Rise Above the Recession

Prepare & advance your business during the next economic downturn

Introduction

Today's economy is volatile. While it appears that there will be slight economic growth in 2012, there is very little consensus among economists as to what will happen in the years ahead and when we may plunge into another economic downturn. The recent European banking crisis, coupled with the government's inability to collectively deal with our astronomical debt, does not bode well for our long-term outlook. Some economists believe that we are heading towards another downturn, not necessarily as bad as the Great Recession of 2008, but challenging nonetheless.

The world economy is troubling, without a doubt. But that doesn't mean your company is doomed to struggle. Research has found that successful companies use the same tried-and-true growth tactics to grow consistently, despite an uncertain economy.

This white paper details the tactics from the country's most successful companies and business strategists to help you as a leader maintain an efficient, growth-focused and profitable company during any economic condition.

Current Business Environment

Running a business today is more challenging than ever. The uncertainty in the stock market and our own government, the risk-adverse stance that many CEO's and business owners have taken, and the general feeling that the "good times are over" permeate the general economic climate.

Some economists warn that another recession is looming in the years ahead. In a recent article on ABCNews.com, Merrill Lynch economist Ethan Harris said he sees a 20-30% probability that we will enter a recession sometime in the next year or so.

Signs of a Future Recession

There are many key economic indicators that could foretell a coming economic downturn.

1. GDP

The latest GDP figures released at the end of November 2011 indicated that GDP increased at an annual rate of just 2.0 percent in Q3 2011, instead of the 2.5% predicted. The Fed recently said the business world is still "cautious and uncertain about the economic and political outlook and so remained reluctant to hire or expand capacity."

2. Unemployment

The last unemployment report stated that the U.S. is currently around 8.6% with almost 14 million people unemployed. This is a far cry from our historic average over the last decade or so, which hovered between 2% and 3%.

3. Consumer Confidence

The latest Consumer Confidence Index scores released in late October 2011 show consumer confidence at 39.8 (1985=100), down from 46.4 in September.

4. S&P 500

Like most indexes, the S&P has its daily ups and downs, but over the last year, it's dropped over 7% overall.

Successful Mindset

Slow and Steady Wins the Race, says *Great by Choice*

It's an old adage—slow and steady wins the race—and it is especially true for businesses today. History has shown that many of those companies who rush to growth end up crashing and burning, while those companies that maintain a steady uphill, realistic and goal-oriented climb succeed far more often.

Jim Collins, author of *Good to Great*, *Built to Last* and *How the Mighty Fall*, just published his latest book, *Great by Choice: Uncertainty, Chaos, and Luck–Why Some Thrive Despite Them All* (with co-author Morten T. Hansen). In writing this book, the authors studied seven high-performance companies—specifically the behaviors of the company leaders and the driving principles behind their success. They labeled these companies the "10X" companies because they did more than just succeed. They outperformed their industry average by a factor of 10.

To illustrate the vast differences in successful leaders and average ones, the authors use the story of the race to the South Pole in 1911 and the concept of the 20-mile march.

In the race to be the first to reach the South Pole, there were two teams lead by Roald Amundsen, the winner, and Robert Falcon Scott, the loser. Both team leaders were roughly the same age, and had the same experience, and began their journeys at the same time. One team made it successfully and the other team froze to death. So under the same conditions, why did one team fail and one succeed?

Every day, regardless of conditions, Edmundson's team hiked 15-20 miles. Even if it was a beautiful day and they could have gone farther, they stopped. They rested, ate, slept and recharged. Scott's team walked with the weather, so if it was a beautiful day they hiked long and far, exhausting the team. When the weather was bad, they stopped for days on end, exhausting their supplies.

To make meaningful progress in leading the most successful companies in the world, 10X leaders set realistic incremental goals and milestones and stick with those goals no matter what—sometimes pulling back on the reins to slow growth to keep it within those goals. And these companies have succeeded again and again and again—over a 30 year period filled with uncertainty and economic ups and downs.

An excerpt from the book reads:

"The 20-Mile March is more than a philosophy. It's about having concrete, clear, intelligent, and rigorously pursued performance mechanisms that keep you on track. The 20-Mile March creates two types of self-imposed discomfort: (1) the discomfort of unwavering commitment to high performance in difficult conditions, and (2) the discomfort of holding back in good conditions."

Wouldn't you like your company to be the next Southwest Airlines or Progressive Insurance? Think "steady, disciplined growth" and read on.

Maintain Growth During a Recession

Companies that outperform the norm during an economic downtown have clear strategies, goals and measurements in place. They have the right people in the right roles and everyone in the company is on the same page, working towards the same goals with a clear understanding of the business strategy.

Want to maintain growth during the next recession? Follow these seven rules:

1. Define a Clear and Robust Strategy.

Of all the tactics that successful companies use to stay in growth mode during any type of economic environment, this is the most important one.

Take an honest look at your company and your leadership team. Think about the strategic thinking and planning that has occurred within your team in the last year, and how you will prepare for the next year. Have you truly thought about what your strategy needs to be to succeed as a business? Have you clearly defined your goals and your specific action plans for reaching those goals?

To answer this question, conduct this exercise at your next executive team meeting:

Ask everyone in the meeting to write what they think is the company's strategy in one or two sentences. Read them aloud.

Are they consistent or are there marked differences?

Are some people completely unable to answer the question?

The results will surprise you. If there is a large difference in what company leaders believe the strategy is, or worse, aren't able to answer the question, you have a problem. A big one.

How can you expect to take your company to the next milestone without clear strategic direction that is defined and understood? Would Edmundson have reached the South Pole without having thought through what his strategy needed to be to succeed?

Work with your executive team to refine your strategy for your business. Be open to the possibility that past strategies may not work to achieve what you want in the future. Talk with your customers and prospects. Gather and review data from the market. Write your strategy down, revisit it, and revise it.

According to a fantastic article written by Harvard Business School strategy professor David J. Collins, clear business strategies have the following components:

Objective: The objective is a concise statement that will drive your business over the next five years or longer. Don't mistake this for the company mission statement or philosophy—it is not a statement of ethics or values. If your leaders are getting hung up on the "creating shareholder value" statement, break free and discover your objective by asking what is most likely to maximize shareholder value over the next few years. Is it growth? Achieving a larger market share? Becoming the industry leader? Expanding into a new market? The strategic objective is a singular goal that is concise yet specific with easy milestone measurements attached to it, including time.

Scope: The scope of a strategy statement is composed of three parts: customer or offering, geographic location, and vertical integration. The scope should set very clear guidelines on what your team should concentrate on for the next several years—and what they shouldn't.

Advantage: The advantage is perhaps the most important part of your strategy statement and consists of two components: customer value proposition and a statement of advantage. The value proposition should detail why a customer should buy your product. You need to know this and understand it clearly from *their point of view*, not yours. The statement of advantage captures the unique activities or the complex combination of activities allowing *that firm alone* to deliver the customer value proposition.

To develop a strong strategy statement start by carefully evaluating your industry. How do you fit in? What do your customers value about what you do? Are there customer needs not being met in the industry? Identify the opportunities and think broadly and creatively. Look at your competitors and their strategies. How might they be changing or evolving and what opportunities does that create for your company?

Creating a thoughtful strategic statement can help you find what David Collins calls the "sweet spot" that aligns the firm's capabilities with customer needs in a way that competitors cannot match.

2. Set Short and Long-term Goals.

Hand in hand with strategy, goal setting is the one of the most important ways to sustain growth during any economic climate. But it isn't about setting just one, high-level master goal for the organization.

Effective goal setting requires smart, attainable weekly, monthly and quarterly goals for the organization and individual teams. Think about what short-term goals need to be met in order to achieve the larger long-terms goals of the organization. Break down the progress milestones into smaller "chunks" that can be attained as the year goes on.

Not only will these shorter-term goals keep everyone on track, they will give the team and organization a regular source of accomplishment and recognition—

and the ability to make adjustments if results aren't being achieved

3. Define Success Metrics.

How will you know when you have reached your short- and long-term goals? What figure needs to show up on your bottom line? How many new customers or locations? How will you measure your progress? You need to define those measurements.

For each goal, ask yourself, "How will I know when I have achieved it?" Define a hard measurement or threshold. Metrics can range from lagging indicators such as revenue growth, new business leads, lead quality, number of locations or market share, to name just a few.

Remember, for every goal there needs to be a measurement.

4. Hire the Right People.

As leaders we want to make every attempt to hire the best talent available. But in reality, that doesn't always happen. You might believe promoting from within is the best option, but as a small or mid-market company, you need to evaluate the viability of that strategy. Do you have the resources and the time to develop people or do you have to go outside and find the right talent to help you grow?

Take time when deciding on what talents, experiences and skills are required for every role. Develop a position profile with goals and outcomes of the position clearly defined. It's expensive to replace someone and even more costly to have to release someone from one role when they could be amazingly talented in another. Take the time to identify the most qualified candidates, and use one or two of the many effective candidate selection and profiling tools available such as Top Grading.

Hiring the *right* people instead of the ones that just happen along will make the difference in your company's overall performance. Hire right the first time.

5. Energize the Team.

Once you have your strategy and goals set, and have top performers in the right roles, you need to energize your team with individual goals and measurements. Each team member should clearly understand exactly what is expected of them, and have short-term and long-term goals and performance metrics of their own. Each employee should be able to finish this statement: "I am the one person responsible for…"

Giving each employee defined quarterly objectives, priorities and success metrics will fuel their day-to-day work and provide an enormous sense of accomplishment once reached.

You should also plan on providing regular progress reports to the team. Let them know how their daily work has contributed to the success of the company. This type of open and candid communication will help employees thrive.

6. Solicit Feedback.

If you aren't asking customers, clients and employees for feedback, you are losing out on a treasure trove of strategic and innovative ideas.

Across your organization, employees work on aspects of your product or service at a level that your executive team members do not. Their insights can make a significant difference to customer satisfaction and the bottom line. Don't wait for a bold employee to come to you—ask them all on a regular basis and make it easy for them to share ideas with leaders through a dedicated email or internal blog.

Don't forget to talk to your customers on a regular basis as well. Regular 15- to 20-minute "touch base" conversations to see how their doing, what's going on in their business and what they value about your services or products is a great way to gather data that will help you succeed and strengthen your relationship. You can also use the time to ask, "If there was one thing that we could do to improve our service to you, what would it be?" You don't have to take all of their suggestions but you may be surprised by what you hear. You may even discover ways to improve your product or service, which could mean a real strategic advantage over your competition.

7. Manage and Grow Your Cash.

Companies that successfully weather economic downturns have a strong cash position and have learned to proactively manage their cash cycle. They regularly forecast their cash flow, work with vendors and customers to ensure that payment terms are clear and payments are on time, and ask themselves at least once per quarter, "How can we shorten our cash conversion cycle?"

The "cash conversion cycle" is the time it takes from when you spend a dollar to get a piece of business or invest in an employee or buy inventory to when it comes back to you in a sold and delivered product or service. (For more examples of how other business owners have shortened theirs, check out Verne Harnish's article "CASH FLOW: 12 Ways to Defy the Entrepreneurial Law of Gravity" at http://www.gazelles.com/cash_flow.html.) There are three ways to shorten your cash cycle: eliminate mistakes in delivery, sales and billing; reduce your cycle time i.e. how long it takes you to sell or deliver or bill and collect; and changing your business model to make more cash available up front and reduce the amount that you need to borrow. (For more information, download the "Cash Conversion Cycle" exercise from www.gazelles.com and see how many ideas you and your team can generate.)

Smart companies also maintain strong relationships with their bankers, ask for lines of credit when the "tide is up" and they don't *need* the money, and keep their bankers informed of pertinent business information.

Common Mistakes

Mistake 1: A Poorly Defined Strategy.

Without a clearly defined and relevant strategy, your company is simply drifting in the wind. Everyone—from entry-level employees to the CEO—needs to have a clear roadmap to where the company is going and how it will get there.

Mistake 2: Blaming the Bad Economy.

The economy isn't great, but that doesn't mean you stop working towards growing a sustainable business. As the studies in *Great by Choice* prove, any company can succeed in growing despite a bad economy. Because the economy is not growing in many industries, you may need to flip your thinking from how to grow to how to take market share from your competition. Taking that market share will be a recession-proof strategy to outperform your competition and grow your top and bottom lines.

Mistake 3: Not Having Meetings.

Meetings are crucial to keep the team energized and on track for growth. Having no meetings or impromptu meetings with no defined purpose is a recipe for confusion and inefficiency. When you hold meetings make sure there is a set time and clearly defined purpose. The average attention span of an American adult is about 9 seconds (compared to 20 minutes back in the 1980s). Keep the team focused with purposeful and meaningful meetings that keep everyone on track and push the business forward.

Mistake 4: No Short-term Goals.

Having small goals—weekly, monthly, quarterly—helps the team understand how their daily efforts will help the company get from A to B on the overall company goals. It gives them short-term milestones to hit and a sense of urgency that will keep the engine humming towards the long-term success goals and metrics.

Mistake 5: Not Involving Your Team in Goal Setting.

Don't make the mistake of not tapping into the experience of your team. Your employees and leaders have exposure and experience with your product or service that you as a high-level leader do not. Their daily and intimate activities with the business and your customers are invaluable in determining what can be done to outperform your competition.

10 Key Takeaways

1. Watch economic indicators like GDP, unemployment and the S&P 500 to stay on top of coming downturns. Consider subscribing to updates from a recognized economic authority such as the Institute for Trends Research.
2. Think "slow and steady" growth and define and document your "20-mile March". What will you do consistently throughout the year to keep the growth manageable yet challenging?
3. Write a short and concise (no more than 35 words) strategy statement for your organization. Share it with everyone and make sure everyone understands it.
4. Set short-term and long-terms goals. Chunk them into weekly, monthly and quarterly milestones.
5. Define your success metrics. What numbers do you need to see to know you've reached your goals?
6. Hire high-performing employees for the roles that suit them best. Use time-tested hiring procedures and profiling tools to identify the right candidates for the right roles.
7. Use short meetings to communicate with and energize the team.
8. Monitor your competition and stay ahead of *their* strategic evolution.
9. Solicit feedback from employees and customers.
10. Be vigilant in your 20-mile March. Once you set the growth parameter, stay on course, even if it means pushing the limits of your team or saying 'no' to opportunities.

About Ballantree Consulting

We provide business advisory, management development and educational services for the CEO's, Presidents and management teams of small mid-market growth companies who are looking to create sustainable and profitable businesses. We help our clients to focus on the right goals and tactics, execute against their plans, increase accountability throughout their companies and by doing so, deliver a 2 to 3x return on their investment. Our clients find that our work enables them to prioritize their efforts, maximize their time and resources and gets them pulling the right levers - giving them the best chance to grow their businesses, themselves and their bottom-line.

Visit us online at www.BallantreeConsulting.com or call us at 877-CEO-3264.

Resources

Books

Great by Choice, Jim Collins
Good to Great, Jim Collins

Articles

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