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You Can't Sit This One Out

Article by Graeme Codrington

As the recession deepens, with customers dwindling and staff morale dropping, strong leadership is required. Too many companies, and the individuals in them, are falling into the trap of trying to keep their heads down and hope the downturn ends soon. This is no time for business as usual. But, neither is it time for panic stations or self-destructive strategies. Here are some helpful insights into the keys for short- and long-term success in the current difficult economic environment.

Article at a glance

If companies want to survive this recession, and take advantage of the few opportunities it might provide, they have to be level headed and have a clear "downturn strategy". This requires an honest assessment of the realities of the current situation your company is facing. You need to ensure that you deal with the uncertainty in your markets by adapting your budget processes and providing the safety your clients are looking for. And you need to be speaking them regularly. Then, you need to give them the type of customer service that will really push their buttons, while reducing your costs at the same time - this is possible by looking at "moments of truth" in your customer's interactions with you. And, you need to make sure your people are as focused and passionate as they can be. You need to train them, inspire them, meet with them and develop their skills. Don't retreat to your castle and seek sanctuary. Act now, for survival and success through the downturn.

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You Can't Sit This One Out

The keys to surviving the recession and beating the downturn

As the recession deepens, with customers dwindling and staff morale dropping, strong leadership is required. Too many companies, and the individuals in them, are falling into a trap of trying to keep their heads down and hoping the downturn ends soon. They're trying to get away with doing what they've always done - but on a tight budget. They're desperately hoping that wave after wave of cost cutting measures, while making no operational mistakes, will be enough.

But, this is no time for low cost business as usual. Equally, though, it's not a time for panic or self-destructive short-term strategies. The world truly has gone mad, and sanity and reason seem to have fled. If companies want to survive this recession, and take advantage of the few opportunities it might provide, they have to be level headed and have a clear "downturn strategy" while focusing on a few key areas that can give them competitive advantage in rapidly shifting markets. This requires a new mindset with clear thinking and single-minded execution.

There seems to be too little of that going around at the moment. But the solutions are actually surprisingly simple.

Insanity Rules OK

These are strange times indeed. In November 2008, I watched a fairly strange interview on CNN's Larry King Live. Edward Liddy, the CEO of AIG, was answering questions and being called to account. Remember that AIG had just received a massive public funds bailout - one of the biggest in history at \$123 billion. This happened after they posted one of the biggest losses in history and were in danger of collapsing the whole financial system. The new CEO had been in his job for two months, and was now been called to account. For what? You'd expect it to be about strategy or financial management or their turn around plans. But, it was not. It was about AIG organizing a conference for their top marketing partners and independent financial planners (IFPs).

It is a sign of the insanity and short-term thinking pervading the business world that the media hyped this story up, putting so much pressure on

This is no time for business as usual. It's no time to panic. Clear headedness is required.



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AIG that eventually the CEO had to appear on an international talk show to explain the situation. It seemed as if the expectation is that AIG, and other companies that have received a bailout, should spend no money at all, yet somehow grow and thrive enough to repay the taxpayer some time soon. An impossibility, of course. But this is precisely the type of twisted logic being applied to many businesses today.

In AIG's case, the reality is that 90% of the costs of the conference were paid for by product sponsors - this is how these types of events normally work. As Liddy patiently explained, "The total cost to AIG was \$ 23,000... It was 150 independent financial planners. They're not AIG employees. They could sell any products they want from any of our competitors. The purpose of this is to do education and training so they would understand our products, how to sell them and to whom they should sell them... The group of 150 people that were there sold over \$200 million of our product year to date in 2008. You simply have to find a way to stay in front of those people and make sure that they're selling our products the right way... you really have to train the people who are selling the product. What we want to do is make sure they understand the product, all of its features and they know what to sell to whom. We don't want a variable annuity sold to an 85-year-old widow. So there's a certain amount of training and education that simply has to take place, particularly in an organization this size. That's exactly what this was."

It seems insane that this issue made it onto Larry King Live. Yet, many other companies are crumbling under the immense pressure to think and act insanely at the moment.

Wishlists Are Not Strategies

Uncertainty. That seems to be the key word at the moment. The real problem for most business right now is not actually that they have no funding at all. Money has not entirely disappeared from the system. The biggest issue holding companies back from spending - and holding banks back from lending - is the complete uncertainty in which most people are currently functioning. This feels unprecedented. No-one can give any forecast for the next quarter with any confidence. And budgets feel meaningless.

If you are under budget by more than 20% one month, and then over your targets by an even greater amount the next, how helpful are your budgets anyway? Budgets have become wishlists rather than strategic

Uncertainty is the dominating theme of the markets at the moment.



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tools. In fact, wishful thinking has replaced strategic analysis in many companies. If your budget for 2009 is based on some percentage increment from 2008 ("increase sales by 10% and profit margin by 2%"), and if you're still comparing year on year sales to previous years, you're horribly out of touch at the moment. Historical trends are meaningless right now. The strategic horizon has been dramatically foreshortened, and if you're not changing your management style and operational metrics to take this into account, you're going to get into trouble fairly quickly. Obviously, I can't tell you in this article what to change or how to change it. But I can tell you that it needs to have changed.

There is No Recession

On the other side of the coin, there is a whole group of people who seem to refuse to acknowledge that anything has changed, and are desperate to just continue doing what they've always done. As a professional speaker and workshop facilitator, I am involved in a number of different organisations filled with management consultants and motivational speakers. Whilst I appreciate the sentiment, and certainly enjoy the sunny dispositions of these people and the business leaders they influence, there does seem to be a touch of the insane when I hear them say, "I just refuse to accept that there is a recession".

Now, I do understand the intent behind this sentiment. They're trying to say that a recession should not hold them back from seeing - and grasping - opportunities. They do have a point.

Here's a quick test for you. What do the following companies have in common: Hyatt, Disney, General Electric, Burger King, Ben & Jerry's, Apple Stores, FedEx, Microsoft, CNN, MTV, HP and Revlon. They were all started during a recession. The rules of business have not changed. There will be winners and losers, and those companies that get the basics right, offer good value to their customers and get their systems and processes right will emerge ahead of the pack in their industry.

But, we are still in the worst financial crisis anyone in business has ever seen in their lifetimes. We cannot deny this. These are exceptional times, and adjustments need to be made to our strategies and operations to take account of this fact. Simply carrying on doing what we were doing will mean that we could easily miss the opportunities - and challenges - this downturn will present.

What do the following companies all have in common (hint, it has something to do with recessions): Hyatt, Disney, General Electric, Burger King, Ben & Jerry's, Apple Stores, FedEx, Microsoft, CNN, MTV, HP and Revlon.



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A Dose of Reality

Recessions come and go and are a natural part of the business and economic cycle. It's obvious that companies need to reduce costs, adjust their targets, understand the new realities of their situation and get their business basics right. These are obvious. At TomorrowToday, we like to go beyond the merely obvious, and give you some food for thought that stretches you a bit.

Below you find some key things that need to be considered if you want to go beyond mere survival in the next year or two. Obviously, your company is unique and your industry has its own distinct challenges. This article cannot provide all your solutions, but hopefully it can get you and your team thinking correctly and head you in the right direction. With this in mind, you'll find great questions to ask your team, and some surprising insights to get them to think and act differently - and successfully - during this downturn.

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Beyond Safety to Strategy

Back in the days of mainframe computers and huge IT investment, the common wisdom was, "No-one ever got fired for buying IBM". They might not have had the best technology, or the best value for money price, or the best backup service. But they were safe. They did what they said, when they said they would do it. Their stuff worked, and they backed up their promises with a team that delivered. This was IBM at their best, back when they used to sell and install hardware for a living.

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There is something of that attitude in a recession marketplace. Your customers are not necessarily looking for the cheapest option (although they will try and push you to lower your price, obviously). What they want is the best value for money. They want safety, actually. They want to know that they will get what you promise, and they don't want to take any risks in getting it.

A few months ago, I was working with a top advertising agency in Canary Wharf, London. They were quietly optimistic about their outlook during the downturn. They have seen this before and know that during a downturn, big corporates who need to keep advertising often leave the "funky", experimental smaller agencies and return to the large, multinational brand name agencies. They may not be as creative or innovative. They may not be as flexible on price. But they get the job



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done, and they get it right.

What are your customer's really looking for? What are their "safety" criteria for your product and service? How can you convince them that you are a safe bet in the midst of chaos and uncertainty? These are the questions you and your marketing team should be prioritising. This should be the basis of your short-term survival strategy. The focus should be on your clients and what they want, not on your capabilities or internal systems and structures.

Customer Service That Really Works

The real issues are:

Will your customers buy from you again? And will they recommend you to others?

We all know that it's much easier, and cheaper, to keep your existing clients and customers than get new ones. Customer retention comes down to customer service. Will your customers buy from you again? And will they recommend you to others? How do you know? A lot of nonsense is written about customer service. I believe that these three questions are all you ever need to know to get customer service really working for you.

During a recession, delivery of effective customer service is more critical than ever. But it must be done on increasingly limited budgets. There is a way to reduce costs whilst retaining and improving customer experience and relationships. My team, at TomorrowToday, calls this method the "Moments of Truth". It's about identifying the key moments when the decision to purchase is being made, and identifying the potential points of pleasure and pain at that moment. You can find out more about this method at our website, <http://www.tomorrowtoday.uk.com>

What do your customers do with what they buy from you?

Simply put it is about understanding what your customers do with what they buy from you. For example, no-one wants a newspaper. They buy a newspaper in order to get the news. Very few people go to a hardware store to buy a power drill because they are desperate to have a new tool to put on their mantle piece. They want a hole in something. These insights can change how you see what you do. Parker Pens, for example, know that very few people buy their pens to use for writing. If you want a pen to write with, you'll buy a cheap Bic or Biro, or expensive Mont Blanc. But, middle of the road Parker Pens are usually given away as gifts (if you own a Parker Pen, did you buy it for yourself, or was it given to you as a gift?). This changes how Parker packages their pens, how they market them, where they sell them, how they price them - in other words, it affects everything. So, what do



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your clients do with what they buy from you?

A recent survey on customer defection identified a key reason for customers leaving: staff turnover. In, up to 70% of the reasons customers leave can be traced back to staff turnover. It is to this critical issue we now turn our attention.

Hold On To Your Talent

With bailouts, layoffs, unemployment, and salary and bonus freezes dominating the headlines, focusing on motivating your employees may seem counterintuitive and a waste of money. But downturns are when talented employees matter most. They're the most innovative of your team. They are also, more importantly the high performers, the ones who deliver on your brand promises. You need them now during the downturn. And, you will need them to stay around when the upturn begins.

As the unemployment rate approaches double digits, having a job at all might seem a sufficient employee motivator. But that's not what the research is showing. Talented people tend to be mobile, regardless of the economic situation - they know how important and valuable they really are. If the writing is on the wall, for example, your best performers may leave before layoffs even happen. The war for talent is still waging on.

But how do you define "talent"? It may be true that "everyone is talented", but you might need the particular talents they have to offer. I happen to be a fairly talented trumpet player. Of what use is that to any potential employer (unless they are a symphony orchestra, or better yet a Big Band or Swing ensemble with a weak brass section)? "Talent" is only talented in context. And the only talent worth paying a premium for is that which really enhances your business.

If you have defined your "moments of truth" and understand what your customers are really looking for, then it's easy to define what talent you actually need. You only need talented people where your moments of truth happen. Some companies really don't get this. They often only see staff as a cost, without looking at the related opportunity costs or benefits associated with having engaged, talented, experienced, and trained staff available.

My favourite recent example is Circuit City. In March 2007 they fired 3,400 of their "highest-paid" store employees. At the time, they explained that they needed to replace expensive employees with

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cheaper workers to shore up the bottom line. But 60% of the fired employees were front-line salespeople, many of whom worked on commission. I am sure you would not make such an elementary mistake. The reason these salespeople were “expensive” is that they were selling more than their peers. Regardless of the cost and commission structure, though, it was a dumb move because new staff were brought in who were much less knowledgeable and less able to sell high margin goods. It was later reported that those expensive salespeople were instrumental in selling computers and flat-screen televisions to cautious consumers. It is probably no surprise that Circuit City went on to post losses and ultimately collapse.

So, while you contemplate how to reduce your staff costs, make sure you ask the right questions, and look at the correct metrics. And treat your talented employees with the respect they deserve and ensure they give you their best efforts.

Raising Your People's Morale

A good friend of mine has recently been through a really scary bout of depression. His symptoms are remarkably similar to those of depressed companies: hoarding, hiding, moping and irrational behaviour. The solution included some good medication to sort out his chemical balance (get your thinking right), getting out of the house and interacting with other people (meeting and communicating with customers and staff), being creative and trying new things (innovation and fun), and doing some physical exercise. He explained how he felt safe just retreating to his home, and locking into a “same old” routine. But this fed the problem rather than solving it. Depression can be beaten, as he happily discovered. It needs to be identified and beaten in your company, too.

Many of the people who work for us and with us are feeling stressed at the moment. Depression is rising. This is being fuelled by work environments that have become less fun, less interesting and much more stressful. Workplace layoff survivors are often angry, and feel powerless, overwhelmed and highly stressed. They're required to do more with less and are distracted by a flood of bad news and job security fears. Perks are disappearing, bonuses are unlikely and the pressure to produce has never been higher.

In addition, the culture of the organisation itself often changes during difficult times. Sudden drops in revenue and profit often lead companies to panic and mobilise to stem the losses. Leaders feel that action is required - fast action! The need for fast decision-making often

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leads to a return to command-and-control style management. This can alienate “knowledge workers” and the more creative staff. Younger team members, especially those from Generation X and Y do not respond well to this and often disengage.

All of these issues will sap staff morale. Good leaders know that staff morale is essential to productivity and customer service. It's not my intention to give you a list of things to do to raise morale - a simple Google search will give you some great ideas to try. But I do want to make two points.

- Make sure you keep talking to your team. Involve them in discussions about how to raise morale. They know you're in tough times. They know the limitations under which you are currently trading (if they don't, this is the agenda for your first meeting with them). So, get them to give you some ideas of what can be done to make their work interesting, exciting and fun.
- You don't have to spend a lot of money to make people happy. In fact, many people would take a 10% increase in flexible working hours over a 10% pay increase. If you can't pay more, maybe you need to accept more flexibility. But, there are other, inexpensive things that can be done, including just taking time out for a laugh. Send hand written notes of thanks to your team. Send them home an hour early one day. A Mars bar on the desk with a note saying, “I know you've needed extra energy the past few days - I hope this helps”. Don't think BIG all the time - sometimes it's the small things that make all the difference.

Keep talking to your team. Don't think you have to spend a lot of money to make them happy. It's the simple things that often count the most.

Develop Their Skills

One of the keys to keeping talented people is to help them develop and grow. They don't work for you because they want to one-day become CEO of your company, or because they want to make your shareholders wealthy. One of the major reasons they work for you is to develop their CV, enhance their skills, broaden their experience, and improve their chances of getting another job somewhere else some day when they need it. (If you don't know for sure why your younger staff are working for you, this would be a good topic of conversation at your next one-on-one meeting with each of them).

One of the keys to motivating younger staff especially is to continue to invest in their development. This could be through training courses, mentoring or any other method you know.

Do you know why your younger talented staff actually work for you? What are they trying to get from their employment?



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A few days ago, in a workshop, a sales director confirmed this point. He had realized that most of his young sales team had never experienced a downturn before. Given the products they sold, they had never experienced a market where selling was difficult. And, actually, they did not have decent basic sales skills. In other words, his sales team had been lucky for the last few years, rather than clever or determined. Now they needed something more. He did some basic sales training with them, and went on sales calls to mentor them on-the-job. It worked. More than he could have dreamed. His best salespeople went from being fairly depressed and demotivated to being excited to hit the streets. And they have learnt to celebrate - and really appreciate - the sales the close. Motivation is high. Skills are being developed. His business is flying.

Sometimes it can be that simple.

Meetings, Away Days and Conferences

A few times I have mentioned meeting with your people and having conversations. As companies need to get more from less, they often put meetings and conferences on a back burner. Worse still, there is now growing pressure from the public to not have any conferences at all. The AIG example above is only one example amongst many of companies that might be able to afford to have a conference, but don't believe they can afford to be seen to be conferencing.

Despite a Meetings Professionals International Association and George P Johnson Foundation study showing that meetings and events have the highest return on investment of any marketing platform, there's been a knee-jerk reaction against the industry following the AIG scandal. This is really short-sighted.

You cannot stop meeting with your team. You cannot stop taking some time out to focus on strategy, communicate that with your team, and ensure that everyone is headed in the same direction. You might want to downgrade your venue selection slightly, and you need to make sure that professionals you get in are worth the money you spend (so no more vacuous motivational speakers who talk about nothing, but do so with passion). But you nevertheless still need these moments of reflection, focus, input and inspiration for your team.

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Innovative ways to be innovative.

Don't Stop Thinking About Tomorrow

Saving money often means cutting back on developing new products and services during an economic downturn. This hurts companies when growth returns and they have fewer offerings in the marketplace to attract consumers. By turning defensive, top managers take innovation off the priority list and replace it with systems management and cost reduction. The entire organisation follows. It can be extremely hard to reverse this when growth returns or an opportunity presents itself. And, right now, innovation needs to be a key strategy. At worst, the focus of innovation should shift to recession strategies and opportunities, but innovation should remain a high priority.

For example, if budgets are really tight, you can still keep innovation alive by involving your staff in ongoing discussions about opportunities that they seem emerging. Why not place a noticeboard in a prominent position and ask people to post their ideas on it. Encourage people to add to these ideas and interact with them. This could be the “dream board” where people can make suggestions of possible products and services that might be increasingly in demand during the recession, or that will grow in demand when the recession ends. The “dream” is of time when the company has enough money to pursue these opportunities.

You don't want to go into hibernation and complete cost-cutting mode. For example, you should not be retreating from globalization at the moment. The recession is not biting equally hard around the world, and many emerging markets have actually weathered the subprime credit crisis quite well so far. It's expensive to expand globally and managers often save money by cutting back on emerging markets. It's a big mistake. Emerging markets are sources of new revenue, business models, and talent.

Retreat to the Castle

Cutting back on outside consultancies is often seen as a quick way to save money. In fact, in late 2008, many head offices in large corporates instituted top-down across-the-board freezes on the use of external consultants. This is a massive overreaction. One of the key ways of introducing change into business culture is to bring in outsiders to assist. Not only can they see things you might miss, they also bring fresh expertise and focus. They know what companies across a broad range



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of industries around the world are doing to promote change. Not receiving this information can hurt a company's competitive position.

Now is the time for good leaders to step up and become great.

Act Now

These are tough times. They're difficult. And in many industries, it might get worse before it gets better. You might make some mistakes, and you might go under. No-one can say for sure what will happen to any company in the next few years. But of one thing you can be sure. If you do nothing now, you definitely will not survive this downturn. You have to do something. Doing the things outlined above will provide a good start and a solid foundation for surviving the recession, taking advantage of opportunities that may emerge, and navigating successfully towards the upturn when it comes. There are no silver bullets and no magic formulas. Now is the time for good leaders to step up and become great.

Dr Graeme Codrington is a business strategist, keynote presenter and thought leader on the new world of work. His specialism is helping companies attract, retain and engage talented staff and clients, across the generations. Contact him at graeme@tomorrowtoday.uk.com.



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About TomorrowToday

We are a global management consulting company, specializing in helping our clients to change people's behaviours and attitudes. In tough times like these, your ability to get more from less resources is a key to your survival. Getting more from your people is critical to your success right now. We have ten years of experience in demonstrating how you can connect better with your staff and customers. We help you understand the mindsets of the people who work for you and buy from you. Then we use the results to drive sales and influence motivation within your company, with immediate bottom line results.

We inform: We keep our finger on the pulse of changing business, consumer and societal trends to ensure that our clients are quicker and better informed than their competitors. Our constant and diverse research enables us to simplify complex trends and develop frameworks of understanding that explain the *why* behind change. This is important because our experience shows that once people understand "the why", change activities are mobilized with energy and passion.

We inspire: We package our research as presentations that are hugely inspirational and eye opening. Our professional speakers are rated amongst the best in the world. Our unique multimedia presentations use high energy, humour and entertainment to convey powerful business messages.

We impact: We have a team of dedicated consultants who help our clients take the *why* and the *what* and create long-lasting and significant improvements in their performance. This team of workshop facilitators, project managers, trainers, coaches and strategic business consultants have many years experience working in leading corporate companies.

We are also world leading experts in using **Generations** as a framework to understand the values of customers and staff and how companies can improve the connections that they have with their talented staff and valuable customers.

Contact us today to discuss how we can help you get more from less this year.

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