

BRACE FOR REALLY, REALLY TOUGH TIMES

Tony Manning

Human beings are psychologically wired to see what they want to see – and to prefer positive news over the bad stuff. These inclinations have got us all into trouble over the past year.

Executives snatched at the faintest signs that things were not as bad as they seemed. They based their plans on forecasts of better economic times early in 2009 ... then mid-year ... now in the final quarter. But what if they're wrong?

And they almost certainly are. For this is not just another cyclical blip. This is a deep structural shift. Its full impact will only be understood many years from now. It is bound to be huge, reaching into virtually every area of human affairs.

The average US recession over the past 50 years has lasted six to 16 months, with an average of 11 months. The current downswing started in November 2007. And it's gaining pace.

The same deterioration is happening virtually everywhere. The global financial system is now trapped in a deadly downcycle which is feeding itself.

Although governments keep announcing bigger and bigger bailouts for banks, credit is just not feeding through to the marketplace. Corporate profits are falling like a stone. Bankruptcies are climbing. Job losses are soaring. House prices are diving. Customers for everything are becoming more tight-fisted.

Causes and effects are now intertwined. Cutting through this Gordian knot won't be easy or quick. Confidence in "the system" has been destroyed. Until it's restored, things will keep getting worse. There's a decade or more of hard times ahead.

So what does this mean to business?

1. **Good management is more important than ever.** If your top team has weaknesses in it, deal with them fast. And do it properly the first time. You can't afford to give cover to anyone who can't deliver in the very worst circumstances.

2. **You can no longer rely on a tailwind to drive your success.** The easy ride is over. The turbulence and surprises of the past decade were chickenfeed compared to what's ahead. If amateurs could do better than they should have in the recent past, their time is up. Now, you need real professionals.

3. **It cannot be said enough: innovation is critical, but not at the expense of doing the basics brilliantly.** Defining your key factors of success, focusing on them, and executing relentlessly is more important than ever.

4. **Fads and buzzwords won't save you.** This is no time to spout flaky management-speak, or reach for "breakthrough" ideas about managing. We know what works – and have done for 50 to 100 years. So forget about finding a silver bullet on an airport bookshelf. Give up your search for the next new thing. Start doing what will actually deliver results.

5. Mediocre performance will not deliver super profits. Customer behaviour is being transformed by today's turmoil. For years they've grown increasingly well informed, more cost- and quality-conscious, more demanding, and more likely to complain when they're dissatisfied. All of these trends are now accelerating. Firms that fail to get their act together and deliver real value will not survive. This is an age that will reward excellence only.

6. Managers must be obsessive about two goals: driving customers' perceptions of value up and costs down. "More for less" is the only way to compete. Even buyers of luxury goods are becoming tight with their cash.

In summary, doing business today is a different ball game than it was only a few months ago. Strategy is more important than ever. Get it right, and you may capture an advantage over your competitors that will keep you ahead for years. But get it wrong, and you'll slide into oblivion.