

Prosper Not Perish

Managing your business in times of uncertainty

A brief paper to support the presentation given by Rob Pillans at Ideaction 09 for the Facilities Management Association of Australia on 7 May 2009 at the Melbourne Convention and Exhibition Centre.



Overview

In times of uncertainty or decline you will want to maximise efficiencies in your business. The natural reaction of many however is to be introspective and look for cuts across the whole business without a great deal of thought to their longer term impact.

Are you clear about your business vision and how it is impacted by changes in the economic climate?

Are you clear on what your strategy should be during this business cycle?

Have you identified what investments you could make to take advantage of the next cycle and create a competitive advantage?

Are you seeing the opportunities where many others just see problems?

Recessionary times present huge opportunities for businesses to prosper or thrive. While many businesses are hurting through a downturn, it presents those that are structured well with massive growth opportunities.

How can companies prosper or thrive, and not perish or just survive, as we face the challenge of recession?

This paper provides a brief overview of some ideas for FMA members to apply to their own businesses to support them to prosper or thrive and not perish or just survive in the current economic downturn.

It starts by considering a recession energetically then looks at five common mistakes during a recession and how to avoid them. It also looks at five opportunities for growth and how to take advantage of them.

Business owners and managers who are on the lookout for these mistakes and opportunities will be well placed to prosper or thrive, rather than perish or just survive.

A Typical Recession Energetically

Recessions are funny periods if you look at them energetically. Firstly there is the complete fear that drives the whole momentum of this phase – without fear recessions would never happen. Then there is the energy of withhold – everybody hangs on to everything they have in fear of there not being enough to go around anymore. Scarcity kicks in and abundance is thrown out the window. With everybody hanging on to their cash there is no money (which we refer to as ‘energy’) moving around the system; this in itself stops everything.

On the positive side, businesses are forced to re-evaluate, re-align their resources and re-jig their product lines. This creates a streamlining of things, creating efficiency of product and production.

Many businesses change one or two things through this phase and this tweaking makes an amazing change to the productivity of their businesses. You could look back in years to come and say “thankfully we did that”. It could be a new sales initiative, a new training program for staff, a new distribution relationship, and/or a combination of these and other new ideas that creates the shift.

One of our coaches mentioned that there were four food outlets in his home town. Two have gone bankrupt through the recession and closed their doors and the other two have people lined up down the street buying their product. During a recession the good businesses thrive, not survive, they have good products, good systems and good people and they continue to make profits and therefore continue to thrive.

If your business has good products and good people you will continue to thrive. What you need to do is find the opportunities that present themselves in a recessionary market.

The recession is nothing more than a cleansing period - it gets rid of all the unproductive processes, businesses and people, a bit like a detox. This provides a strong fresh foundation for new growth.

During this phase it is all about the determination to look for the thing that will drive growth in this phase.

There are four seasons for a reason: Winter brings about ‘death’ from one perspective and it brings about ‘new life’ from another perspective. Either way, winter is needed as it clears the decks for the new phase of growth.

Stay well and stay focused; and don’t agree with the fear – ask yourself through this phase “what bulbs do I want to plant today to look at when spring comes?” Consideration of five mistakes and five opportunities of a recession will help you identify those bulbs. These are discussed in the sections following.

Five Mistakes of a Recession

Recessionary times normally 'surprise' most business people. It is almost like the recession sneaks up on them and creates the surprise. Very few businesses in the world have themselves financially and strategically set for a recession before it arrives.

There are then five common mistakes made by business people when they implement the consequent change in strategy and adjustments to the business to cope with the economic environment. In outlining these we hope that it helps you to avoid these common pitfalls.

Mistake 1 Timing

There are four stages to every economic cycle:

- Down – as the market heads south into a bear market
- Drag – as the market bounces off the bottom but drags out in a flat period
- Release – the market spikes downward initially and then releases into a new period of growth
- Up – the market moves into the new bull market

More commonly than not, business owners are implementing strategies behind these cycles instead of getting in front of them. The opportunity rests with being able to see when these cycles come into play in an economy and investing in our businesses accordingly.

Mistake 2 Risk Profile

Risk Profile is a measure of how willing an owner/management team is to taking business risks. What typically happens is the owner/manager reduces their risk profile through a recession. This puts them into the spiral of "sell low, buy high" – and creates the mismatch of timing mentioned above.

Measuring a business's risk profile and adjusting tactics accordingly is what enables a business to grow quickly when coming out of recession – the "buy low, sell high strategy."

Mistake 3 Wind/Unwind

When a business is in growth mode we describe this as "winding up" – think of a bicycle winding up to gain speed. When a recession hits businesses start to "unwind" – think of slowing that bike down; you have to put the brakes on.

When the market turns most owner/ managers still have their foot on the brake, operating their businesses in the "unwind" modality. And with a low risk profile, they are reluctant to take their foot off the brake until there is lots of proof that we are genuinely out of recession.

The problem is by the time there is plenty of proof that we are out of recession and it is safe to invest again; then the opportunity is gone as the market will have already picked up 30% to 50% growth in the initial stages of the new cycle.

Mistake 4 Macro/Micro

During boom times business managers tend to focus on the bigger strategic plays available to them; mergers, acquisitions, new markets, new branches/outlets etc – it is what we call macro strategies. They have a clear vision they are working towards. What is forgotten during these times is micro – all the detail that keeps a business lean and efficient. You can hide these mistakes during a boom period as the growth will hide them. So during boom times micro is the blind spot in a business.

The opposite is true during recessionary periods. Owners tend to get dragged back into all the detail of the business and become very micro focused. This means that the alignment of the detail to the macro strategies and vision is often overlooked. Businesses come out of the recession in one piece but not aligned with the growth strategies. They then waste 12 months plus aligning the business to grow – but the market is already growing – they miss the boat!

Mistake 5 Industry Cycle

The last mistake is often linked to cycles within industries. Owners tend to get caught up in the conversations of “doom and gloom” across the market and fail to watch the economic cycles within their own Industries.

Not all industries move with the same timing as the overall economy. Watching these cycles is critical to achieving timing of individual business strategies.

Five common mistakes; easy to see when you are looking for them; easy to not see if you forget about them.

Five Growth Opportunities of a Recession

Opportunity 1 Product Innovation

Businesses that innovate their product during a downturn always do well during the next boom.

The easiest time to reposition a business is actually during a downturn. The hardest time to reposition is at the height of a boom.

Are you still selling the same product, in the same way and with the same pricing structure as you were two years ago? If so, then you are still selling a boom product in a bear market?

The key to this strategy: know how to innovate product, know when to introduce the 'recession product' and when to dump the 'recession product' in favour of the innovated growth product. Look at your product and how you package it in terms of market, service and price. Often the innovation will be in how you package your product.

To Do:

Boom time - Product extension strategy

Downturn - Product innovation strategy

Opportunity 2 Channels to Market

If a business innovates product then it is clear that they will use different channels to market to sell its product post a recession than prior to the recession.

If a business does not have enough revenue coming through during a recession then it is clear that whatever channels to market the business was using pre-recession were either not a) well enough established or b) the correct ones to see the business through all parts of a cycle.

If it takes a business too long to establish new channels to market in the next growth cycle then they can miss a large chunk of uplift readily available.

To Do:

Boom time - Channel extension strategy

Downturn - Channel development strategy

Opportunity 3 Functional Structure

And what can stop a business owner/ manager from finding the time to develop product and find those new channels to market? Answer: the functional structure of their business.

Often dragged back into the business during a recession to "run" the day-to-day operations, the manager finds it difficult to find the space to undertake growth initiatives.

The output is that the business needs a "recession functional structure" – a lot of businesses fail to adapt their structures through the cycle and end up simply retrenching staff against cost budgets.

To Do:

Boom time - Micro functionality review

Downturn - Macro functionality review

Opportunity 4 Capability

We come out of recession with a fresh new innovated product range, sold into new channels to market; the business needs different levels of infrastructure and different skills levels post the downturn.

The fast moving businesses coming out of recession build their capability. What capability will you need in 12 to 24 months?

To Do:

Boom time - Wide capability strategy

Downturn - Depth capability strategy

Opportunity 5 Succession Planning

Many businesses forget staffing succession during downturns. It is almost as if staff are safe during the downturn so there is no need to worry about them. They will stay out of sheer fear of not getting another job.

The problem is that staff, post recessions, then leave. This creates a recruitment problem for businesses. And so while other businesses are starting to grow during the upturn, some businesses spend most of their time re-staffing and spending those valuable investment dollars on recruitment costs. The opportunity is to engage with your staff more during a recession and look after them so they are ready to work with you in the upturn.

To Do:

Boom-time - External succession strategy around equity

Downturn - Internal succession strategy around staffing

Conclusion

The current recession is part of a natural business cycle. If your business has good products and good people you should continue to thrive. What you need to do is find the opportunities that present themselves in a recessionary market.

The recession is nothing more than a cleansing period - it gets rid of all the unproductive processes, businesses and people, a bit like a detox. This provides a strong fresh foundation for new growth.

If you are mindful of the five mistakes of a recession and work to avoid them, and of the five opportunities and work to take advantage of them, you should be well on the way to ensuring prosperity, even in times of economic uncertainty.

Further Assistance

Shirlaws offers a number of workshop and coaching options to support businesses prosper in tough economic times.

If you would like further information regarding anything raised in this paper or about options for workshops or coaching for your business please contact:

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Rob is an FMA member with AFM2 accreditation. He is based in Sydney but works across Australia.

There are over 30 Shirlaws coaches available across Australia, including:

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