How to manage a business through the late stages of a **weak market**

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Staying Focused and Keeping Your Powder Dry for Future growth

Article Summary

As we bounce along the bottom, there are several things business leaders can do to manage through a weak economy and be prepared for the rebound.

Thriving Through an Economic Downturn

A slowdown in your industry can provide the chance to streamline operations, eliminate waste and refocus your priorities. Many companies will come out of this downturn with their powder dry—stronger and better positioned for future success.

If you read the newspapers, you know that we are experiencing one of the worst economies in decades. Surprisingly, however, many of our clients have continued to do well, with some showing solid performance in 2009 and cautious optimism for 2010. Of course some businesses continue to be hammered badly. It is anyone's guess as to how long this downturn will affect us, but it never hurts to think about how you will respond in the later stages of an economic slowdown.

Entrepreneurs are optimists. If you have started and grown a business, you have already plowed through doubts and risks that would scare most people away.

While optimism can be an asset, it can also become a liability in a shrinking market. If you are overly optimistic, you can wait too long before taking steps to minimize the damage. When reacting slowly, you could take big hits to profitability and cash, weakening your balance sheet. When the market bounces back, your company could lack the resources to respond to new growth opportunities.

Pay Attention, Stay Focused

Successful entrepreneurs are sometimes afflicted with a problem we call "Business A.D.D." Staying focused and disciplined gets boring. The desire to expand eventually overtakes the discipline necessary to stay healthy in a bad market.

Here are four basic steps to consider as we bounce along the bottom, looking for the rebound:

1. Keep your optimism in check, but *stay alert for the early signs of recovery*. Ignore the national economic news and watch for the early indicators of a rebound in your specific market. Be aware of measurable changes in your backlog. Until you see the clear signs, stick with your budgeting discipline. Monitor budget-to-actual variances every month. If your market continues to bounce along the bottom, maintain your discipline. Make the tough decisions necessary to keep your cost structure low.

2. Revisit your strategy and *focus in like a laser*. When times are slow, you may be tempted to pursue new business through diversification. Don't be tempted to invest during a weak market. Chances are the new market will be just as competitive. The only difference is, you won't have the same advantages in a market you don't know.

During a slow market, evaluate every product, program and person. Anything not contributing to your core discipline needs to be closely scrutinized. You may not grow or make large profits now, but staying focused and stubbornly refusing to lose money will serve your business well.

3. *Evaluate where you spend your time*. As goes the leader, so goes the company. Where top managers spend their time reflects the priorities of the organization. If spending time with customers is your highest value driver, then cancel non-essential meetings and go see your best customers.

4. *Focus on your best customers*. Not all customers are created equal – some are much more profitable than others. Your most profitable customers are the most likely targets of your competitors. In tight markets, your best customers may be tempted by aggressive pricing from hungry competitors. If you maintain

strong relationships with your best customers, you will earn their loyalty.

5. ***Look for bargains and ignore the rearview mirror***. The painful decisions you make as a manager in a downturn tend to stick to you emotionally. Most of us hate the process of cutting costs, shedding assets and especially laying off people. It's easy to see why you are slow to cut in the beginning of the downturn, and slow to start investing at the end.

Read the leading indicators, not the lagging news. Bargain assets and good talent are available in the early stages of a recovery. When the time is right, reprogram your brain to optimism and start the search for talent and bargains.

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