

Managing During the Recession

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Economists are now saying that the U.S. is in recession, even though the textbook definition hasn't occurred. Here are ideas to help your business through the next few months.

What to do

1. This is an excellent time to sharpen the focus on your business plan. Even if you have no layoffs, you must prepare for tougher times. Your staff will look to you for project priorities. A clear business plan, a structure that works, streamlined processes - especially those that cut-across functions -- and the right performance measures, accountability system and rewards are extremely important today.

What attracts quality talent to your company is not necessarily what will keep them or engage them. For example, pay is an important part of attracting talent. But it is not necessarily good at keeping people. Make adjustments to how you recognize people during these times. You need everyone to be focused on revenues and costs, and the right compensation/recognition mix can be a powerful tool.

2. Second, prepare for the economic recovery. Most managers have little experience leading a company through a recession. They will act quickly to address difficult conditions - initiating layoffs, delaying new product development, halting people development and conserving cash. But these are short-term actions, and they do nothing to position a company for an economic upswing. If you know what you want to achieve and what it will take to get there, there is no better time to improve your competitive position than in a recession.

During this recession, smart leaders will seize the opportunity to build competitive strength. During the 1990-1991 recession, Michael Dell perfected his demand-pull production system,

and Intel launched its "Intel Inside" branding campaign. Both companies emerged as stronger competitors and grabbed the largest share of profits in their industries over the following years.

If you have a viable business model, you must continue to invest in your business. Cut back two parts, but invest back one part. Many attractive resources become available in a recession. This includes physical assets and especially talented people. The president of a web development firm eagerly told me of talented people he can now hire who were not available to him six months ago.

3. Engage your people. Economic uncertainty creates a level of ongoing stress in many people. Those who recover quickest during change are those who have a purpose. That's what leaders are for. Communicate consistently and honestly today's economic realities and your strategy for emerging as a stronger organization. Create an accountability system that will give every employee a productive focus and the knowledge that their contribution counts.

Make sure you can distinguish between your top performers and those who are average. As surprising as it sounds, most employers are not good at this. Across the board cuts may somehow seem fairer, but a 10% across-the-board cut can destroy 100% of your value chain. Recognize too, that all layoffs hurt top performers. Because they are usually asked to take on more, they get overly stressed juggling routine work. While they may not leave during a poor economy, when it does pick up, they'll be the first out the door.

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