

Planning in the "New Normal" Economy

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As we enter 2010, we are emerging from a 100-year economic flood, the worst downturn since the 1930's. The worst may have passed but we are still a long way from good health and are experiencing major economic changes. Your future will likely be much different than your past.

When will your revenue return to 2007 levels? When executives from one company were asked that question they responded with a five-year estimate. That is a WAG; "a wild a.. guess."

When will your profitability return to historic levels? This is a difficult question because many of the survivors in revenue impacted industries are competing by significantly cutting margins.

Your responses to these questions depend on the changes you are undergoing.

In addition to economic changes, we are also in the middle of major political changes. New health care legislation will affect all of us. How we hire and deal with employees is under congressional review. In 2010 we will likely see a major tax increase as Congress repeals Bush tax initiatives. Banks have money but based on FDIC rules are reluctant to lend.

In summary revenues are down, margins are lower, and costs are rising. Over the last 50 years companies could quickly grow their way out of downturns. In this new economy, it is appropriate to ask what changes you need to make to build an outstanding company.

Change has arrived. It is time to get back to basics. We must continuously transformation our organization if we are to be successful in developing sustainable revenue and profitability in the future. We must develop a different mindset. We must challenge our processes, our people and our strategies.

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

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

Ask yourself these thought provoking questions to ask:

- Reflecting on the past difficult year, what are the biggest lessons you learned that can improve performance during the next year?
- How can you do a better job of understanding and meeting the needs of your various markets?
- What do you consider to be the two or three most important organizational priorities for the next year?
- How can you improve growth during the next one to three years using a more robust planning process?

In past decades, demand for our product or service grew regularly as we focused on marketing and sales. Today's environment is different. Our customers are experiencing their own new normal. Back to basics requires you to understand your market from their perspective. Companies need to ask how they can best help customers improve their revenue and profitability. What are the most important requirements they need met for them to purchase your product or service? What are their key success factors as they relate to your product or service?

Once you understand the market from your customer's perspective, build sustainable success by making customer success factors the core competencies in your organization. The stronger these competencies are, the stronger your competitive advantage will be.

A good example is a company that is one of a very few preferred suppliers to the 3M Corporation. In addition to price, 3M's key success factors are quality and service. As a preferred supplier the company has developed an outstanding core competency they can use competitively. Price is important but prospects that understand the value of quality and service become prime targets.

How do we conduct this planning process when we struggle daily to maintain volume and cash flow with limited financial and other resources? We need to inspire and energize our employees to lead change initiatives but they may be personally and professionally traumatized.

Every organization has a present and a future. If we want a different future we must begin making changes today. The old adage has changed; If we keep doing what we have always done, we will **NOT** keep getting what we have always gotten. Status quo is not an option for most of us.

In this environment, leadership takes on great significance as we encourage our employees to change processes, strategies and themselves. Future success at transforming our organization depends on our people personally developing and making changes.

A Gallup poll found that 56% of employees are not engaged and 18% are actively disengaged. This disfunctionality has a great cost. What ever your percentages you improve engagement and eliminate the negative effects through strong leadership.

Employees want to be part of meaningful process and want to know their work is valued. Build consensus support among the management team for the actions required to effect positive change. Develop best thinking where all managers participate in determining the changes needed and in setting the new direction of the firm. By involving others you get their intellectual and emotional commitment. They become change proponents not change detractors. Build accountability into the team so it becomes group centered, not individual. That way everyone supports each other and works together to implement change initiatives.

Personally don't behave like the Lone Ranger. Use a board of advisors, mentor or other trusted persons to listen to, suggest alternatives and challenge your assumptions and attitudes. Allow them to hold you accountable for the results you commit to achieve.

Effective leaders understand that the more success their employees have the more success they will have. Good managers achieve results through other people; Great managers achieve results through other people and develop those people's skills and effectiveness while doing so. Effective leadership is the necessary catalyst for people development. People development is the necessary catalyst for organizational development.

Fareed Zakaria, International Editor of *Newsweek*, has said, "The 21st century will be the century of change. More things will change in more places in the next 10 years than in the previous 100." In this environment successful leaders will make change a part of the culture of the organization. Effective leadership is the key component for improving process, productivity, profitability Results.

Leadership drives performance. Performance drives results. Strong results position you as a growing market leader with competitive advantage and sustainable revenue and profitability.