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# Hiring and Managing in Turbulent Times

by Claudio Fernández-Aráoz

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Over the past month, I've traveled from my base in Argentina to the United States, Canada, and the United Kingdom to give a series of speeches, and I'll soon leave for another tour, this time in Italy. The executives I'm meeting are understandably nervous. In each country, following recent elections and referendums, they are facing political, social, and economic uncertainties we would never have imagined just a year ago.

How can today's leaders manage this new normal? In turbulent times (and, as an Argentine, I have seen many) I often think of Janus, the Roman god of beginnings and endings, from which the name of the first month of the new year, January, is derived. Janus symbolized the genesis of the world and human life, the start of new historical ages and economic enterprises. He stood for change and transition — from past to future, barbarity to civilization, youth to adulthood — and is most often depicted with two heads facing opposite directions. His ability to look back is what enabled him to see way forward so clearly. His horizon was exceedingly long-term.

I believe that executives and organizations should follow this model, particularly when it comes to investing in talent.

Consider research from Harvard Business School's Ranjay Gulati, Nitin Nohria, and Franz Wohlgezogen, in which they evaluated the performance of 4,700 companies across three recessions. They found that only 9% came out in better positions, and that what united that small group of winners was a "progressive" focus: they were extremely selective about when and where to cut investments and remained on the lookout for opportunities.



Anecdotal evidence supports this view. Just look to the early days of Hewlett-Packard. The late 1940s were a tough time for the fledgling electronic equipment maker that would eventually become one of the America's best-known technology companies. The second World War had left business slow and finances strained. But, with legions of great engineers streaming out of closing or soon-to-close U.S. military labs, HP's legendary founders Bill Hewlett and Dave Packard realized they couldn't let such an amazing hiring opportunity pass them by. When asked how they could afford to add workers through a downturn, their answer was simple: "How could we afford *not* to?" Years later, when asked about the biggest contributor to HP's success over the years, they routinely cited their willingness to bring in the right people no matter the external economic climate.

My firm, Egon Zehnder, has a similar story. In the early 2000s, after the dot-com bubble burst, the outlook for our industry — executive search — was bleak. The talent war seemed finished, billings plummeted and our profit margins shrank. Then came the September 11, 2001, attacks, followed by fully-fledged economic crises in the U.S. and Europe, the SARS scare in Asia, and war, with all its attendant uncertainties, first in Afghanistan, then in Iraq. A natural reaction would have been to obey the short-term signals and retrench and, indeed, that's what most of our competitors did, dismissing up to 50% of their staffs. But we barely downsized. We continued to hire outstanding consultants and elected every single candidate who came up for partner during that period.

When the market recovered, we were therefore poised to seize the opportunity. Having started the downturn at about half the size of our largest competitor, we were nearly equal by its end, growing 150% over six years, doubling our billings per consultant, and significantly boosting our profits. While other firms suffered significant financial losses, we never lost a cent.

Fast forward to the next global financial crisis. I was a speaker at 2008's Fortune 500 CEO conference and listened with interest as BCG presented the findings of a study conducted in partnership with with the European Association for People Management. They asked 3,400 executives in more than 30 countries, including 90 senior human resources leaders, what their response to the looming recession would be and the frequent answer was "scale back recruiting." At the same time, survey participants acknowledged that one of the three most effective responses to the previous crisis, and the one deemed to have the most positive impact on employee commitment (out of a list of 22), had been the selective hiring of high-performers from competitors. BCG's advice was therefor similar to that of the HBS professors.

Then, as today, leaders, and especially CEOs and their boards, must remember the lessons of Janus. While the present crisis may seem overwhelming, it is those who stay calm, remember the past and plan for the future who will triumph.

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