

Our Mission

To help individuals, teams and organizations reach their potential through strategic planning, innovative coaching, development of team effectiveness and management consulting.

Cook & Company Areas of Concentration

Strategy

Coaching

Assessments

Team Building

Consulting

Corporate Reputation

Training

Workshops & Retreats

Mergers & Acquisitions

Ethical Performance

Tough Times for Leaders

A recent *Economist* editorial proclaimed the “return of command and control management” as an unfortunate side effect of the world’s economic and financial woes. And numerous pundits are expecting worse for 2009 and even beyond.

Of course, management style is not the only dimension of leadership under pressure in today’s difficult financial and economic climate. Marketing (“take customers from competitors”), financial management (“don’t think of R&D and capital expenditure as fixed costs”), and strategy (“protect strategic expenditures”) are among the other dimensions of leadership being stress-tested (and sometimes in contradictory ways, as the last two quotes attest!)

So what is a leader to do?

First, conserve cash. Is this obvious? Apparently not as much as one would think. On January 4, 2009, *The New York Times*’ Business section quoted Kris Magel, SVP of a media buying agency, as saying that “advertisers continue to throw money at national TV just as they did in better times.” One wonders how many of those advertisers may have serious cash issues later this year.

Second, develop contingency plans based on the excellent question, “What (further) can go wrong?” I’m not suggesting assuming a doomsday scenario, but for most businesses, developing action plans around scenarios can be very instructive. Assume, say, the worst scenario of either a drop in a top-line equal to two times the worst dip in the last ten years of the business, or alternatively, a possible 10% and/or 20% drop in sales over a year’s period. These plans should examine not only where the greatest cash savings can

be generated, but the lead time necessary and the consequences, short and long term, of taking such actions.

Third, triage your market, thinking about at least two groups of customers:

- One, those few customers that generate the greatest portion of your firm’s *profits* (not sales). These are the ones you absolutely have to keep. And think about how to keep them:
 - Are you talking to them on a continuous basis about what their concerns are, not just with regard to your relationship, but with regard to their own survival?
 - Are you helping them solve their issues, even if your help to them doesn’t help your bottom line in the near term? Unless you are in a pure commodity business, this is important! In fact, there are very few such businesses; in most commodity businesses, earning the “first right to business” can be worth its weight in gold in these times, even if you have to meet the prices of other competitors.
 - Are you thinking about ways of providing products and/or services to them that help solve their issues and earn you money?
 - Are you confusing knowing the names of your primary customer’s wife and children with the true customer intimacy of knowing their fears and challenges, and being perceived as being interested and pro-active in addressing them?

Cook & Company Commentary

- Two, identify those customers that are *costing you more than you are making from them*. These could be customers that you have held on to for years, hoping that they would increase their business with you. Or, more than likely, they may be customers whose profitability for you may never have been defined. While you want to have a high probability of being right, the idea is not to spend six months figuring this out, but to, in a matter of days, triage those that just don't make sense. Then the challenge is to either reduce the level of services to them, or explain in ways they can understand why you need to do this, or respectfully ask them to go elsewhere, even help them find other vendors. You may be surprised at what you find. Some firms identify as much as 20% of their customer lists that need to be pruned, and in some of these cases, the profit drain on a fully-loaded basis can be equal to a lift of over 25% in cash bottom line.
- You say you are in a job where you only have "internal customers?" One sure way to raise the probability of keeping your job (perhaps even advancing, if not now, then later), is to treat your internal customers like partners. Find out "what keeps them up at night," and try to supply solutions that work for them and for you. Note: I'm NOT saying do everything they ask. That's not what partners do. Rather, find ways with your internal customer that make the relationship work for both of you, and serve the company as well. You may sleep better, and you may even feel a greater sense of reward.

Fourth, be wary of the seductive notion that this is time to expand your business. It may very well be. But, like any good military general in a conflict, it's best to first "secure your base." And remember two principles of behavioral economics:

- One, studies repeatedly show that, in any given set of competitors, from 66% to 75% will say that they deliver a service or product that is in top quartile of their competitive group – even though that is obviously mathematically impossible. Be sure you are engaged in evidence-based thinking before you expend valuable leadership time to capture new customers based on a faulty understanding of your own competitive posture.

- Two, at least 50% of your competitors are thinking the same thing you are! And all of you can't be right. So unless you have good evidence you have a competitive advantage, protecting your base may be much more valuable than attempting to gain market share.

Fifth, take care of your employees. Unless you need to engage in "martial law" to save your business, don't change your management style. Not only will it confuse your employees, but it may convince them that things are much worse than you are admitting, and cause the best of them (who often have the best prospects) to seek employment elsewhere.

Instead, treat them like customers, as in asking what their fears are and how you can help. Example: A company with which I am associated realized that a number of its employees might be facing possible foreclosure on their mortgages, and has arranged for those employees to have, on a confidential basis, assistance in dealing with this issue. When employees realize that: a) you are interested enough in their welfare to understand what concerns them; and b) are willing to invest money in tough times (no matter how small the expenditure) to help them, they are much more likely to stay.

Sixth, consider taking a similar approach to that outlined above to your key vendors. You may be able to establish relationships during this period that will pay special dividends in the future, in terms of better pricing, better delivery, and/or special consideration when (not if, typically!) scarcity occurs with specific items crucial to your future business success.

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Yes these are difficult times, and for some of us, may very well become more difficult before they become better. However, for most of us, this period may very well be one of those rare chances to create that kind of discontinuous change or improvement that will redound to our benefit for years to come. Good luck!

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