

How to be a good boss in a bad economy

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(PhysOrg.com) -- When cutbacks are necessary, can a good boss do right by the company's finances and by its staff? Some pain is probably unavoidable, but Stanford management science and engineering Professor Bob Sutton says that psychological and organization theory research suggests clear ways to handle such situations with a minimum of harm to the people and company involved. He makes that case in this month's issue of *Harvard Business Review*.

"The best bosses understand that there is a difference between what they do and how they do it," says Sutton, author of the 2007 New York Times bestseller on bad bosses, *The No A**hole Rule*. "This article is about evidence-based ways to make and implement tough decisions such as layoffs, pay cuts and the like in ways that protect both human dignity and organizational performance."

Bosses often mishandle the organizational psychology of recessions because they get caught in a Catch-22 of human nature that Sutton calls the "toxic tandem." Many researchers have shown that people in power tend to become somewhat oblivious to the needs of their subordinates, Sutton says, but subordinates usually watch their bosses intently for any sign of what's going on and typically assume the worst—and they watch their bosses even more closely during scary economic times. As bad as times may truly be, Sutton says, the toxic tandem magnifies fear and paranoia, which undermine morale and productivity.

In the article "How to Be a Good Boss in a Bad Economy," Sutton brings a number of sources together in concluding that good bosses are those

who can look beyond their own needs and stresses, and attend to four of their employees' psychological needs: predictability, understanding, control, and compassion.

Four ways to be a good boss

Predictability: Studies of people and animals show that the ability to predict pain not only makes experiencing it much more bearable but also offers sufferers the ability to enjoy relative calm when they can be sure the pain isn't imminent. Bosses who can give employees definitive warning of when the ax will fall and when it won't can help make the process of making cutbacks less disruptive. In the article, Sutton presents as models managers who guaranteed to employees that no layoffs would be made "for at least three months" or others who made deep cuts up front but with the guarantee there would be no more for at least six months.

Understanding: People are also much more able to tolerate adversity if they know why it is upon them, Sutton says. Bosses therefore probably cannot go too far in offering a sincere and informative explanation over and over again.

"Your job as boss is to design messages that will get through to people who are distracted, upset and apt to think negatively given any ambiguity," Sutton wrote for the journal's decidedly managerial audience.

Control: Few bosses are likely to give the rank and file control over cutbacks, but they can give employees some hope that their hard work to keep the company afloat will be successful. Citing the research of University of Michigan organizational theorist Karl Weick, Sutton advises bosses to engage employees in the process of breaking down the company's big-picture challenges into manageable parts. That exercise

will help ensure that the work gets done, and will give employees a sense that they can have a positive impact on their situation.

Compassion: In the article, Sutton describes an Ohio State University study in which manufacturing [employees](#) who were treated callously by their boss during the process of closing their plant stole more from the company than workers at a nearly identical plant who were given a compassionate and detailed hearing by their boss during the same process. Respecting the dignity of those laid off, Sutton says, will help preserve the loyalty and productivity of the workers who stay.

Sutton emphasized that managing during rough times challenges even the most experienced bosses, but "the best find ways to preserve the dignity of everyone affected and look beyond the immediate crisis, often asking themselves, 'When I look back on what I did, will I be proud or ashamed?'"

More information: hbr.harvardbusiness.org/

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