

### HIGH PERFORMANCE CULTURE - PART2 (SUCCESS IN A RECESSION PART 3)

Economies cannot grow forever, and that makes recessions a natural part of life. A company that can only succeed during the “good” years is not that strong of a company, and it shouldn't surprise us that those companies collapse. Research from Harvard (Gulati, Nohria, & Wohlgezogen, Harvard Business Review, 2010) shows that 17% of large public companies won't survive a recession. They will either go bankrupt, be acquired, or become private. Small businesses are even more at risk, as 26% of US small businesses failed due to the 2008 Recession.

No matter the size of your bank, a recession can start you on a downward spiral. But that doesn't mean you can do nothing about it. All companies (including banks) can create a recession proof strategy (which we wrote about). The research definitively shows that the optimal strategy during a recession is to cut costs through operational efficiency, while at the same time strategically investing back in the business. This dual strategy will not only help your bank survive the recession but gives you the best chance at thriving while your competitors are struggling.

While a strategy of operational efficiency and strategic investments might seem like common sense, the majority of companies don't do it. From my experience, this is often due to the people in the company. Operational efficiency or a high growth mindset is not something that can be turned on or off like a light switch. For some people, it is like trying to look left and look right at the same time.

So, it shouldn't be surprising that this type of high efficiency and high growth strategy is rare among companies. But just because it is rare doesn't make it impossible for your bank. There are simple and proven ways that you can create a High Operational Efficiency / High Growth Strategy within your bank that can not only withstand a recession, but actually thrive in it. Of course, this assumes that you, the leaders, and the employees of your bank are willing to put in the effort required.

#### How Do I Make My Bank Recession Proof?

Ask 100 experts on how to survive and thrive during a recession, and you might get 100 different answers. That is why we have tried to narrow it down for you. When you boil down all the research and thought leaders, four common concepts stand out. We have combined these concepts into one model, our High-Performance Culture model. The four components are:

- 1. Delivering Critical Priorities** - Everyone within a High-Performance Culture needs to be crystal clear on the top three bank priorities over the immediate future. That clarity allows for everyone in your bank to be aligned and working together to solve those top priorities.
- 2. Role Modeling the Right Way of Working** - Once there are clear priorities, leaders should ensure that everyone is working in a way that is aligned to those priorities. This includes how your bank is structured, how the processes are aligned, and how employees and teams are meant to work together.
- 3. Proactively Building Strategic Capabilities** - A clear way of working together helps leaders understand what type of talented people they need within their organization. Some of them they will need to hire, and some they will be able to grow.
- 4. High Performing Leader** - Finally, clarity on people capabilities will shape what kind of leadership and communication is required in the bank. There is no recipe for the perfect leader, but some types will work better for some cultures than others.

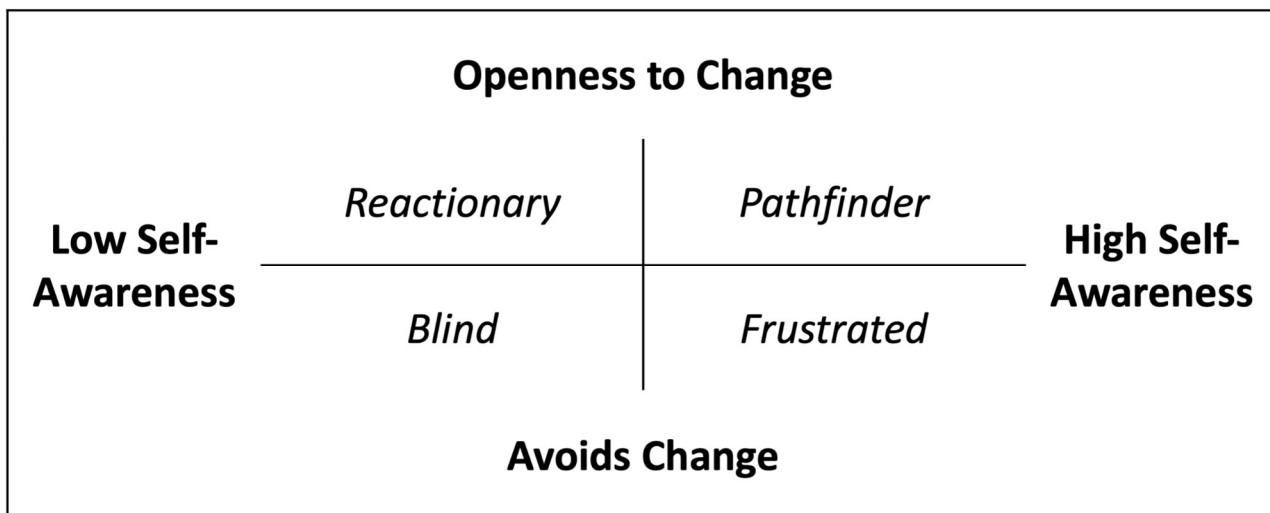
That's it... If you want your bank to succeed and thrive during a recession, then you need to ensure these four things. And what makes this even better is that these four things are not necessarily that hard or complex to install in your culture. Each of these can be built using simple and pragmatic actions from you. Last month we discussed the first two components, and this month we will focus on the last two.

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### Action 3 - Foster a Pathfinder Mindset (Proactively Building Strategic Capabilities)

The industry, your competition, and your community are not standing still. Everything is growing and evolving. So, what makes you and your bank successful today, might not be the same thing that delivers success tomorrow. Recognizing and dealing with this fact is implicit in all High-Performance Cultures. Do you want to be an elite bank one year, only to struggle when the market shifts? Do you want to be a leader whose qualities are better suited for 20 years ago? Hopefully not.

If you want to keep pace with (or even outperform) the market, you and your bank need to lean into this natural evolution. But in order to become more proactive with change, it is critical to know how you and your bank currently view change. I recommend using this simple 2x2 model.



On the vertical axis, you assess your (or your bank's) openness to change. Some people embrace change, while others hide from it. On the horizontal axis, you assess your self-awareness. How easily do you look reflectively in the mirror, or do you put your head in the sand? When you combine both assessments, you will fall into one of the following four categories:

- Blind** - There are some people (or organizations) who avoid change at all costs and do not spend time thinking about what needs to change or how they need to grow. In essence, their eyes are closed to what is going on around them. There could be fire all around them, but they wouldn't act like it. I like to think of these people (or organizations) as trapped in quicksand but being too afraid to do anything about it.
- Frustrated** - When you are highly reflective, you know what you want to change in yourself or your bank. But when it is combined with an avoidance of change, you end up knowing the problems, but not fixing them. This can lead to immense frustration, and eventually people giving up.
- Reactionary** - There are some people (and organizations) that are super open to change. Change is something they get excited about. But the problem with them is that they do not reflect on their own developmental needs or where they want to go in the future. I like thinking of these people as relaxing as they float down a river. They give themselves over to the current and will go where the river takes them with a smile. The problem is that sometimes this river will take them to a great place, while other times it will lead to a waterfall.
- Pathfinder** - If you truly want a High-Performance Culture, you (and as many of your colleagues as possible) need to have a Pathfinder mindset. This is when you are highly aware of what needs to change in yourself and your bank, and you proactively seek out opportunities to address those changes. They don't wait around for others to figure out what to do, or how to evolve. Instead, they have the courage to find their own path forward.

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Leaders (and organizations) with a Pathfinder mindset understand that change is a good thing, even when it comes to a recession. To organizations with a High-Performance Culture, a recession is an opportunity, not something to be afraid of. Sure, it will be tough, but high performing leaders aren't afraid to blaze a new path through a recession.

### **Action 4 - Set Narrower Expectations, but With Higher Quality (High Performing Leaders)**

The final component of a High-Performance Culture is to ensure your leaders are driving the right actions and behaviors. Front line leaders are where strategy meets reality, and if they are not onboard, then their people won't be either. The problem is that leaders are often overburdened. They are so busy doing their job, that they can struggle to focus on anything new.

If you want your leaders to drive this High-Performance Culture, then you need to lighten their load. But at the same time, a recession (or any time for that matter) is no time to allow for lower standards of quality. This is why we recommend that companies help their leaders by setting narrower expectations, but for those fewer expectations the company should demand high quality. If we are only asking you to do 4 things (instead of 12), you better deliver those 4 things to the highest quality you can.

The difficult thing is determining which set of leadership expectations to prioritize. Every company will probably have a different prioritized list based on their culture, industry, and strategic focus areas. But as a starting point to kick off your internal debates, here are the 4 leadership behaviors that I would prioritize for a High-Performance Culture (especially during or before a recession).

**1) Driving the All Hands Goals** - We need to recognize the power of frontline leaders. The CEO, the Board, and the strategy can all agree that your employees need to do X, but if their managers tell them to do Y... they will do Y. Ensuring all your leaders have a laser-like focus on the All Hands Goals is tough. Especially because all leaders are human. They might not fully agree with the All Hands Goals, or how we should achieve them. Or maybe the All Hands Goals deprioritize the leader's specialties. If you can't ensure that all of your leaders are focused on the same goals, then you shouldn't be surprised when your employees aren't either.

**2) Building Bridges and Collaboration** - Collaborating across teams is easy to say, but many employees struggle with it, mostly due to a lack of visibility. They don't always know what other teams are working on, or what projects they could collaborate on. This is where the leader needs to step in. Leaders often have a broader view across the organization as compared to their team. They need to use that viewpoint to find areas of collaboration and start connecting different teams together.

**3) Giving Feedback and Discussing Growth** - Employees will never be able to proactively build strategic capabilities in a vacuum. They need to know what kind of capabilities they need to grow, where they are starting from on those capabilities, and be provided feedback throughout their development to ensure they are growing in the right direction. It is the leader's role to do all three of those things for their people.

**4) Balancing Empowerment vs Accountability** - We are big believers in empowerment. There is quite a bit of research that shows that people make better decisions and work harder when they are empowered to own a problem / project. But this kind of empowerment only works if the employees are also held accountable. Giving people more responsibility, and then holding them accountable for those responsibilities, is key to a High-Performance Culture.

### **You Will Face Moments of Truth When You Can Create or Kill Your Culture**

Creating a High-Performance Culture is not something that you can accomplish in one day, or by putting up a bunch of posters on the wall. That culture will be built day by day through a series of choices that you and everyone else make. Some of these choices will be obvious (for example, Team A is actively resisting the changes and is demonstrating the opposite of a Pathfinder mindset). But in many situations, building a High-Performance Culture might require some difficult decisions.



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For example, imagine one of your most effective leaders is consistently getting negative feedback from their team and in engagement surveys. Do you keep them around because they continue to deliver, or will you make the welfare of the team the priority? How long will they be able to deliver those results while demonstrating poor leadership behaviors? We call these difficult decisions Moments of Truth. Will you do what is necessary for your High-Performance Culture, or will you do what is comfortable or safe?

There is no doubt that a recession is incredibly tough for many companies, leaders, and employees. Companies go bankrupt and employees lose their jobs. But there is one type of company that not only survives a recession, but actually thrives because of it. Those recession proof companies have a High-Performance Culture. And if you and your company are willing to do the work, then you can start building your own High-Performance Culture today.

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