



# Strategies for the Recession

March 2009  
Volume 8 Issue 3



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**F**acilitating a seminar on strategies to this recession, in late January 2009, a number of Ottawa-based business leaders arrived at six conclusions for dealing with this current situation. Let their quotes to speak directly to us:

## Overview

There is little doubt that the fear factor, attitude or psychology is also fuelling the current recession with people holding back on purchases till the economy shows greater stability.

A slight positive, now, is that people are (i) still buying the necessities and (ii) buying the bargains that are starting to appear, both actions holding the recession in check a bit. Nevertheless the recession and economic change is very real. No one can accurately forecast a future with so much uncertainty. We all know that the recession will end, but 'when'. So, what to do in the interim? Here are the six strategic suggestions.

## 1. Short-Term Action – Streamline your Operations

Improve business processes and functions for now and for the future. Be prepared to take swift and decisive steps for the short term.

*"We have sent a clear message to staff that to weather the storm they must improve individual productivity and accountability. Some marginal people will be let go (who should have been let go, long before). But, at the same time, we will spend money to provide additional tools and training to help people become more productive."*

*"Communications costs can be saved by replacing the expensive T1-type telephone lines*

*with Skype which is essentially free and has sophisticated tools for larger business applications."*

*"I have just switched telephone providers dropping a \$1,500 monthly fee in half – as well I am a strong advocate and user of Skype, especially with my clients in India, New Zealand and Tokyo."*

*"In the short term we are concentrating on more effective project management and less waste."*

*"We have brought in an outside consultant to assist us with our streamlining endeavours."*

## 2. Manage your Risks

*"We told our staff not to over-react. We have figured out several scenarios for the recession and created a response for each, e.g. a 3-month recession, a 6-month recession and a one-year recession."*

*"We spread our risk by getting approval for three government grants and loans programs which carry many benefits including deferred payback and deferred interest charges although we initiated this six months ago."*

*"We improved our position at the bank by setting up increased lines of credit. While we were very successful in doing this, it took an awful lot of work."*



*“We switched banks after 20 years from one which began to demand too many guarantees from us. We talked to four banks over the past three months and selected one. Now we have a cheaper rate and fewer onerous conditions.”*

### **3. Focus on Core Business and Clients**

*“We are focusing on the customer we’ve got now, making sure they are well-looked after.”*

### **4. Look for New Opportunities**

Since adversity creates opportunities, you need to redefine opportunities and perhaps re-position aspects of your company.

*“On the one hand, we can see the negative effects of the recession now with reduced orders and slower payments by our clients. On the other hand, we have new clients from competitors who have bit the dust due to the early effects of the recession.”*

*“A way to increase our sales is to turn to companies that outsource sales. I have an outsourcing company that guarantees results.”*

*“As a manufacturer, we sense that OEM’s might decide to contract out marginal aspects of their own production to firms such as ours rather than running a known money-losing production line for the sake of maintaining control. This is often driven by the CFO’s realistic cost-cutting measures.”*

### **5. Leverage your Balance Sheet**

Those who built growth on debt financing have to reduce such ambitions. Now is the time to strengthen the balance sheet and conserve cash.

*“We have pulled out all the items on our balance sheet that we can turn into active contributors to our business now – efficiencies, increase use of physical assets, etc.”*

### **6. Focus on long term Success**

What will you do when the turnaround comes? Protect corporate knowledge. Make investments now for that new future.

*“Our building contracting industry is such a long-lead business that, by default, we are last in and last out. That is, we won’t see the effects of the downturn in the economy till much later as we work through our current long-term contracts. However, when everyone else is starting to recover, we will still be on the downward spiral. In a word, we will be profitable when everyone else is hurting, and be hurting, ourselves, when everyone else is starting to feel good, financially. As a result our strategy now has to be to increase our long-lead selling so that contracts will come in at the tail-end of the recession.”*

*“We must be cognizant that any decisions we make today will affect us a year from now, so we must remain objective and not panic like so many others might.”*

*“After great debate, our firm came up with the long-term philosophy of building in extra capacity to our management and project management teams now. We keep a 10% float of management capacity so that we can respond quickly to new projects without jeopardizing our present ones.”*

*“We have taken an aggressive stance of building a new plant which will be up in 6 to 8 months from now, ready for us when the recession is over.”*

*“Our business is so full of spikes – huge contracts in one month and no contracts the following month. But we know that many businesses endure such spikes. Somehow a company needs to accept that as a reality of their business and figure out the right way to handle it.”*

Bill Caswell