

# Leading the Organization During Uncertain Times

By Lilli Friedland, PhD, ABPP

A few years ago, the economy was booming, CEOs were given broad powers, and organizational boards were typically friendly with executives. In the 1990s, executives had free-rein with their organizations. The downturn in economy and movement toward accountability of leadership since 2000 resulted in a new atmosphere of insecurity and ambiguity. Frequently even in robust companies, the necessary components to handle uncertain situations break down among the executives with one another, the staff, the board, and other stakeholders. Executives are expected to be models of adaptability and fortitude in uncertain times. *C-level* leadership (i.e., CEOs, COOs, and CFOs) is demanded to respond effectively to unforeseen global economic envelopments in high stakes environments. Business psychologists assist executives to assess their changing roles and expand appropriate responses to the new challenges. When necessary, consulting psychologists promote resilience training for leaders and organizations.

Conceptually, there have typically been two types of leadership: *green-light* (i.e., openness to risk, new ideas, and spending) used during good economic times; and *red-light* (i.e., applying the brakes) for times of crisis or turnaround. Both leadership types have charismatic leaders who set goals and use behavioral tools to achieve their goals (Pasternack & O'Toole, 2002). Research indicates that during times of uncertainty, successful executives lead their companies in a yellow-light mode; i.e., strong leaders who exercise cautious, thoughtful assessment before taking actions and risks (Waldman, et al., 2001). Uncertainty elicits instability and insecurity in organizations' cultures and staff. By reframing these situations, psychologists help executives view these situations as opportunities for growth and innovation. Based on studies showing that conditions of uncertainty are the norm for pioneering radical change, psychologists assist leaders and organizations to shift their desires for stability and predictability into attitudes of acceptance, valuing innovation and cautious risk taking (Coutou, 2003; Zimmerman & Zeitz, 2002). Effective executives, frequently coached by psychologists, have expanded their leadership styles to become more flexible and capable of leading the organization into new directions (Goleman, 2000).

Openness to examining current practices and the thoughtful assessment of new ideas is essential to yellow light leaders' evaluation of risk. Long-term successful companies frequently experience difficulty examining current practices that have brought them success. Psychologists coach executives to promote organization-wide practices of questioning practices and prudent risks. One way to promote divergent thinking is by identifying and valuing individuals within the organization who provoke questions and change. These individuals are called tempered radicals; i.e., individuals often at odds with the dominant culture who want the organization to succeed, yet raise issues and ideas to 'better' the organization (Meyerson, D., 2001).

Consultants increase the alertness/mindfulness of executives to identify even weak signals that may foreshadow problems and the need for change (Coutou, 2003). With training provided by psychologists, they encourage leaders and organizations to learn from mistakes, create environments that are based upon the complex nature of change, and encourage divergent thinking.

## **External Factors**

Long term business success creates personal and organizational forces that frequently develop cautious conservatism and complacency, even arrogance toward alternative ways of doing things. One way to offset this type of inertia is by developing a strong Board (Conger, et al., 2001). A good board provides a counter-balance to potential traps to which a successful CEO may fall victim. Psychologists facilitate Board training, criteria to evaluate Boards and Board members, and promote constructive collaboration between Boards and executives.

## **Effects on Internal Organization**

Disruptive or chaotic situations frequently affect an organization's workforce by lowering morale, increasing absenteeism and sick leave, heightened stress and uncertainty, loss of key staff, and lowered productivity. Executive management typically experiences increased scrutiny, pressures for immediate

responses, difficulties retaining key staff, loss of confidence, and demoralization of the stakeholders.

Leadership needs to adopt productive solutions to these critical unsettling situations. Coping with disruptive changes, building resilience, and becoming a source of positive motivation can occur while the leaders develop and use their own personal strategies to deal with their intense feelings and the difficult experience. Managing the emotional distress, while at the same time being a source of strength and stability for others, involves behaviors, thoughts, and actions that can be developed, often with the assistance of I/O psychologists.

Placing value on the people in the organization is top priority for enhancing the flexibility and malleability of the organization. Psychologists have assisted companies in developing programs and measurements of policies that value and develop their employees. Companies who effectively select, develop, and retain stars are more successful (Lorsch & Tierney, 2002). Successful, knowledgeable people can learn new competencies and improve their openness and adaptability to innovation (Christiansen & Overdorf, 2000). Adaptability to change and openness to innovation needs to involve all functions and all levels of an organization, be valued and rewarded, and become an essential part of the company's culture (Hipple, et al., 2002).

### **Expect Resistance**

It is human nature for people to continue doing things the way they have been doing things. When disruptive change occurs, most people feel unsure about their jobs, experience intense emotions, withdraw emotionally, and feel depressed, frustrated, or angry. These behaviors and attitudes produce lowered productivity, and the insecurities contribute to resistance to changes which are unfamiliar. Psychologists promote management's awareness of resistance, and promote practices necessary to reduce it.

### **Summary**

Business psychologists promote personal and organizational growth by: developing prudent risk-taking attitudes in management; facilitate strategic planning and measurement practices; train and measure effectiveness of Boards and Board members; identifying resistance; promote positive attitudes in the organization's culture toward change; and show the economic value added (EVA) in adopting healthy human resources (HR) practices.

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