

Thriving Through the Downturn Eleven Strategies That Will Make Your Company Boom

David J Greer

Introduction

Every day we hear doom and gloom in the markets and the media. "The sky is falling" appears to be the refrain repeated around the world. Entrepreneurs, business owners, and their senior executive teams could easily succumb to the fear factor generated by all this coverage of market changes.

Market corrections can be a superb time for companies to take advantage of incredible opportunities to not just thrive, but to grow and succeed beyond their wildest dreams. David J. Greer surveyed over two hundred entrepreneurs with experience in downturns to discover the best ways to manage through the current business cycle. In this article, he provides eleven strategies that you can use today to make your company successful, not despite the current market conditions, but because of them.

We may not have all the answers, but in this article we have tried to ask the right questions. The eleven business strategies we focus on are:

1. Business Cycles
2. Leadership
3. Strategy and Focus
4. Cash Is King
5. Business Model
6. Communications
7. Human Capital
8. Marketing
9. Customers
10. Layoffs
11. Product Innovation

Business Cycle

Remember that these business cycles have been repeated many times in the past several decades. We don't know when the current downturn will hit the bottom, how long before growth starts, and how fast markets will grow once they have recovered. If this downturn follows previous ones, markets will recover and they will start growing. While you need to survive through the downturn, make sure that your planning window includes the hoped for return of the good times. Entrepreneurs I spoke with for this article say that the good times will return.

In the short term, you do need to manage through the short term adjustments, especially cash (which we cover in [Cash Is King](#)). It will take hyper focus on

David J. Greer

customers and revenue, along with careful management of expenses. Gordon Smythe of Propel Partners says "Running out of cash is the only way that companies go out of business."

You are not the only one impacted by the changing market landscape. Your suppliers, partners, competitors, and especially your customers are also being impacted by lowering GDP and spending. When you are planning on future corporate directions, keep this in mind. There may be an equal set of opportunities to go along with the challenges of the market changes.

All of these impacts and all of the changes you instigate will take time. Probably more time than you realize. Be realistic about your timelines and how hard it will be to make changes. Monitor your progress carefully (weekly even) to see if you are staying on track.

Leadership

Recent market changes have all of us attempting to figure out what it means to our companies. As the downturn accelerates, you must act now to plan your future. The key is getting into action, but doing so with a plan that recognizes the new reality.

For entrepreneurs and senior executives there is a tendency to try and make all the decisions. In challenging times, mine your human capital for creativity and ideas. Someone will have the answer. Find ways to brainstorm and get ideas on the table. Are there individuals who are showing creativity and leadership? Put them together as a team with a deadline for coming up with five ideas from the eleven strategies listed here in the next week.

Look around your organization. Who is rising to the current challenges? Who look like they are running away or burying their heads in the sand? The leaders will rise to the top. Look for those individuals and support them.

In crisis situations, leaders often feel the world on their shoulders, especially if you are the entrepreneur or business owner. All those employees. All those customers. You can't support the whole world. Do you usually go to the gym three times a week? Go five times a week in the crisis. If you don't have peak physical performance, you can't have peak work performance. Do you go to yoga once a week? Go more, both for the physical and mental aspects. Look after yourself, so that you can be there for your families, your friends, your employees, and your customers.

Work on teamwork. This is a time for everyone to pull together and work as a team. Stay positive. You will get through this time and you and your teams will be more experienced people for having risen to the challenges. Karen Luniw, founder of the Law of Attraction Center says it well. "The most crucial area of focus for entrepreneurs is on keeping a positive mindset. This is not just about positive thinking but really about believing in yourself and your product or service. It's important to keep asking 'what's the opportunity' as opposed to 'how am I going to survive'. These are two completely different mindsets that will create different outcomes in one's business. If you can keep your eye towards opportunity - you can see it and create it."

Strategy and Focus

The changes in the market have been so large and so fast that pretty much every plan needs to be thrown out the window. It's time to start with a clean piece of paper and rethink the whole strategic plan for the business. It's time to reevaluate your positioning, competitors, services, products, strengths, weaknesses, opportunities, and threats.

The downturn in the business cycle will end. Start your thinking three years from now. When the cycle is over where do you want to be? What will your company look like then? Focus on where you can win. What goods and services will you be offering? What will your markets be? How much market share will you have?

After you are clear on where you want to be in three years, focus on what you need to do in the next year to be positioned for where you want to be in three years. Once that is clear, figure out your detailed plans for the next quarter. Make those decisions that will get you through the near term, but keep your company strong for the medium and long term.

Many entrepreneurs I know use this planning method. It is articulated nicely by the Verne Harnish one-page strategic plan. You can learn about this process and download a free template from http://www.gazelles.com/strategic_planning.html.

Cash Is King

If you've got cash, you're still in business. The challenge is managing it. If your company is not cash flow positive, get there as soon as possible. Contrast high growth/external capital with lower growth/internal capital. How do you generate more internal cash flow? There are several areas where you can focus.

The first is revenue. Can you generate more? If you are cutting back on product development, can you rent out your fantastic product engineers, generating service revenue? For services, are you sure that all of your billing hours are being invoiced to the customer? It's much cheaper to sell more to an existing customer than to a new one. Are there opportunities to cross sell and up sell other goods and services to your existing customers?

Look at your margins. Have you become complacent about your costs of goods sold? Is there a cheaper way to sell your product or service? Can you make your product for less? When companies are growing so fast that they can't keep up with demand, lots of slack works its way into the system. Now that markets are contracting, this is time to look at the entire value chain to see how to drive more margins out of each sale.

Offer special offers to customers to incent them to pay more or to pay sooner. If you are renewing maintenance contracts, can you renew them for a longer term if the customer will prepay the entire amount? Make sure that someone is staying on top of receivables and hounding (politely) slow payers to get your invoices paid.

Everyone is offering deals out there. Thinking of moving? You can lock in some great rents in some cities. Ask your suppliers for discounts. They will be happy that they still have your business. Don't just look for deals; be proactive about asking for them like you've never done before. You'll be surprised at the deals you can get.

Business Model

Examine your entire business model. Rethink what you are doing. Look at your competitors. Your competitor might be about to go out of business and you could acquire them, their customers, staff, and technology for next to nothing. Can you aggressively go after your competitors? Eric Winsborrow, Chief Marketing Officer Layer7, made this observation. "They (competitors) are reeling too, and are less likely to launch a counter-attack if you take the offensive. Hit them when they are down and have controlled aggression and you might actually do well in this downturn."

What adjacent markets can you target with minimal changes to your existing products or services? Can you change the way you charge or deliver your products? Charge monthly, instead of yearly? Sell something that you used to rent? Let creative thinking and innovation lead you to think of everything inside and outside the box. Change is at hand, so use new ways of thinking to find new ways to do your business.

Joe Timlin, VP Investments IT, GrowthWorks Capital, provides an interesting perspective on the capital intensive industries. "There might be capital intense projects (chip, hardware, systems) that are now in the market with their 1st or 2nd generation products. These companies need to understand that capital is going to be expensive like it will be for anyone else, but also that there is unlikely to be any fast followers chasing the same opportunity they are going after because of the scarcity of capital out there to fund it. I do not believe there will be a lot of new semi companies funded in the next few years for example. Companies positioned optimally have the opportunity to take it all....or at least a lot of the market if they get it right. They will have unique access to partners and channels, and will likely be among the first considered in any exit scenario. These companies might consider carefully stepping on the gas: the world has conspired to create a situation where they alone have the opportunity to benefit substantially in a modest timeframe and as so often is the case the spoils accrue to the courageous."

Communications

In uncertain times, people think the worst. Customers wonder if you'll still be there to look after them. Employees wonder if they will still have their jobs. Suppliers wonder if you'll still buy from them. Clear and regular communications mean that your critical stakeholders will continue to believe in your company. Make sure that you are communicating regularly with these key groups:

- Employees
- Customers
- Investors
- Partners
- Suppliers
- Prospects

For employees, you can use a variety of communication mediums. Townhall meetings or regular staff meetings give employees face time with the leadership team. Regular email or printed newsletters, can provide regular follow up. The key is to keep bidirectional lines of communication open. Leaders need to hear what their employees are thinking, while encouraging everyone to come up with ways to improve operations, revenue, and margin.

Keep customers in the loop. The CEO should reach out to key customers letting them know your plans and that you'll be there for them. A regular newsletter, in electronic or paper form, can be highly effective when written from the customer's point of view. Interview some of your customers about how they are coping with the downturn and feature their stories in your newsletter. It shows that you are in touch and care about how your customers are doing. If many of your customers are online at work, consider using new media such as a blog to provide regular communication on what you are doing.

Investors need reassurance that you are on top of the market changes and acting proactively to manage the situation. Like your other stakeholders, steady and regular communication will keep them informed and confident that their investment is in safe hands. Regular newsletters are again a tried and true method of keeping investors up to date. Make sure that your communications to them are consistent and regular.

Human Capital

We are quick to look at our financial capital (cash and credit), but many of the entrepreneurs surveyed for this article said that you should spend equal time focusing on your human capital. This is a great time to trade up, especially the senior management team. Get rid of the underperforming players. There is a lot of great talent on the street right now and in this environment talented individuals are willing to be reasonable about compensation. Beef up your team with an eye to the types of individuals that you want to be there when the market turns around and starts growing again.

Make sure that you have the best team doing what they do best. Brain storm ways you can help employees grow to the next level. Invest in strategic training for the right individuals. There are a lot of inexpensive online learning resources. Find ways to let employees use these. Focus on your strategy for the next three years and working backwards figure out what skills you need in place to hit those three year goals.

Marketing

Now is a great time to focus on strategic marketing. Focus on markets where there are "needs", not "wants". Some industries will remain stable (e.g., we're still going to be buying electricity from utilities). All companies will be looking to save costs and improve productivity. Can you or do you already offer solutions that reduce costs or improve business processes to increase employee productivity?

Keep marketing – it's critical to generating leads. With a corporate focus on maintaining and increasing revenue, you need those leads to achieve your revenue goals. Find creative ways to network, both online and face to face. If your prospects in your markets are young and online, look at new social media such as blogs, LinkedIn, or Facebook to create community and communication.

Review your corporate and product positioning. Even if you have not made any changes, your competitors may have and you need your marketing to reflect the new reality. This is a good time to get back to basics and truly understand your customers, competitors, and how your products are positioned in your markets.

David J. Greer

Find new and less expensive mediums to use as marketing vehicles. Write a paper with information customers and prospects would find valuable. Find venues where you can present your paper. Host regular informational webinars and be creative about driving people to your webinars. Try newer forms of lead generation, such as search engine optimization or Google AdWords (both have the potential to reduce cost per lead by a factor of ten). Examine all your current marketing efforts. Are you getting enough return on investment for what you are spending? How are you measuring the effectiveness of your lead generation?

Customers

Provide outstanding customer service. Treasure and value your customers and let them know you value them. Ask for testimonials and referrals. Word of mouth from your existing customers can be one of the most effective ways to generate leads. Talk to your customers and ask them where they see the most value in your products and services. Create a customer focus group of your key customers and run webinars with them to get feedback on your product positioning, your quality of service, and future product roadmap direction.

Educate the entire company on your customers and the value they bring. As companies grow, individual employees often end up in silos doing "their job." They often lose sight of how what they do has a direct impact on the customer. Employees have to understand that without customers, there's no revenue and without revenue they won't have a job. You will have to repeat this message many times before it really sinks in, so regular communication to your employees on the value of customers is critical. One way to do this is to feature a great customer story once a month that shows the way your company was able to make a real difference for the customer. This can be by the way of great customer service, new product features, or innovative ways that customers are using your product.

Layoffs

If your operational review has determined that layoffs are inevitable, be decisive about making the cuts. Make the decision sooner rather than later. Before laying people off, communicate honestly with your staff and ask them for ideas. Employees will have ideas on how to preserve all or a portion of their hours or job share.

Make your cuts all at once and offer stability for the remaining staff. If your staff thinks there are more cuts are coming, they will not be able to perform to the peak of their ability. Make sure you keep the people with the skills you will need in two or three years. Incent them to stick around for the long term. Mike Satterfield, Partner of Yaletown Ventures wrote about the staff remaining "they will understand that your business is stronger because you have better aligned revenue with expenses, and they will appreciate opportunities to advance their careers and compensation."

Product Innovation

Product development is often halted in a downturn. While this may be acceptable for a quarter or even two, you must continue to innovate if you are to be positioned for when markets recover.

Examine your entire product portfolio. Are there underperforming products you can drop? Focus on the high revenue and high margin products. What new product features can you add quickly that would increase the value of your product? Use your

David J. Greer

increased customer awareness and focus to define product roadmaps that will allow you to derive greater value in the future.

Inspire creativity in both product development and in customer interactions. Would a customer be willing to pay for a developer or engineer to work on site as a consultant for a week or month? Being at a customer's for a length of time is one of the best ways to increase understanding of customer needs.

Can you repackage an existing technology or product to suit a new business need? Often you can leverage your existing investments with a small incremental investment. The key is the packaging, positioning, and marketing so that it really does look like a new product.

Conclusion

We are living in a time when the entire world economy is in a downturn. The magnitude and speed of change is almost unprecedented. Urgent thinking and action is required for companies that are going to survive the downturn.

Entrepreneurs, business owners, and senior executives that ask the right questions, seize opportunities, and plan for the next three years will be the ones that succeed. Some of the world's most successful companies have started in a downturn (e.g., Google was started in the dot com meltdown).

In this article, I have given you eleven strategic areas of your company where I believe you should focus on for your future success. By staying positive, harnessing the creative energy and enthusiasm of your people, strategic thinking, and planning I believe that companies can thrive through this downturn.

About David J. Greer

With a professional background in software engineering, David Greer has many business successes to his credit. He built up and ran a highly profitable multi-million dollar software company with a global industry presence and Fortune 500 customers. He has also been active in the Vancouver, Canada angel investment community, and instrumental in launching and growing several emerging companies.

David provides tailored, senior-level support to companies needing to accelerate areas of their operation that have plateaued, or to capitalize on high-potential, but as yet untapped, product or market opportunities. His key areas of focus are Sales and Revenue Generation, New Business Development, Product Performance, and Industry Relationship Management.

For more information, visit www.davidgreer.ca or call 1-604-721-5732