



My Opinion

World Financial Crisis: Controlling the Fear!

By Gary Eaton, Partner, Mills-Eaton Training

Background: The World Financial Crisis (WFC) has inspired FEAR at all levels.

What can we do? Firstly, be aware that we have seen these things before. In 1863, the US banks and stock market were in meltdown. The key causes were: the Civil War, inappropriate lending by banks and stock market manipulation – all of which sounds familiar. The Depression in the 1930's had similar causes, and most of us remember the late 1980's which saw billions being written off the value of properties, companies crashing and the financial system in chaos. Now, following one of the strongest *growth* periods in our history, we have the WFC. The world survived all of the previous events; history suggests that this one is also survivable.

Secondly, we need to improve leadership skills. There has been a strong focus on improving technical management skills at the expense of developing leadership. A recent Australian survey reported that 90% of senior executives believed leadership was a success imperative, but that only 20% of their organisations were building leadership capability. In the most simple terms, managers manage tasks, leaders lead people. Considering that the most valuable assets of most organisations are their staff and the knowledge and experience they possess; failing to lead effectively in times like these could be disastrous.

Why is this so? The most immediate impact of WFC is the lowering of confidence and the consequent rise in fear. Some respond to fear by hoping it will go away, others panic, and the rest try to gain some control over the situation. Governments appear to be unsure what to do, so they have responded with tactical moves (spending money) in the apparent hope that something good will happen. None of these tactics appear to be reducing the fear level.

Fear impacts us individually and organisationally. It slows or stops our spending, impacting retail, service delivery and manufacturing – putting those jobs at risk. Investors lose confidence in these slowing organisations and take their money elsewhere. The net effect is higher unemployment, closing or shrinking businesses and more fear. This is why the government handouts are unlikely to work as a pump primer – forecasts indicate that most people will hang on to it and expect things to get worse. And if we all stop spending, it will.

What should we do? Stop wasting energy worrying. Stop using resources trying to control things out of our control; it is also foolish to pretend that the WFC won't touch us. Our focus should be on those things we can impact. We need to be open to the future, be transparent in our dealings with staff, customers and suppliers, and exhibit leadership. Leaders need to be emotionally intelligent in dealing with their own and their team's fears – avoidance will not help. Taking charge of the words we use, and the way we think and behave has never been more critical. Best Practice has never been more important, as is marketing and staff up-skilling. Some organisations are already pulling back on these essentials. Many of these will be victims of the WFC.

Surviving the WFC is going to require a recipe of many parts: world circumstances, financial awareness, leadership, planning and a lot of attitude – while staying real. The opportunities missed by others not taking this road will be available to the survivors. Which group would you prefer to be a part of?

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