



## Leading in highly challenging times...

### Right answers for new threats

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The greatest opportunities for change in a firm's relative market position will occur in times of huge economic downturns, not steady growth. To improve the firm's competitiveness in an ongoing landscape of change, the leadership must quickly make decisions and focus on them with consistency and perseverance—core criteria in highly successful businesses.

#### **What does better managing the day-to-day mean? What core strategy must your firm follow during the current downturn?**

We know that high performance is the result of a sustainable competitive position (in terms of who, what, when and how). Clearly, some companies will be better positioned.

For instance, if a company has entered this crisis in a “bad shape”— the most challenging crisis ever (high volatility, high offer etc..) - the business is certainly more challenged. No enterprise, however, is insulated.

No matter what happened in the past, new challenges require different answers from those that previously worked. Leaders must make fresh choices that are framed by seismic change but also customized to the company's needs.

In order to lead to a performing firm, some will argue that two factors are a “must do” in troubled times:

- a) More so than ever, discipline and focus managing the current levers and the day-to-day operations (What does better managing the day-to-day mean? See below.)

- b) Urgency in pursuing a strategy which is fully aligned to the company's strengths and challenges. (What core strategy during the downturn? See below.)

### **CRITERIA FOR BETTER MANAGING THE DAY-TO-DAY**

- Quickly adjust to a sustainable cost management.
  - Laser-cut costs, but do not forget to analyze the assets, the investments—absolutely everything without exception (no taboos!)
- Attain a positive net cash flow.
  - The objective is to achieve a positive Cash Flow while keeping the company agile enough to capture new customers' value in the near future.
- Optimize customer acquisition and retention cost.
  - Make the lucrative tradeoff between acquiring new customers in light of the fact that prospects will scrutinize all spending and wait for better outlook perspectives.
  - Leverage the currency exchange rate to gain market shares overseas.
- Achieve lean operations.
- Take advantage of acquisitions, strategic alliances.
  - However, cheap is not always a good deal!
- Accomplish some objectives that might have strong resistance during better times.

### **WHICH CORE STRATEGY DURING THE DOWNTURN**

Based on the firm's assessment, three core strategies could apply. The most difficult part is to align the day-to-day with the core strategy while maintaining employee morale as well as avoiding any distress signals to the market.

#### **1. *Survival* => Positive cash flow**

- Cutting costs

- Restructuring the debt, disinvesting, focusing on core business, dropping some non-profitable diversification, canceling dividend payments
- Adjusting benefits or negotiating liabilities

## **2. Repositioning** => Change the current competitive position

Depending on the company's assessment, few typical paths can be appropriate as the following:

- Going global
- Recruiting talent from a favorable market
- Reaching new customers in emerging markets
- Investing in innovation
- Going "corporate responsible," "sustainable development," "green"
- Acquisition, Alliance, Strategic Partnership—though business *due diligence* is critical (beyond thinking in terms of cost = synergies, you must also consider systems and processes, brand, customer-centric organization, innovation centered to the customers' needs, cross-cultural, etc.)

## **3. Growth**

The company is performing and has reached the sustainable stage of the 7 in a typical business cycle. The leadership and the teams are strong and focused on customer acquisition and staying or developing the brand.

In this case, the firm can consider certain paths:

- Consolidation – leveraging economies of scale, buying market shares
- Consolidation – horizontal development
- Penetrating some rapidly growing market

- Organic growth (certainly the first stop). Retaining and acquiring new customers by leveraging the company's strengths is a proven, lucrative strategy.

## **Challenging times...**

We all know that simply to stand still and weather the crisis in business is not enough. A business in that position will likely end up slipping backwards. The leadership must take action—right now. Values, rules, communication will help the CEO obtain the buy-in for change and take advantage of opportunities that tough times provide. This improvement process can also make the leader more humble, self-aware, focused, confident and alert.

Overall, to go forward the business must have a vision for which to aim.

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