



NOVEMBER 2008 - LEADERSHIP LETTER #32

Short-Term Strategies for Business Downturns

Good morning!

Most of our friends and clients have been impacted by the precipitous downturn of September and October 2008, with the prospect of it continuing through at least 2009.

The last time business was this severely impacted was in the early 80's, when that recession lasted about 18 months. In ~1982 P&G decided to outsource most of its design engineering. (Fortunately for us, I'd left P&G's engineering division 8 years earlier to start our firm.)

Over the years, we have noted the broad measures clients have used to take business downturns in stride, or even capitalize on any opportunities they present. Attached are a few of possible interest.

Wishing you a prosperous November!

Don't forget that this and all past **Leadership Letters** can be found on our website at www.henseyassociates.com.

Regards,

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SHORT-TERM STRATEGIES FOR BUSINESS DOWNTURNS

Some years ago, in the early 80's we had an opportunity to reflect on ways to cope well with business downturns.

It's probably time to update and rethink that topic, as we've had some calls from clients with those kinds of concerns.

Here are some things to consider during downturns that we've learned from our clients over their years of struggle and success:

Communicate Honestly and Often with Staff

- Let your people know that you are looking at various scenarios and the necessary ways to keep the business healthy. **Let them know how to help keep the business healthy.**
- Don't fall prey to the natural desire to not "worry" them or to protect them. If you do, they'll imagine things far worse than reality, and rumors will fly.
- Keep them updated as your business situation progresses, about things they'll want to know: delays, cutbacks, or changes in staffing, roles or priorities, etc.

Muscle-Build Your Organization

- Don't fritter away your resources trying to keep **all** of your people ... keep your staff in line with your workload. This may be difficult but is necessary.
- Look again at your team, and off-load any players who aren't first string. Every client tells me they have 5% or more in that category. Your best staff will understand.
- You may find that some outstanding talent has become available from other firms' losses. If you can, take them on, to replace some you've let go. It's called trading up.

Pay Close Attention to Your Costs

- Be very vigilant to stay on top of your collections. Perform work only for those clients with the strength and character to be credit worthy and pay their bills.

- Watch expenses even more closely, deferring expenditures that are not strategically necessary and/or needed for your current projects and clients.
- Continue to apply your incentive compensation practice to reward the most deserving staff. If you don't yet use incentive compensation, this is the ideal time to develop it.

Continue to Plan and Execute Strategically

- A good strategic plan will not be invalidated by a downturn. This is the opportunity to sharpen your **competitive edge** and **strategic advantage** and to gain market share, even though your revenues may decline.
- Be sure your business units (offices, departments, practices, etc.) and your support units (HR, IT, CFO, BD, etc.) develop their **annual action agendas** to support your, hopefully few and well-chosen, strategic goals.
- If you must refocus on some short-term objectives or priorities at this time, be sure they **support** your strategic goals, and let people know **how** they do that.

Adopt the attitude of survivors of the infamous Hanoi Hilton ...

- Acknowledge the reality of the marketplace.
- Keep faith in your company and its goals.
- Do everything you need to do, when you need to do it.



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