



CHRISTINE
McMAHON

STRATEGIC PLANNING

‘Hidden in plain view’ *Plan ahead for more economic turbulence*

Our nation's economy is fragile. Soon, we could reach the point of maximum vulnerability. The mass media spins rhetoric to distract us from the truth when their role should be to educate us about how to navigate through these financial rapids.

Even in dire economic times, there will be businesses that succumb to the penetrating forces and others that survive.

The complexity of these forces makes it difficult to predict what will happen and when. However, there are some too-big-to-ignore factors:

- 1. Federal budget deficit:** Since 2009, the federal debt limit has been raised almost 100 percent from \$7.8 trillion in 2005 to a staggering \$14.3 trillion in 2010. That means if every taxpayer, business and American bank forked over every penny in their possession, the national debt still could not be paid off. The U.S. Treasury must refinance over \$2 trillion in short-term debt within the next 12 months. Add to this the projected \$1.5 trillion in deficit spending, how will this debt be serviced?
- 2. Decline in tax receipts:** With an 18 percent drop, 2009 saw the greatest single-year tax receipt decline since the Great Depression. Individual income tax receipts were down 22 percent and corporate income taxes were down 57 percent. With less dollars available and an escalating federal deficit, how will the interest on this debt be paid?
- 3. State and local budget shortfalls:** Analysis produced by the Center on Budget and Policy Priorities shows state and local governments will

experience budget shortfalls of \$217 billion in 2010, \$220 billion in 2011 and \$140 billion in 2012. Several states are on the verge of insolvency.

- 4. Rising unemployment:** The decade ahead could be brutal for America's unemployed – and for people with jobs hoping for pay raises. At best, it could take until the middle of the decade for the United States to generate enough jobs to drive down the unemployment rate to a normal 5 or 6 percent.
- 5. Burgeoning bankruptcies:** U.S. consumers and businesses are filing

for bankruptcy at a pace that ranks 2009 as the seventh-worst year on record. More than 1.4 million petitions were submitted, an increase of 32 percent from 2008.

While it's difficult to predict the future, it is incumbent upon each of us to take pre-emptive steps so we can best leverage the opportunities that do exist. If you haven't done so already, consider these five areas:

- » **Market positioning.** Your customer's fiscal health directly impacts your financial viability.

- Have you conducted a recent market assessment to identify your customers' current needs, wants and budget availability to support new initiatives?
- Do you have at least three options your customers can choose from – a premium option, a middle-tier option and a price-conscious option?
- What is your compelling value proposition? Is it widely understood and easily articulated?

“Do you have at least three options your customers can choose from – a premium option, a middle-tier option and a price-conscious option?”

- Does everyone at your company understand how their role supports the customer?
- If I were a potential customer and asked you, “Why should I choose your company,” what would be your response?
- What actions have your competitors taken to secure market share? Have they launched new marketing initiatives? How is this working out for them?
- » **Margin.** Reducing margin is equivalent to business suicide. Margin is the lifeblood of earning potential

and sustainability. This is not to say that you shouldn't offer lower cost options – but rather, that you need to do everything within your control to preserve your margins.

- » **Client satisfaction/referral.** Building an arsenal of happy clients is the most effective way to generate referrals and ongoing business. On average, 40 percent of a customer's decision to do business with you is based on how well your sales team engages in the sales process; 30 percent is based on product quality, and the remaining 30 percent is based on how the customer feels they are treated after they sign the agreement.
- » **Upfront exit agreement.** It's important to agree at the onset of the

relationship what steps will be taken in response to difficult situations such as the inability of your customer to pay your invoices. In every contract/agreement, language should be included that details the process of a financial default. When the terms are laid out upfront, then your response becomes an agreed to transaction vs. a malicious attempt to exert pressure when they are most vulnerable.

- » **Innovation/circular management.** Does your team think and operate in a circular fashion just as they did when you were a smaller startup operation? Break down department and hierarchical walls and in its place build bridges of collaborative communication and creativity.

We are a nation in chaos – hidden in plain view. To survive, many leaders will look to their past for learning and insights, yet I believe they will find the old answers are inadequate to address the new questions. Fortunately, the best source of information is close at hand. It resides within your customer base, strategic leaders from different industries and fellow team members.

If these ideas and principles resonate with you and you want to continue the conversation, go to www.christinemcmahon.com and register for my Hidden in Plain View tele-seminar. ■

Christine McMahon is a business strategist. She can be reached at (414) 290-3344 or via email at: ccn@christinemcmahon.com.