



Cautiously optimistic?

A look ahead to 2010

This year has been difficult. Economic recovery has been slow. Investment capital tight. The unemployment level remains high. One-in-four mortgage borrowers are underwater, and delinquencies are escalating. The environment in which we live and conduct business has fundamentally changed in ways that we may not fully understand.

I recently attended a business forum sponsored by Ernst & Young called, *Coming Out of the Downturn . . . What's Next?* The event featured an all-star panel of CEOs representing major business sectors – manufacturing, service, international business, accounting and investments – who shared their strategies and recommendations for succeeding in 2010.

Before I reveal their collective position, take a moment to reflect how you are feeling about the business climate in 2010. Are you . . .

- a. Optimistic?
- b. Cautiously optimistic?
- c. Expecting more of the same?
- d. Discouraged?
- e. Pessimistic?

The leaders at this forum unanimously expressed “cautious optimism” for 2010.

Each CEO talked about the difficult decisions they have made to get their balance sheet in order (restructuring, eliminating positions, freezing compensation and bonuses) while simultaneously reassessing their market and competitive position.

One CEO described how his team decided to take a bold stance and capitalize on this opportunity in an effort to gain competitive advantage. “When the economy shifts, we want to be in a position to capture significant market share,” he said.

To accomplish this goal, the company hired a strategic marketing firm that helped them assess their strengths, opportunities and weaknesses as well as identify new product opportunities. They also revised their acquisition investment strategy and redirected additional capital to advance their lean management program. New software – CRM, H/R and A/R – was purchased to streamline systems and improve efficiencies. His parting words were, “We are well-positioned, and I’m optimis-

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tic, but we’ll see how this works out.”

The facilitator leading this discussion asked each leader to share his or her recommendation(s) for succeeding in 2010. The following action steps were offered:

1. Get your balance sheet in order.

Define the essentials. What costs are absolutely necessary to deliver a quality product/outcome? Be proactive to minimize your fixed costs and control your variable costs.

2. Hire “game-changing” talent.

Make the tough decisions now, however unpleasant. Be sure you have the team in place who can lead your

company to the next level of success and beyond. Exceptional talent is available. Hire for your future.

3. Be nimble. Build flexibility into your contractual relationships so if you need to adapt on short notice it becomes a transaction, not a negotiation.

4. Share the vision. Be sure all team members understand the vision and how they contribute to that outcome. Employees want to make

a meaningful difference and be rewarded for their efforts. Ongoing feedback is critical especially with salary and bonus freezes in place. Make it a priority to acknowledge each team member for their commitment and results.

5. Communicate openly and often.

Uncertainty creates fertile ground for fear to multiply. From time to time team members may fall prey to their emotions, the media or poor quarterly results. Be visible and approachable. Remain close to your team and your customers. Celebrate

successes. Reinforce your company's strengths and demonstrate emotional resiliency. It's contagious.

I too want to stand up and say that I'm "cautiously optimistic." However, I'm having difficulty reconciling the numbers. Back in May, Howard Davidowitz, chairman of Davidowitz and Associates, said on the Tech Ticker Show (see Yahoo Finance) that, "We're in a complete financial mess."

One of the key points he emphasized was that the "government is borrowing its brains out, the previous administration and the current administration are borrowing at unsustainable levels. Soon our GDP will equal our debt. We are borrowing to pay the interest on the debt," he said. "Banks are supposed to be deleveraging when in fact many are still leveraged 25:1. Commercial real estate is about to enter into a depression and much of it will go back to the banks. Right now there's 21 square feet of retail

space for every man, woman and child in the U.S. We only need 12 square feet."

We saw the impact of the home mortgage debacle. Are we now on the verge of a commercial real estate default?

These are trying times and anyone who says they are not operating a little scared is in denial. We weren't responsible for creating this mess, but it will be incumbent upon us to navigate our businesses through this torrential financial storm. I believe these leaders are right - we must focus on what is within our control and take appropriate action. Those leaders who make the tough decisions now will be able to exploit prime opportunities when they become available. Those who don't, will be assimilated.

Act upon that which is within your power to control ... otherwise you may be the one left behind. ■

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