According to our study of 2,000 managers, leaders, and executives, the way leaders and employees behave in four crucial moments is a predictor of an organization’s ability to respond effectively and quickly to financial threats.

The four behaviors every organization encounters during financial downturns are:

1) **Denial**: Often, employees question the severity of financial crises and resist change. Unable to overturn doubts, leaders make across-the-board cuts or get bogged down in endless discussions.

2) **Silence**: During financial crises, people often fail to hold teammates accountable to commitments made by the whole group.

3) **Protection of Pet Projects**: In many companies, employees half-heartedly engage in cost-cutting decisions. The most obvious and necessary cuts are often the boss’s pet projects, but suggesting cuts in this area could be politically unwise.

4) **Irrational Slashing**: Leaders often hastily conclude they can’t trust their team to offer up real reduction opportunities, and consequently, they impose deep, across-the-board cuts. These companies emerge from recessions cynical rather than nimble and vital.

Leaders who hold candid and effective conversations when these behaviors arise are more than five times more likely to respond within days or weeks of the crisis, and more than ten times more likely to respond in a way that positions their company for future success. Less agile teams are more than 360 percent more likely to lose millions of dollars in lost opportunities due to irrational or hasty solutions.

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**KEY RESULTS**

There are 4 crucial moments that predict an organization’s ability to weather an economic recession

- Leaders are more than 10 times more likely to position their company for future success if they hold candid conversations when these behaviors arise

- Less agile teams are 360% more likely to lose millions of dollars

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**TIPS for SURVIVING AN ECONOMIC RECESSION**

- **Model and teach dialogue skills.** When leaders foster the skills required to hold crucial conversations, teams realize positive results as they reach consensus, not conflict.

- **Schedule regular financial workouts.** Agile firms replace fixed budgets with financial workouts, scheduled quarterly or in response to unforeseen shocks. These workouts pit a wide range of initiatives against revenue and strategy.

- **Publicly sacrifice a sacred cow.** When leaders openly demonstrate that fiscal stewardship is more important than pet projects or personal ego, cynical team members begin to question their doubts.

- **Support decisions that favor timeliness over perfection.** Fiscally agile leaders accept that urgent financial decisions are made under conditions of uncertainty. Good leaders encourage managers to tailor decisions to the information they have.

- **Create safe “sub dialogues.”** Leaders who break fiscal challenges into discrete problems and assign small cross-functional groups to work in a time-bound way are more likely to generate solutions.

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**ABOUT THE RESEARCH.** The study collected responses via an online survey of 2,090 individuals in October of 2008. Margin of error is approximately 3%.

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**LEARN NEW SKILLS.** To learn how Crucial Conversations® Training can help you survive an economic recession, visit www.vitalsmarts.com or call 1.800.449.5989.

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