

# The New Normal

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We are in the middle of a 100-year flood economically. Since none of us was working during the last one back in the 30s, we have no personal frame of reference.

Today the economy is undergoing tremendous change. The US and world economies are at depths not seen since the 1930s. Adding to the uncertainty is that governments in Washington and other capitals are changing the way we do business.

The bottom has dropped out of the market for many companies. In June General Motors reported a revenue drop of 45% year to year and got positive press. A 45% reduction in revenue was good news that might confirm that the downturn in the auto industry has slowed. You be the judge.

Governments are changing the way business functions with structural adjustments in the economy and credit facilities and imposition of new union rules. Even if your revenue is holding steady you still can't be overconfident since these changes will have a major impact on the way you do business

We were able to grow our way out of the downturns of the last 30 years and quickly generate stronger revenue and profitability. This recession is different. Two major uncertainties dominate: the depth of the decline in sales and the length of time it will take to recover.

In this new environment, it is appropriate to ask what your "new normal" will be. What will your company look like in the next few years as it develops sustainable revenue and profitability? If your volume is down, how long will it take to return to 2007 revenue levels? What changes will you need to make to build an outstanding company in the new economy?

Change has arrived. It is time to get back to basics. We must use a different mindset than we have ever had to use before. We must challenge our processes, our people and our strategies. If we focus on the short term, we will be successful in the long term.

Managing a company is difficult today. Just 20 years ago we could operate successfully under the Christopher Columbus school of management:

1. When he left, he didn't know where he was going.
2. When he got there, he didn't know where he was.
3. When he got back, he couldn't tell where he had been!

He got there and back three times in seven years, which means he was operationally very competent even though he never knew where he was. Columbus had the luxury of time. Seven years. Today time is our enemy. We don't have long to get it right.

We are all familiar with the old saying, "If we keep doing the same things over and over, we will get the same results." I think it is more appropriate to say, "If we keep doing what we have always done, we will NOT get what we have always gotten."

To react to the world we live in, we must change the culture of our organizations. People resist change because the status quo is comfortable, which means leadership is extremely important. Change will happen. We need to lead that change proactively.

Being strong operationally like Columbus isn't good enough. New winners and losers will emerge in every industry. The winners will lead their market proactively and develop competitive advantage in the new economy.

How do we build an outstanding company with competitive advantage and sustainable revenue and profitability in the new economy? We build a results based culture with an enthusiastic, motivated, confident team committed to achieving the company's future vision. It's easy to say but difficult to do.

All outstanding companies have a clear strategy and effective operations.

Setting strategy is the single most important activity a CEO and his management team can undertake. A strategic plan focuses the team on the longer term. Lack of focus is the major mistake many organizations make.

One study of small to medium sized companies in the same industry with similar capacities found that companies with strategic plans had 45% higher revenue per employee than competitors which had no plan. The conclusion is obvious: planning creates a competitive advantage.

Another recent study found that 85 percent of executive teams spend less than one hour per month discussing strategy. Fifty percent reported that they spend virtually no time on strategy.

Companies with drastic revenue declines must compress strategy. The frame of reference needs to drop to 6 to 12 months.

Individual company revenues may drop but total industry revenue is still sizable relative to company market share. Price competition has become brutal. We need to focus on our customers' key success factors and make them a core competency in our company.

John Wooden said, "Failing to plan is planning to fail." This is never more true than today.

Effective operations, the second indicator of an outstanding company, include productivity and leadership. Personal productivity is the foundation of how we work. Most people focus on being efficient and doing their tasks right. Personal productivity is about working effectively and doing the right tasks, which is significantly more important in today's economy.

We can have great strategy and effective employees but without strong leadership the company will under perform. Leadership culture is the single most important factor in driving productivity and results. We need to lead change. In a recession employees understand the need to change but even then maintaining the status quo is still a very strong urge.

Strong leaders understand that their success depends on the success of their people. Good managers achieve results through other people. Great managers achieve results through other people and develop them in the process.

Strong leaders know that to build an outstanding company they must transform their company's operations at every level, from management and people productivity to planning processes. Organizational development is actually people transformation. Because people create change, the ongoing transformation of an organization is the result of the growth of the people who make up the organization. Effective leadership is the ongoing catalyst that makes this strategic transformation possible.

We need personal development and strong leadership in our key people to bring change to the organization and develop competitive advantage. Effective CEOs understand that planning and development are investments for the future. It is their responsibility to realize a positive return on that investment.

Effective CEOs need these skills to build an outstanding company in this "new normal" environment. Creating a results oriented organization committed to the changes needed to develop competitive advantage will bring sustainable revenue and profitability.