

We Survived the Recession. Now What?

by Kumar Dandavati

“Recessions are a transfer of wealth from the weak to the bold.” - Ken Gart

Companies that have survived the recession are doing so in different ways. Some have fared better than others, managing to exit the recession stronger and with growing sales and profits.

During the recession, companies responded by deploying various strategies, including:

- **“Stop loss” strategy:** Some businesses shrank to survive, getting out of markets, reducing their offerings, and cutting people, expenses, capital investments, and assets significantly. Some are a fraction of their former size and less competitive.
- **“Growth at all costs” strategy:** Others focused on taking advantage of expansion opportunities, making investments and acquisitions at attractive prices. Some misread the severity and length of the recession and then overreacted as the recession wore on. Their cost reductions were often ill-conceived and too late.
- **“Proactive” strategy:** Finally, some businesses deployed the best of both strategies. They made cost reductions strategically and emphasized operating efficiencies. This left them “lean and mean” as the economy improved, viable in all their markets and with a full range of offerings. They selected investments that yielded more immediate results, such as ramping up business development and marketing, expanding markets and offerings, and making strategic acquisitions that were easy to digest and paid off in the near future.

Some of the best strategies our clients have used to keep their companies viable today are:

Offerings

Our clients continue to refine the match between what customers want and what they offer, focusing on what customers are looking for NOW. They also continue to develop ‘Blue Ocean’ offerings, pursuing market and internal innovations where there is little or no competition.

Markets

Our clients ask: ‘If what got us here won’t get us there, what new strategies do we need to deploy?’ For example, one answer to fewer customers in a recession is to expand your ‘pond’ of operations. Successful companies increase their potential customer base by investing in opportunities that are strategically aligned with their core business.

Frequent market scans keep them in touch with the marketplace, allowing them to proactively adjust to changes. It’s important to refocus and rethink current strategies: What have we learned about our strategy recently? What’s working? What’s not working?

Locus of Market Control

How much control do you have over expanding your revenues? If you had the resources, could you sell more? Viable companies have significant locus of market control.

Financial Strategies

“Revenues are vanity, profits are sanity, cash flow is reality.” - General Contractor CEO

Smart companies know and communicate financial reality in real time, thus being able to make and implement the tough calls quickly. Their analysis of costs is strategic, knowing there are no fixed costs in a recessionary environment. They are agile, flexible competitors.

Successful companies also manage to financial targets, and in a recession, synthesize many metrics into one or two focused goals, usually based on cash flow. They elevate expectations internally, which sends a message to employees that now is the time for everyone’s best effort.

Operational Strategies

“Never let a good crisis go to waste.” - Wall Street Journal

Our successful clients have been relentless in making operational improvements, including:

- Fine tune processes to increase efficiencies.
- Review/update/focus on the current state frequently. Use monthly or weekly reviews rather than bi-annual or annual strategy reviews.
- Be vision driven, creating a ‘Big Rocks’ plan with a 90-day review cycle.
- Work harder and smarter than the competition.

Organizational Strategies

Important ideas to strengthen your organization include:

- Invest in your people. Create an A-team.
- Create an organizational structure to maximize effectiveness.
- Strive for a tightly aligned team across all areas and levels of the organization.
- Look for and celebrate good news frequently to keep morale high.

There are many strategies a proactive business can implement to enhance efficiency and competitive ability during and after a recessionary period. Our successful clients focus on current reality, emphasize their vision and goals, clearly analyze strategic alternatives, and are dedicated to efficient implementation.