

# Managing for High Performance in an Economic Downturn



A natural reaction to an economic downturn is to batten the hatches and ride out the storm. Yet the ability to make smart decisions now may be the key to sustaining high performance or positioning the company to achieve it in the future, according to ongoing High Performance Business research conducted by Accenture, the global management consulting, technology services and outsourcing company.

by Sherree DeCovny

Business leaders face the arduous task of exploiting the ordinary levers that drive operational effectiveness and managing the extraordinary challenges that a downturn brings.

## Exploit the Ordinary

Companies are under intense scrutiny from wary investors, impatient regulators and nervous boards. “Managers need to run day-to-day operations better than ever,” says Mark Foster, Accenture’s group chief executive - Management Consulting & Integrated Markets. “That means executing operations flawlessly despite the need to cut costs, deal with struggling suppliers and appeal to hesitant customers.”

Four operational imperatives must be heeded to manage the crisis, he says. Companies must:

- Achieve rapid and sustained cost management by scrutinizing costs, assets and investments.
- Acquire new customers and sustain their current base by revising marketing efforts.
- Develop operational excellence through an effective global model that manages far-flung manufacturing, sales, distribution and other divisions.
- Look for M&A opportunities, but avoid inheriting a demoralized staff or a battered balance sheet.

## Finding the Right Strategy for You

Efficiently managing daily operations during a downturn may keep the company afloat, but that won’t get the company ahead. Managers must be quick to confront the threats unique to this crisis and quick to assess their companies’ current competitive position.

The extent to which a company is positioned to respond effectively to the downturn is a function of three analyses: its relative performance over recent business cycles, its financial strength, and its relative position amid the overarching global trends. Leaders must then execute one of three core strategies:

- If the company is in survival mode, focus primarily on short-term actions to ensure it continues to operate independently until the downturn passes. Take steps to secure cash flow and minimize exposure to risk. Quickly reduce debt, cut costs and renegotiate pension obligations.
- If the company has a strong balance sheet and healthy (if reduced) revenues, look for ways to reposition the

company to strengthen its long-term competitive position. One strategy is to embrace a global operating model to compete more effectively in a world of dispersed economic power. Others include upgrading talent in key areas and focusing on “green” goals.

- If the company is in a strong position now, use the downturn to grow and stretch the lead. For example, build market share through mergers, acquisitions and international expansion or grow organically by investing in customer acquisition and strengthening brands.

## Executing the Strategy: Management’s Challenge

Once a strategy is chosen, follow it. Don’t let the current challenges be a distraction. At the same time, “You can’t let the pursuit of your strategy disrupt your ability to execute the current business model,” warns Mark Spelman, Accenture’s global head of strategy. “The last thing you need is to signal distress to your employees or the markets.”

Managers should also pay close attention to their calendars, Spelman says. They should split their time evenly between overseeing everyday operational activities and pursuing a downturn-specific strategy.

Spelman recommends that companies assemble a tight-knit, communicative top-management team that can react quickly. A company whose CEO makes unilateral decisions won’t be able to respond rapidly to change because quick, effective action requires a strong sense of shared commitment at the top. An aligned team helps to ensure that both operational excellence and future positioning receive adequate attention.

Finally, the Accenture High Performance Business research shows that companies should take this opportunity to find the next generation of leaders. Managing through a downturn can be a transformational experience, making leaders more able, confident and self-aware. There could hardly be a better time to test the mettle of your rising stars.

Historically, the greatest changes in a company’s relative position within its industry has occurred during times of economic turbulence. Seen in that light, the current crisis offers opportunities for all businesses to achieve high performance by delivering operational effectiveness while preparing for the eventual upturn.