Successfully Growing In A Recovery

How Recoveries Can Be More Dangerous Than Recessions & 20 Questions to Ensure Your Success

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While most media continues to keep the "big story" on the bad news and gloom associated with "The Great Recession of 2008-2010," there is actually quite a bit of very good news that should excite leaders of small and mid-market companies. The reality is that we are out of the recession and will most likely not reenter recession for at least a few years.

Renowned economist Brian Beaulieu, of The Institute for Trend Research (www.ecotrends.org), is telling CEOs, "It's time to start investing in your business again." As for the threat of a double-dip recession or a reversal of the current recovery, he says, "We're well aware of what's going on in the credit and commercial real estate markets, and neither of those are likely to bring about a double-dip recession."

The Institute is calling for three years of growth ahead, with an acceleration of the recovery beginning in the second-half of 2011 and carrying through to the second-half of 2013. Beaulieu is advising and imploring all business executives to put their energies back into growing the business, start adding to their sales force, and even borrowing money for growth while rates are at historic lows.

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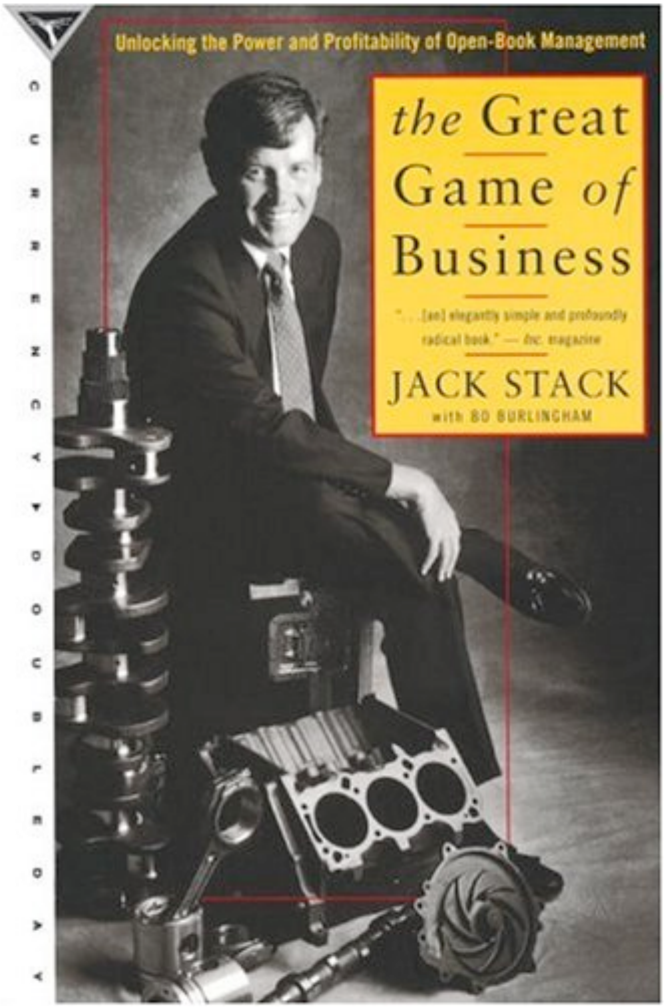

Beaulieu's confidence in the economy is backed by both anecdotal and actual data. Jack Stack, author of several business books and the CEO of SRC holdings (a manufacturer that sells to industries such as energy, housing, construction, and automotive), saw his business come to a halt in the fourth quarter of 2008.

In the last six months, he's experienced a surge of business in those previously hardest hit areas, including some record breaking months.

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To top it all off, US corporations took in $1.659 trillion profit in the third quarter, breaking records that stood for more than 60 years. The moral of the story is clear: *growth is coming back for those companies that make the right decisions and move forward assertively.*

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It's times like these when I remember an old investment axiom: *Geniuses buy their swimsuits when it's snowing*. The winners of tomorrow will be the businesses that accept the apparent risk of an unclear future **and act**, while most other businesses continue to tread cautiously.

The critical question that CEOs and executives of small and mid-market companies need to be asking themselves is:

How can I best position my company to grow, and expand our competitive advantage in the recovery?

To answer this question, you must first understand why recoveries are dangerous times – often even more dangerous than the recession.

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Why Recoveries Are Dangerous Times

Most business owners fear downturns and recessions far more than they fear recoveries. While recoveries certainly provide more opportunity for growth (albeit oftentimes from a smaller base), they are actually as dangerous or more so to a business' survivability as recessions are.

Economically speaking, recoveries typically bring on increasing inflation, rising interest rates, tight credit and intense competition. While businesses must be able to navigate those mines, there are five key vulnerabilities inherent in a company's go-to-market approach during a recovery:

1. Growth Atrophy
2. Relationship Deterioration
3. Growth Eats Cash & Capital
4. Nadir of Value Creation
5. Exhaustion

Growth Atrophy

A business is a lot like the human body; what you work on gets stronger and what you ignore gets weaker. During the recession companies stopped focusing on growth and turned their focus to survival. And, as record US Corporate profits demonstrate, businesses (at least those still around) got really good at survival.

The problem is that the behaviors, systems and skills that allow you to survive are not the same as those that support growth. This is true after any sustained recession, **and the challenge is multiplied** when you consider the drought-like conditions we find ourselves in today.

Today there are fewer customers than there were "yesterday." The customers that are around have smaller budgets. Despite that, customers have more choices, and the competition left is more aggressive than ever. To top it all the people have less and less attention to give to you and other selling organization promising various solutions.

Growth Atrophy

This means that businesses must "flip the switch" to aggressive growth mode, and truth be told, many business aren't ready to do that. The failure to transform one's business development approach effectively can lead to two dangers:

1. The failure of the effort, leading to higher sales costs without increasing top-line revenue.

2. Worse than that, growth atrophy can lead to permanent margin pressure as the business that is captured and retained is done so without being properly valued by the customer.

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Relationship Deterioration

As customers and sellers adjusted to the "new normal," the relationship between them became increasingly adversarial. Customers needed to be able to do more with less and as a result began to put the "screws" to their vendors and suppliers. Procurement departments, already powerful, became even more so.

Sellers, on the other hand, had less and needed to do more. They began cutting corners and customer service deteriorated. More and more sellers and customers coexisted. Several studies and surveys demonstrate that loyalty levels, satisfaction and trust between buyers and sellers are at or near all-time lows.

A degree of cynicism has taken hold in corporate America from global Fortune 500's to small entrepreneurially led businesses, and everywhere in between. Selling organizations, having been beaten up by the markets and customers, are less and less confident to invest in relationships for fear that, just as investments may begin to pay off, customers will leave for a lower price.

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Relationship Deterioration

The result of record layoffs has left corporations with significantly less internal expertise or wisdom; increasing the rate of commoditization and decreasing the ability of selling and buying organizations to speak the same language.

To succeed organizations must bridge this increasingly large gap, and to do that, selling organizations must learn to sell in a new way.

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Growth Eats Capital & Cash

It's an old axiom – growth eats cash. Everything about growth costs money: inventory, salaries, marketing, etc. We've heard it since we were kids, "It takes money to make money."

The problem is that most small and mid-market companies (SMM) either don't have a lot of cash sitting in their bank accounts, are unwilling to invest in long-term initiatives for fear of a "double dip" or a combination of the two. Magnifying this trouble is the inability for SMM's to access capital from traditional sources such as banks.

The late management guru of gurus Peter Drucker once said, "Companies don't go out of business because of starvation, they go out of business because of indigestion." In other words, it's not the lack of business that tends to put companies out, it's the inability to capture growing business effectively.

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Growth Eats Capital & Cash

The net effect of this is that many well established businesses are thrust into circumstances where they begin to feel like start ups – lots of potential but not lots of capacity. To overcome this challenge, businesses must become even more disciplined and more focused to ensure that the revenue they pursue is "good" revenue; the type that will drive their "money making engine" and business model.

The single biggest mistake a business can make in a recovery, and, unfortunately it is a common one, is the pursuit of the low-hanging fruit that does not drive their future business.

It's a paradox of business – when times are good you can afford noncore business, but when times are bad you cannot. The death knell to long-term profitability is to fill up your capacity with business that doesn't drive your profit formula (more on that later in this paper).

Nadir of Value Creation

What's old is new again. In 2004, when I started Imagine Business Development, I wrote a book on *Avoiding The Commoditization Trap* (contact us for the free e-version of the book). In it I wrote that the key to creating profitable business was to focus on creating value in all aspects of your business – especially your sales and marketing processes. I define creating value, as doing something that people would be willing to pay more for.

Value creation requires a maniacal external focus. It means digging deeper, paying extra close attention to who your customer is, what they're doing, what's frustrating them and what you can do to make their lives better and to drive better results *for them.* It requires investment – of time, attention, energy, and, yes, money.

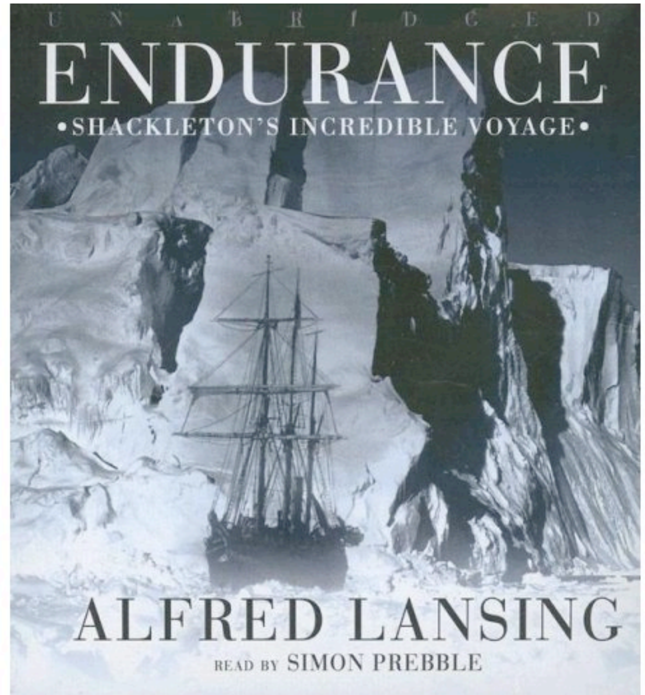
Surviving a recession requires an internal focus. It means getting leaner, cutting back, working extra-hard to keep pace. It means eliminating initiatives and ensuring that the "home front" is addressed.

Nadir of Value Creation

The result of the last three years is a widening chasm between buyers and sellers. This internalized focus has impacted both selling organizations, which were required to increase their focus on exploiting existing resources rather than expanding the exploration of news ways to improve customer relationships and buying organizations who have turned over unprecedented power to their procurement function.

The responsibility for breaking this logjam, and bridging the chasm, rests on the shoulders of selling organizations. Simply put, sellers must refocus on *creating value*. They must dig deeper and identify areas where they can be indispensable; further, they can no longer wait until after the purchase to become indispensable, they must **be indispensable** from their first interaction with a buying organization.

Exhaustion



Warren Buffet has has noted that it is not until the tide goes out that you know who is swimming naked. Most management experts agree that the rewards for good management are greatest in difficult markets. The problem is that in recessions the result of good decisions doesn't always *feel* like a reward.

Let's face it, three years of survival is tiring. It's tough to keep your confidence up when you feel as though you cannot afford to make a mistake. The last three years remind me of the experience of Sir Ernest Shackleton and the crew of *The Endurance*.

I see it in the face of SMM executives everywhere – the fear of committing to growth. Recoveries are difficult, because you only know they're permanent *after they're done*. With unemployment high, the banks still tight and lots of bad news everywhere, it's tough to put on your growth hat and go at it.

This is why great companies focus on two time horizons. They point their vision to the long-term – 5, 10 or even 25 years in the future. They point their measurement and milestones to the short-term – the next 90 days.

To get your energy and confidence back, make sure you setting clear and achievable short-term goals and measure against those. Strive for the big future, but measure against the near term.

After three of the toughest years in the lives of growth-oriented CEOs, the signs are finally pointing towards sustained growth opportunities. While most of the headlines are still very negative, the underlying fundamentals show new opportunities for companies ready to make the transition.

While our research clearly indicates that we are out of "The Great Recession," which has provided the narrative for the last three years, this recovery will not be anything like the "recoveries" of the last 20 years.

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We've summarized the key ingredients for succeeding in a recovery to five points, or The 5 P's. Now is the time to give yourself a check-up in each area, and ensure that you are prepared to create a newer, bigger future.

As I've written before, the central lesson from the last three years is that yesterday's (and today's) "good" is no longer good enough for the future. Now is time to make sure that you are ready to take advantage of the recovery and create a competitive advantage that will allow you to gain greater rewards than at any time in the last 30 years.

The 5 P's are:

1. People
2. Process
3. Proposition
4. Profit Formula
5. Posture

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People

While it's become trite to say that people are your most important asset, it's no less true. In my experience working with more than 1,500 small and mid-market companies the biggest reason businesses fail to take advantage of opportunities is because they don't have the right people in the right seats. While staffing experts are reporting that the pool for (really) good talent is getting increasingly competitive, it is not too late to upgrade.

Questions to Ask/Actions to Take:

1. If I were my toughest competitor, how many of the key people in my company would I work like hell to get?
2. As I consider the future for my company, what are the 1 – 3 capabilities we need most that we don't have?
3. What is my "employee value proposition?" Why should great people *want* to work for this company?
4. What single most important improvement does each person in my company need to make so that we can be more competitive? How can I increase the the focus on that area?

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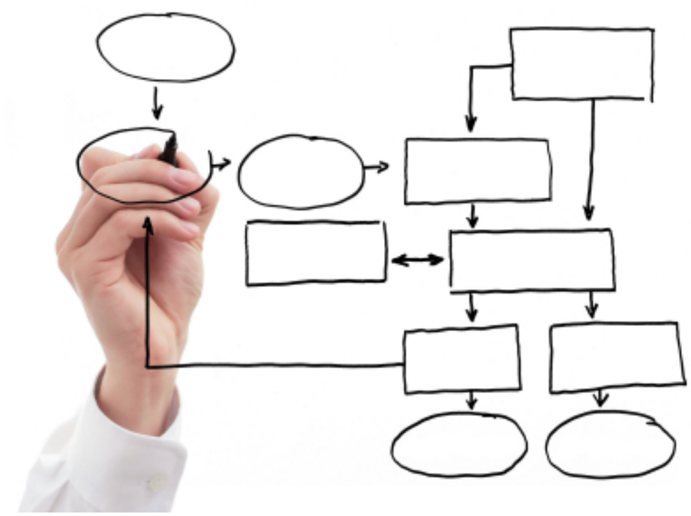
Process

The biggest weakness in small and mid-market sales and marketing efforts is that there is no underlying process to guide and improve efforts. The difference between great sales and marketing organizations and average ones (other than the extreme difference in the profit they create) is that great sales and marketing organizations have great sales processes, while average ones rely too heavily on people alone. The really interesting thing is that the organizations with better processes are the ones that attract the best people. IBM did not create the world's best sales team because they hired superior salespeople, but because they had a superior sales *process*.

An effective sales process does not focus on "making sales;" rather, it focuses on understanding and stimulating the cause of sales. By focusing on the cause of sales, instead of on the sale, the process provides the seller with the advantage of being able to enter the sales process earlier – before there is competition.

Questions to Ask/Actions to Take:

1. Diagram the process that you utilize to find, sell and close great customers/clients.
2. Identify "What Causes Sales*."
3. Compare how well your current sales process focuses on *stimulating* the cause for sales. Take note of areas for improvement.
4. Develop an action list with the 3 – 5 most important improvements to make to your sales process.



*For more on *What Causes Sales*: http://www.imaginellc.com/what-causes-sales

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Proposition

Now, more than ever before, you must go-to-market with a clear, succinct promise that connects to the critical issues that your customers face. In today's drought, with fewer buyers and lower budgets, the only way to ensure that there are premium margins for you is to make sure that your value proposition makes you indispensable. What's more, it's no longer enough to have a superior proposition - it must also be communicated in a superior fashion.

In today's hyper-connected, information-overload world, you must be able to communicate in seconds who you are, what you do, and (most importantly) why it matters. If you leave it to your customers and prospects to figure it out, the likelihood is that they'll just ignore you.

Questions to Ask/Actions to Take:

1. What do we do?
2. What problem(s) do we solve?
3. Why does that matter? What is the negative consequence of not buying from us?
4. Now, write out your proposition in paragraph form. Write it again using no more than three sentences. One sentence. One word.

Profit Formula

A valuable thought I often share with audiences is, "Just because the fish are jumping in your boat does not mean you are an angler." In the 1990s and early 2000s businesses could succeed without a clear profit formula. As long as volume increased at a fast pace, the underlying flaws with the business model could be masked. Today businesses must - MUST - focus on their core business, and CEOs must understand their underlying profit formula and ensure that their strategies reinforce it.

At its root, business is very simple. Your proposition needs to be valued so that people or companies will pay you more to get your proposition than it costs you to deliver it. However, as is usually the case, simple does not mean easy. Life thrusts more and more complexity, which increases both costs and the likelihood of non-value activities. Recessions put more pressure on value. Your job is to make sure that you drive your profit formula.

Questions to Ask/Actions to Take:

1. What is your "moneymaking machine?"*
2. What are the critical (absolutely necessary) factors that drive your proposition and your moneymaking machine?
3. What are the key activities that are not core to your ability to deliver on your value proposition and drive your moneymaking machine?
4. What activities are you currently managing in-house that someone outside your organization could do better or less expensively?

* http://thefastgrowthblog.com/2008/06/05/focusing-on-your-money-making-machine-part-1/

Posture

The worst thing of all that has happened as a result of "The Great Recession" is that CEOs and the people within business took a reactive posture. Many businesses stuck their heads in the sand, while others took a wait-and-see approach. They cut budgets, sought cover and hoped to wait it out. The result of this inaction was that "growth muscles" atrophied, and businesses got weaker. With new growth opportunities ahead, business must rebuild their muscles, and must go-to-the-market instead of waiting for the market to come it.

Today, you must embrace the idea of **going to the market**. If you're waiting for the market to come to you, a) it probably won't and b) what it brings to you will not be high-value work. Be confident and provoke your market.

Questions to Ask/Actions to Take:

1. What is the most important question people in your market should be asking themselves?
2. How can you communicate more effectively with your market?
3. What activity can you undertake in the next 90 days that would get your customers and prospects thinking about their problems that your proposition addresses?
4. How can you utilize the web to engage with your customers and prospects?

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The Chinese symbol for "crisis" is the combination of "opportunity" and "danger." A recovery represents both opportunities and dangers. By answering the 20 questions we've posed to you in this eBook, and more importantly, by acting upon your answers; you'll ensure that you and your company are one of tomorrow's winners.

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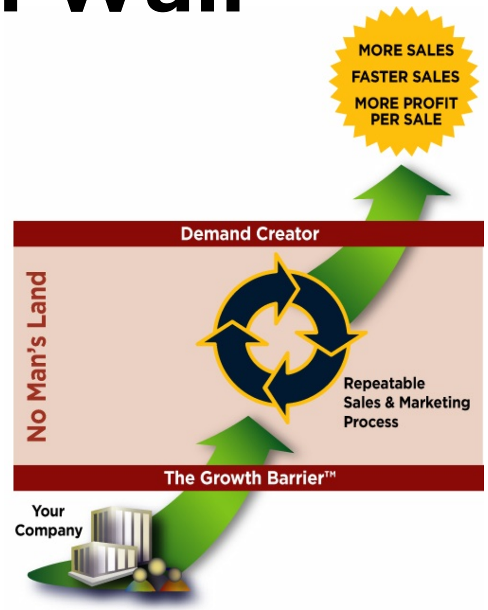
To paraphrase Henry Ford, remember:

The only history that matters, is the one we make today.

Conquering "The Growth Wall"



It happens to every small and mid-sized company. You don't know where it's going to happen or when, but you know it will happen. You hit "The Wall." We call it The Growth Barrier™. The Growth Barrier marks the beginning of what is often called No Man's Land – where you're company is too big to be small, but too small to be big.

The Growth Barrier is a dangerous time in your company's life because the very rules, actions and habits that allowed you to grow and be successful either no longer work, or are not enough to work. In this phase of a business' life cycle, experience can work against you. To maintain growth you must enter new markets, deal with new challenges, solve new customer problems, and manage constant change. The result, too often, is increased competition intensity and an increased rate of commoditization, putting even more pressure on your margins.

There is only one way to predictably break through The Growth Barrier: the creation of a sustainable and repeatable sales and marketing process that is not reliant on specific individuals or unique talent to be successful. The only way to beat back commoditization is to become a Demand Creator

About Imagine Business Development

Imagine Business Development works with forward thinking companies who desire fast-growth and understand that they must transform their sales and marketing approach to grow profitably.

We provides growth-oriented companies the expertise in strategy, sales and marketing and the leadership to break through The Growth Barrier.

Our unique programs enable small and mid-sized businesses (SMEs) to experience more sales, faster sales, and more profit per sale. The INTELLIGENT Growth Program™ enhances the capabilities and creativity of your company – enabling you to develop the customized repeatable process needed to breakthrough The Growth Barrier.

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