

The Upside to the Downturn:



The financial news of the past few weeks has left many a business owner panicked, anxious, and mentally writing their company's obituary. Chin up. You can actually use the economic downturn to create a better organization.

If you're a business owner, it's likely that some of your recent workdays have gone something like this: You bolt awake (probably after a sleepless night!), grab the financial section of the paper, and turn on your TV to get the latest worrisome financial news. Then, once you make it to work, you lock yourself in your office to carefully examine your company's financial projections for the next few months, wringing your hands as you fret over every possible worst case scenario. Sound familiar? If so, it's time for the handwringing to stop—and the smart thinking to begin.

The word "recession" by itself has been known to send business owners into a panic. Add in all of the economic postulating by the media, and you might find it easy to convince yourself it's time to start counting down the days until your business's demise. But all of that worrying is counterproductive. You can't get anything done when you're in panic mode.

The business owners who use their time to improve their business and seize every possible opportunity—rather than wasting it on constant worrying—are the ones who will make it through the economic downturn. Play your cards right, and you may even

come out of these financial hard times with an even more prosperous business than you had before.

Making it through this economic slowdown won't be a piece of cake for anyone. But if you know the best steps to take, you will be able to come out on the other side of this recession with a very sound business in place.

Here are a few tips for steering your business through the economic downturn:

REMEMBER RULE #1: In business, only the strong survive. During an economic downturn, many business owners overlook the fact that their competitors are suffering too—and that what results from the slowdown is still an even playing field. The problems your organization struggles with due to the downturn also plague your competitors. Therefore, your strategy for not only surviving the slowdown but also prospering during it remains the same as it should in good economic times: Build the strongest business you possibly can. And that means having a strong value proposition, managing in a fiscally responsible manner, and providing great service to get and keep important customers. Don't let all the hype surrounding the slowdown distract you from

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keeping these basic tenets in the forefront of your mind. If you're successful, you'll come out on the other side of the economic downturn miles ahead of your competition.

USE THE HYPE TO FOCUS YOUR EMPLOYEES.

One positive thing about all of the fear-inducing hype scaring business owners, executives and managers everywhere is that in the right hands, it can be a great motivational tool for employees. The slowdown creates what I like to call a "momentary unifying factor"—something that allows each employee to set aside his or her individual concerns and rally around a greater common cause. Use the economy to drive home the fact that providing quality service to customers, and creating greater effectiveness and efficiency are the absolute best ways for your employees to help the business through the recession. Fear and the desire to keep your business up and running will unify your organization in ways you likely haven't seen before. The challenge is for you, as the leader, to resist being overcome by the same fear, and to present a vision and path toward greater prosperity that everyone in your organization will rally around.

EXPAND; DON'T CONTRACT. It seems counterintuitive, but great companies expand during slowdowns; they don't pull back. Remember, all competitors within an industry are dealing with the same challenges. As a result, the weakest of

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these organizations will be going out of business, losing critical funding and cutting operations, and/or letting go of critical but expensive assets and people. All of these things open up holes in the market that a clear-thinking organization can fill. As these businesses fail, the market you are competing in may very well contract, and the death of your competition actually creates holes in your market—ones that your organization can fill—so you can actually expand through the slowdown. When this happens, you will want to be there to snatch up the customers of your failed competition. Be prepared to increase your sales, marketing and advertising efforts during the slowdown to make sure that newly “available” customers reach out to you first.

FIGURE OUT WHAT THESE TOUGH TIMES MEAN FOR YOUR CUSTOMERS. You aren’t the only one suffering as a result of the slowdown. Your customers are, too. The faster you realize that, the quicker you will be able to better meet their needs. Just like you, your customers are making tough decisions on what they should spend their limited funds on, and what they can afford to give up. And you don’t want to end up on the latter list! Look at your organization from their perspective, and make sure that every portion of your organization, not just its product or primary service, is treating your customers right. Go the extra mile—even if that means spending extra money—to reach out to your biggest and best customers. Make sure you are meeting their expectations, and keep the lines of communication open. That way, if you find out they’re planning to break off relations, you can do something about it before it’s too late.

KNOW THE DIFFERENCE BETWEEN PROFIT AND REVENUE. It sounds like something every executive should understand, but in many organizations, which customers, products, services or geographic locations provide the most profit for the organization, are actually very difficult to determine. All organizations can produce financial statements of gain and loss, but these do nothing to help managers make hard decisions about where they should be cutting specific, unprofitable customers or segments, and where they shouldn’t. During a slowdown, you should apply

greater scrutiny in these areas. It’s likely that at some point you will need to cut costs, and the first places to cut should be those areas where you are already losing money.

STAY CURRENT AND CREATIVE. A better tomorrow will come, and you must be ready for it. Too often during a slowdown, companies cut back on the new products or services that represent the future of their business. Once the slowdown turns around—as it inevitably will—they find that they cannot catch back up to market demands and expectations. Too many businesses fail while the market is actually turning around rather than during the dip because they are left with only outdated products and services. That’s why you must avoid falling into this trap. Even during the downturn, keep your creative juices flowing. Always be thinking about new ways to satisfy your customers and which new products will enable you to better meet their needs.

IF YOU ARE A PUBLIC COMPANY, BE TRANSPARENT AND REALISTIC. We have seen time and again that the market actually does respect firms that deliver realistic growth projects. Even if these projections were lower than expected or desired, the market will not react as badly as it would have if you stated higher earnings than you actually came in at. If you know you are going to fall short of your projected earnings because of the slowdown, tell the market. The value of your organization may take a hit, but it will be much less than it would be if you surprise the market with previously unstated losses at the last minute.

The point of all of this is that the words “economic downturn” don’t have to mean only bad news to your business. If you manage business during the downturn correctly—taking care to address the needs of your employees and customers—it is possible to make it through all of this with a stronger business than the one you had before.

About the Authors:

David F. Giannetto is the director of Cohn Consulting Group’s Enterprise Performance Management Practice, and has been with J.H. Cohn LLP since 1999. Anthony Zecca is the partner-in-charge of Cohn Consulting Group, a division of J.H. Cohn LLP, one of the country’s largest accounting and consulting firms.