

BUSINESS VERSUS THE ECONOMY – BUSINESS CAN HOLD THE LINE

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Every recent survey and analysis points to the approach of a tougher economy. *Financial Times'* John Gapper recently looked into the face of the “growing expectations of a US recession” and the “varying degrees of uncertainty and worry” for business leaders for 2008. “The common theme is that the landscape is more treacherous than a year ago. It could also be a year in which the brave and deep-pocketed thrive at others’ expense.”

Well, you’ve been here before – once every decade or so. This time it’s the price of oil, the price of war, a soft spot in housing, US debt, injured financial institutions, uncertain interest rates, developing international competition....

You won’t single-handedly fix any of these. Yet in the past few cycles successful businesses have dealt with every one of them. Even as the hand-wringing intensifies, the reality probably won’t be worse than most of the economic traumas of the past 30 years, and certainly not the wake of 9/11, for the businesses that deal with it – now.

Now is not too late. Rather than waiting to suffer through a forced turnaround, transform your business now. It may be instructive to note the approach taken by Turnaround Pros. Analyze the facts and embrace brutal honesty. Avoid emotional decisions. Shake loose from unmanaged momentum.

- Revisit your products and services; your markets and your competition; your cash flow and your financing.
- Know what’s behind your operations’ numbers and trends.
- Focus on your sweet spot to make the most of your finite assets – capital and people.
- Get out of the underperforming products, businesses, facilities and markets that are outside your sweet spot, regardless of how much you love them.

This process isn’t ever easy and it may not be cheap. At the moment, time is your friend. Waiting will put you on a path of narrowing options.

Why not wait? For what? A sudden economic counter cycle, a new President, the cavalry? We know that if you wait for the ultimate pain to develop, it probably will. We also know that you may then be cornered into forms of instant relief with your options limited to quick and dirty consolidating, frenetic cutting, possibly even mortgaging the business’s future to get through the short term. And don’t discount the potential for a loveless marriage of convenience with an unwelcome suitor. Oh, and expect lots of help from creditors and investors.

Any of this would be nothing unique folks, it’s all happened to injured businesses before.

“Who’s gonna do this?” You’ll need leadership that is analytical yet decisive; smart yet pragmatic. An objective look at the talent you have may reveal that you’ve got some of the change agents already in house. Unfortunately if

they’re not ready right now there will be little time to develop and train them.

Some external perspective and expertise may be of great value. While you’d prefer leaders who know your industry, an outside perspective can be priceless. According to Chairman and CEO Mark Hurd, who recently transformed Hewlett-Packard, “Great leadership is transferable across industries.” And the research on changing paradigms has long shown the special value of an outside perspective.

Inside or outside, look for change leaders who are seasoned pros with:

- operations, marketing and financial acumen
- the proven capacity to engage colleagues at all levels
- a track record for effective external relations – with customers, suppliers, bankers, communities, the press, and unions where they exist

In considering leaders for each function, make sure that they have an appreciation and understanding of the other functions and for business as a whole. Don’t hesitate to engage temporary outside talent, even a Turnaround Professional who can be engaged to prevent a fire, not just to put one out.

How do I identify a wrong player? Your current executive group may be the ideal transformational team and you may be the right transformational leader. Just remember that delayed or incremental change won’t cut it. It’s time for business as *unusual*. Many company cultures will opt for the comfort of the known, avoiding the tough decisions. You may have to affect people who have been a loyal part of your team. But if changing circumstances dictate moving them on to other things, you’ll probably treat them better in their transition than would bankers, new owners or new leaders who would be stepping into a struggling business that’s running out of time.

Above all else, you’ve got to get the people thing right.

And what if the economy doesn’t implode? If decisive actions are taken you’ll be better positioned regardless of the external factors. You’ll have an advantage over competitors who didn’t make the tough decisions – better positioned for your customers, employees, investors and creditors. You will have top-graded your people, strengthened your financials, and focused your business.