed joke that each of us could have stepped in and completed after a short while, but it showed genuine warmth.

 His door was open and he would have one-on-ones at all levels of the company, being careful not to undermine his managers.

 He explicitly rewarded loyalty, singling people out in company presentations and building up those who showed real commitment.

• He punished disloyalty and lack of dedication by withdrawing his attention and warmth. Everyone could feel it.

• He insisted on excellence and held people accountable. He rewarded performance not with money but with responsibility and the status that came with his attention.

He made himself visible.

• He would stand up for his people and organization with others (investors, partners, competitors), and everyone knew the stories and retold them until they became legendary. The venture capitalist John Doerr told *Fortune*, "Bill was at his finest when we were winding down Go. His most important thing was that we take care of the people, that they leave that venture with dignity." Many members of the team went on to successfully lead other companies such as VeriSign, Netscape, and LucasArts Entertainment. Not only did people remain loyal to Campbell throughout the struggle to save Go, but most alums, including Komisar, look back on those days as one of the finest periods of their lives.

Bill Campell's story contains a lesson that bosses often forget, given the tunnel vision and desperation provoked by tough economic times: Win or lose, if your people believe that you are always on their side, it will come back to help you – but if they believe you are willing to sell them out at the drop of a hat, it can haunt you down the road.

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"Ms. Green, send in someone to curb my optimism."