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Leading in a Downturn: Four Big Opportunities, Four Must-Do's

In terms of business leadership, there really is no such thing as a *good economy* or a *bad economy*. There is just the *present economy*. It is what it is! What is good or bad is the leadership response to the present reality. Learn about strong leadership response and how to manage the Conditions of Activity.

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Bad Times?

The economy is in a downturn and, according to almost everybody, the sky is falling. As you can imagine, my practice has been inundated the past few months by new clients who want help figuring out the best strategy going forward. While many of my long-term clients, through our work together, are fairly well positioned, some of these new clients are struggling. This article provides a few examples of what is not working, summarizes my observations of what *is* working, and describes four opportunities that are available as result of the current downturn.

The executive teams that I work with span the gamut from small and mid-sized organizations to Fortune 500 companies and their divisions. It is my job to use my business expertise and facilitation skills to get the best out of these groups, to help them put together go-forward strategies. Times are tough and tough decisions have to be made.

When I begin to consult with new clients I ask for a review of what is being done to address current challenges. Now remember, I am working with the highest leadership teams of these organizations, with the fanciest titles, and with the brightest minds these organizations have to offer. And what do I hear? Well for many of these

companies I hear anything but bright, aggressive and thoughtful ideas. “We should cancel any unnecessary travel.” Why was anyone going on any unnecessary travel in the first place? “We should stop offering free soda and snacks to our employees and make them bring in their own coffee mugs to save on paper goods.” Wow, that should save the organization a percent of a percent of a percent of what is needed. “We should make sure that people turn off lights after they leave a room.” Again, not really going to help, and why doesn’t the company already have a culture of minimizing waste? And sooner or later someone suggests limiting the number of laptops and printers because of maintenance costs. And as you already know, the litany of these types of ideas goes on.

Now I am not saying that these are not good ideas in and of themselves, but they are so very obvious and so very uninventive, it truly causes me cognitive dissonance. Is this really the best these executive teams have to offer? What about all of those seminars on out-of-the-box thinking they attended over the past few years?

Then, after more brainstorming that yields no real solutions, some vice president makes a grim face and starts talking about layoffs. Believe me, there is much more that can be done!

Don't Go There

There are many ways that companies can act or react. I have categorized them on a continuum with the outliers being conditions that move away from the proper proactive response based on the Conditions of Activity (Figure 1.)

Moving Towards Low Activity- *Characterized by going through the motions, less energy focused on appropriate responses and less and less communication to the organization when it needs it most. Some organizations may even just simply hold on and try to wait it out.*

Obvious Ideas- As discussed above, while it is probably the case that these ideas should be implemented, they will only have minimal impact. And they certainly are not inspiring to the rest of the organization.

Fretting- Worry expends energy but does not result in action. Fretting is a slippery slope because it is so contagious, and, even worse, it is hard to fight once in this mode. Plus the media's over sensationalizing of every economic update can really exacerbate the feelings of worry. Leaders by definition, although grounded in reality, are optimistic.

Denial- When the leadership of an organization puts their heads in the sand, bad things are around the corner. Denial becomes paralysis, and nothing is done

to position the organization to meet challenges. It reinforces the old adage that 'hope is not a strategy.'

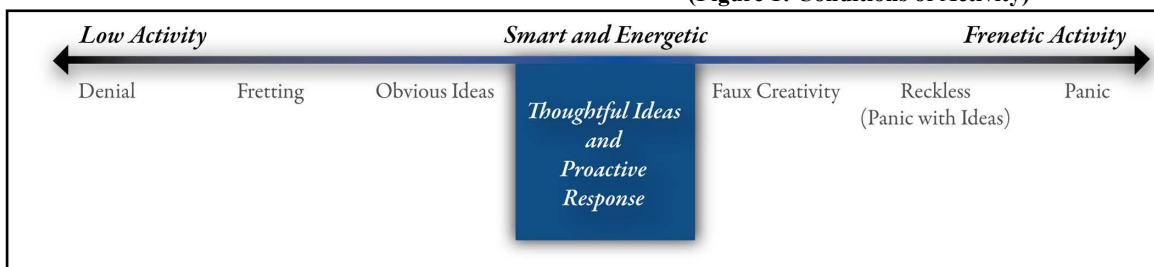
Moving Towards Frenetic Activity- *Characterized by an increase in unfocussed energy and activity with intermittent moments of intense and unhelpful communication. These activities are unformed and impulsive.*

Faux Creativity- This often happens in a flurry and is related in the opposite direction to the *obvious ideas* except the ideas created in this mode are superficially creative but not relevant.

Reckless- This tendency is fundamentally *panic* except that it is accompanied by ideas---bad ideas. This could also be called the grasping at straws mode. Recklessness is easy to observe when companies make poor strategic decisions or take unformed chances on new business directions, acquisitions or brand alteration.

Panic- Related to denial on the other end of the spectrum, panic is equally ineffective and debilitating. When frenetic energy is at a fever pitch, blame and anger rule the day. Behind all of the activity not much is done to meet current challenges. Although there seems to be movement on the surface, it is simply another form of paralysis

(Figure 1: Conditions of Activity)



Thriving in the Storm

Many executives describe their situations as "surviving the storm." This phrase brings to mind images of the old British tall ships being tossed around in an angry ocean squall. And I believe it is an apt analogy.

The choice then seems simple. Do you put everyone in the hull of the ship and hang on tight hoping to make it through? If you do, there is the chance that you will not make it. Minimally, your ship may be damaged, and you will certainly be blown far off course. If on the other hand, everybody runs around frantically, some raising sails, some dropping anchor, and some boarding the lifeboats, the possibility of surviving the storm significantly decreases. Neither low activity nor frantic activity will get you where you want to go.

So how do you thrive in the storm instead of just survive? In keeping with our maritime analogy, the image that leaps to mind is of the captain on deck shouting commands through the rain and wind to the crew. It is a loud and strong, but not a panicked voice which brings a sense of calm and stability in the chaos. The captain constantly works with his chief navigator and second-in-command balancing both strategic and tactical decisions. He ensures follow-through. The crew rallies around the captain's leadership. In time, the storm is over and, because of smart and energetic activity; the ship has not only remained on course but is now days ahead of schedule--propelled by the storm itself.

Just as every storm on the sea ends (even though it feels like it goes on forever) so too will this downturn end. And just as there will be future storms at sea, so too the economy will cycle up and down. There is sunshine ahead. Maybe sooner, maybe later, but someday the seas will be calm again and perfect for sailing.



The Call of the Leader

However, in terms of business leadership I would like to propose that there really is no such thing as a *good economy* or a *bad economy*. There is just the *present economy*. It is what it is! What is good or bad is the leadership response to the present reality.

It is fascinating how so many executives ride the economy. They take credit for results in a good economy and blame the economy when results are low. As a consultant, I often see first hand that when a company is highly profitable, it is often running less efficiently and effectively as the influx of revenue covers up a wide variety of sins.

Leaders always have to guide their organizations through some degree of uncertainty to achieve success. Sometimes uncertainty is higher than at other times, but the leader still has to ensure the organization is flexible, aware and resilient to meet any challenge.

It should not be surprising that great companies are often built during down cycles as has been proven again and again in the U.S. and across the globe. Challenge brings out the best in true leaders and, as a result, their companies prosper. Now that we are in a deep trough of uncertainty, what should leaders do?

The best companies will be opportunistic. Strategy setting will become intense and require greater awareness of the realities of the day. Companies must become smarter and be ready to move quickly often in a just-in-time manner. Serious evaluation of costs, pricing, value and optimizing positioning will be a continuous effort until a best path is forged. Companies will have to play out a variety of scenarios and be structured to move to meet each one. The complexity and the uncertainty of the situation should not confound the organization but should bring out its best efforts to think, plan and execute.

The Four Big Opportunities

1-Market Share

Now is a prime time to gain market share. Poorly-led fringe players will simply fall by the wayside. They will not be able to sustain themselves because they just are not prepared, are not in a good cash position, or simply do not have enough brand strength. Established

organizations who simply hope to wait it out are doing the equivalent of voluntarily giving away market share. Leverage your strengths! If you are an established and trusted brand, use this opportunity to present your offerings as a clear low-risk choice with tremendous value. If you are an up-and-comer with a great value proposition and can be more flexible and optimistic than your competitors, do it. Opportunities are still out there, and your customers will be very particular about whom they choose. Give them every reason to choose you.

Many of your competitors will not respond proactively to the economic situation. Most will simply hold on tight and do the obvious and uninventive things that will probably weaken their business now and in the future. This is a time for your company to make a move. If done supremely well your company will surpass your competition.

2-Expand Services and Grow Clients

This is a great time to reassess the environment for new opportunities. Be the first to identify and respond to emerging geographical markets, new niche markets, and cutting edge trends. You cannot do this if your head is in the ground. This may be the right time to pilot (less risk) a new service. The challenge here is not to be reckless but to build off of and maintain core competencies. Look for vertical opportunities or for new markets that can be penetrated. Too many firms are still operating in the business model that served them well a decade or more ago. Think about how best to reposition your organization both for the short-term and the long-term. Let go of the past and

lead in the present while preparing for the future.

Additionally, this is a great time to forge stronger relationships with existing business partners and to reach out to new ones. Many companies have complained in past years of the lack of time to really build relationships. Use this time to solidify evergreen status with current and new clients, suppliers and partners for long-term benefit. Additionally, even though it may seem counter-intuitive, this may be the very best time to seek a strategic merger or acquisition. It is a call to be smartly opportunistic.

3-Increase, Improve and Acquire Internal Capabilities

When companies are prosperous they are always too busy to fix their broken systems and flawed processes, so they put up with the aggravation and pain. So now is the time to address these issues. Many problems can be solved with internal resources at minimal cost. Believe me, when the economy gets cooking again you will have no time to work on these issues. Be strategic about which ones you focus on but do something.

The same goes for training and retooling. What skills or expertise does the company need to catch up on to better position itself for the future? Right now, for example, many of my clients are trying to make progress on becoming truly green. Environmental responsibility is a huge part of the future and a major focus for the new administration in Washington. For many years now companies have known they should develop internal and/or external expertise on sustainability for a variety

or reasons (competitive advantage, compliance, social responsibility etc.) but have not quite gotten to it yet. Do not look back in a year from now and say that your organization missed a golden opportunity to catch up in a key competency.

4- Acquire Talent

The war for talent takes on a new twist in the present reality. Unlike in up markets when you had to fight to get the best talent and often settled for satisfactory talent, the talent pool is now growing. Use this window to grab the elusive talent you could not secure just a year ago. It might be a huge sacrifice, but your organization will not only gain talent for the short and long term at a possibly reduced cost, but you will also take this talent out of the market for your competitors. Again, you must be strategic and thoughtful about this but do not miss the opportunity.

The Four Big Musts

1- Collections

Many companies lose discipline around collections during good times. If you are not already working this issue, now is the time to take command of your cash flow. This will need to be done both upstream and downstream as your suppliers and clients are probably also hurting. The key here is frequent communication. Get collections under control and keep this discipline when things get good again. For those on the production side, the same applies to your discipline around inventory, quality, and efficiency of operations. Get excellent at it and keep it that way.

2- Improve Spending Practices

Every company should always be monitoring spending practices, so this might seem like an obvious must-do. But I realize that these times call for further discipline and decision-making. What I would add are three salient points. 1- Define and communicate changes in spending practices along with the context/rationale to the entire organization. 2- Be consistent with the approach -i.e. make sure that all equally join in the discipline and 3- Do not be penny-wise and pound-foolish. Think the approach to appropriate spending all of the way through.



3- Business Development

When things are booming selling is not that hard if you have the basics in place and show a bit of initiative. I am not saying that selling is brainless, but I am saying that deals flow relatively easily in a robust economy. That is the truth. When things are really good sales skills deteriorate and there is at most only a low desire to learn and grow sales skills; it simply is not necessary. Not that long ago, companies could hardly keep up with their orders. Some services companies were even turning away business.

This is the time to become great at business development and sales. Review and improve the sales process. Be meticulous about each step, eliminating old processes and habits that are no longer best practices.

Your sales people should “up their game.” Excuses will not get them or your organization anywhere. Bringing revenue in is critical to thriving in current conditions, and it is only possible for those who have the best sales processes and skills in place. Now is not the time for more of the same bush shaking. What is required is smart, focused, and inventive activity. One of my clients in particular has done this extremely well. In a thoughtful response to improving sales, a small group of highly talented non-sales senior leaders have been deputized to bolster sales. The economy being bad is no excuse for a professional sales force. The best companies will post numbers higher than their competitors. It is simple as that.

4- Contingency Planning and Hard Decisions

The reality of the downturn may necessitate making hard decisions about divestiture, layoffs, pay cuts and the like. The key here is to be ahead of the game when it comes to these types of decisions. You should already have contingency plans in place as well have done robust scenario planning. Within your contingency plans you need to have built in thresholds and trigger points. You do not want to be making these types of decisions shooting from the hip or in a reactive manner. Making it up as you go along is crippling to the business and the spirit of the organization and to

the psyche of the leader. If tough decisions have to be made, make them with an informed mind and a clear conscience. Be prepared for the worse but work for the best.

Be sure to be in close communication with your staff and the whole organization. Be truthful with the realities of the situation as most people when treated like adults will respond accordingly. One of the worst things a leader can do is hide. This behavior perpetuates high levels of anxiety and negative energy throughout the company, energy that can better be used to produce more, improve sales, or help reposition the organization. Be sensibly open, honest, and strong, just like the captain of a tall ship in a storm, so that people can rally around you.

The big watch-out here is not to get overly myopic. Although the focus is on

the short-term contingencies it is critical not to lose a long-term view. Keep the long-term strategy and vision in sight and do not forsake the core values that are the foundation of the organization. This can be a tough balancing act but an essential one.

Conclusion

Think about when you faced a tough time in your life with courage, effort, and grace. How did it turn out? You were better for it. You developed new skills, new grit, and a broader perspective. You came out way better than before. The same goes for organizations during these tough times. This downturn can, with the right decisions, propel your organization along a course to outdistance your competition both now and in the future. When this downturn is over and the dust settles, it will be a whole new world. In many ways it already is. Will you be ready to embrace it?