

Leveraging the Recession

By Karen Schroeder, Ph.D.

There's a downturn and it's getting scary out there. Do you know where your strategy is?

Cost-cutting is the standard response to this part of the business cycle. Fair enough, everyone has a few pounds to lose after years of prosperity. But across-the-board cutting tends to have unintended consequences for companies' ability to execute their strategies. People generally cut new initiatives, unproven technologies and smaller product lines to protect what produces revenue today. That will leave them vulnerable to weakness when demand comes roaring back and all they have to offer is yesterday's products and services.

Companies need a better way to assess where to cut costs. Yet despite drowning in data, they often lack the sort of information that would help them make those decisions. Which of my products are currently most profitable? Which of them will solve future problems my customers are likely to face? Which of my customers are most profitable to serve? Which of my strategic experiments have the greatest likelihood of helping my customers achieve *their* strategies? How am I learning about my customers' problems and feeding that knowledge back to both my product development group and my strategy? How well does my product development group translate that knowledge into profitable offerings? If companies had good information, useful metrics and leading indicators for each of these questions, it would be much easier to cut costs in the right areas to both optimize efficiency and remain strategically competitive.

And that is important because the upswing may happen sooner than you think. In most recessions, by the time we have acknowledged the problem or used the R-word, we are already halfway through it. Granted, the current recession is a sharp one, but as John Chambers recently stated in Inc. Magazine, "Even in the midst of a downturn, make sure you are prepared for the rebound. Start planning as soon as possible for how you are going to gain share and differentiate yourself from your peers." This is the time to start thinking critically about where to invest your scarce resources for the greatest share of your customers' wallets.

Your strategy is there to help you pinpoint the best customers to focus on, the areas in which to grow your products and services (and which to take out back and drown in the pool) as well as the sorts of skills and technologies you will need. You will be able to acquire those skills and technologies for a better price during the downturn, as other companies panic and sell off their investment goods. The downturn has also created a lull in the war for talent that you could use to your advantage since your strategy execution plan highlights the optimal talent needed for the upswing, leaving your competitors to

pay top dollar for inferior talent and assets when recovery is already underway. Many companies are selling off small start-ups they bought at a premium a couple of years ago. This is your opportunity to pick up the cutting-edge tech you need at a discount.

Strategy is all about trade-offs, making conscious choices to focus on an identified customer base, a set of channels, a palette of products and services. Translating that strategy into executable plans, communicating them well throughout your company and monitoring implementation regularly will help you identify where those trade-offs are and assist you in making quicker and better decisions. Knowing how you want to differentiate yourself from your competition and then evaluating your progress periodically will keep your company on track through the recession and position it very well for growth when demand picks up. So find your strategy, dust it off and put it to work for you. It can be a beacon of light in the downturn.

A great place to start this process is by assessing how your strategy is used today. Questions to ask include how regularly does strategy execution get reviewed, who is the responsible manager and executive sponsor for each strategic initiative and how are they monitoring progress, how well are new acquisitions, new hires and training projects aligned to the strategy, and many others. Karen Schroeder works with companies to help them put their strategy to use by validating it, creating a plan for executing it, and implementing the tools for regular monitoring and management of strategy execution. Karen has helped companies like Verisign, the World Bank, and a number of smaller entities get their strategies back on track and use them effectively.

Contact Karen for a complimentary 1 hour consultation. She can be reached at kschroeder@strategyexecutionconsulting.com or 650.468.6875.

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