

Brief

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Uncertainty is also an opportunity: what we can learn from recessions to accelerate performance

I thought about the recession and decided not to take part Sam Walton

Looking for the upside of a downturn can sound glib. Looking for certainty among uncertainty can be a sign of hubris. Walmart's Sam Walton is well-known for his response to the recession of the early 1990s. He said this when it was over, which is always easier. After the 2008 banking crash there was a flow of publications and research – some rehashed from previous recessions - on how to succeed through a downturn.

We reviewed a range of material to identify what was being said on the subject of active, urgent but positive approaches to turbulence that combine tackling the short-term challenges, while also thinking about being in the best shape for the longer-term. There are four recurring themes:

1. **Speed of response:** stop or adjust activities that have not been working, or are weaknesses, quickly; turbo-charge successful aspects. Speed of leadership response depends significantly on three things:
 - the whole organisation understanding your business model (so that everyone can spot problems and opportunities and their consequences)
 - leaders actively listening to the market and the wider context (customers, competitors, government)
 - being able to focus on a few big things at any one time

Looking at those that have taken advantage of recessionary times to improve their market share, we see they have not treated changes in customer behaviour as a temporary blip to be managed around until a return to normality. They have assumed it is a new reality.

2. **Regular, direct feedback and metrics:** focus on the key leading indicators (not just the lagging ones) and make sure they are fed into, and highly visible within, the executive team and wider leadership.

Two things make the difference. First, that the organisation knows which its key leading indicators are. This is usually easiest in retailing or manufacturing and will vary by sector and organisation.

Second and even more important, is that a small number of these indicators are regularly discussed with an open and challenging mind by the leadership team - and used to prompt rapid action.

3. **Switch to ongoing strategic planning:** abandon the traditional annual cycle in favour of continuous focus on the few essential issues that are of long-term importance, but require short-term action.

More businesses are moving to continual planning anyway. P&G is a well-known and successful example who have switched to continual responsiveness, based on ongoing competitive intelligence, an open and agile set of external relationships with potential providers of innovation and a proactive monitoring of consumer trends and opportunities.

4. **Slowdowns mean fast change:** recessions accelerate market change, and allow more to happen quickly – good or bad. Fast decision-making is therefore vital.

A Bain study shows that during the most recent recessions, a fifth of companies in the bottom quartile of their industries jumped to the top quartile and a fifth of the leading companies fell to the bottom quartile. Only half as many make these dramatic changes outside of recession. Two-thirds of companies who accelerate past competitors do so in a recession rather than other times, and most keep their advantage.