

Introduction: Welcome to the 'New Normal'

By Paul Diamond Web Editor, Vistage International

When the economic recovery begins, will you recognize it? Will your business be prepared for the opportunity to expand?

Many business leaders are asking when we can expect the recovery to begin, but perhaps the most critical questions to ask are: What will the new business landscape look like on the other side of this recession, and have you prepared your company for the new business realities created by the financial crisis?

After conducting months of research for this white paper, I believe that businesses will have to make significant adjustments to find success in the face of political reaction to the recession, consumer evolution and continuing economic pressures. The forces of change pressing upon business include:

- Increased government regulations
- Prolonged levels of high unemployment
- Increased taxation
- A new speed of change that will resemble chaos
- Full-scale globalization (or business without geographic borders)
- Empowered and non-loyal customers
- Rapid growth and adoption of online social media and virtual technology

These pressures have already disrupted and altered consumer and business behavior, but what we've seen is only the beginning. Businesses that want to grow and find success in the face of these pressures will need to make fundamental changes in how they interact with customers, create new efficiencies, pursue innovation, manage their workforce, and learn to adjust to rapid changes. This white paper presents advice from the Vistage community of leaders and experts on how to prepare your business for the new and evolving marketplace.



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Recovery Projection and Actionable Business Advice

We should see the economic recovery begin around October 2009, says economist Brian Beaulieu of the Institute for Trend Research. Beaulieu offered this cautiously optimistic forecast during a recent Webinar presentation to Vistage members.

The information Beaulieu conveyed was geared to help executives make the right business decisions based on a clear view of the future. Vistage members, armed with a reliable economic forecast and actionable advice, will be able to pull ahead of those businesses that recognize the recovery too late.

Economic Projections

Based on the movement of leading economic indicators:

- The recovery will begin around October 2009, and will be so mild that most Main Street businesses won't trust that it's a true recovery until we are three to six months into it.
- 2010 should show a tepid, mild recovery, while the pace picks up in 2011-12.
- U.S. housing markets will reach a low in late 2009 when prices flatten. Home values may begin to rise again in 2011.
- Disinflation (a decrease in the rate of inflation) or deflation is likely to continue into 2010, while inflation returns in 2011-2012.
- Unemployment will peak in early 2010 above 9 percent nationally. Job growth should begin around September 2010.
- Credit conditions will improve somewhat in 2010, when we should see renewed lending at low interest rates.

- Commodity prices will go up in late 2010 and into 2011 when industrial production will have recovered to half its 2007 levels.

Actionable Advice to Business Owners

Beaulieu recommends that business owners take the following actions:

- The beginning of 2010 will be a golden time to expand your operation. New and used equipment will be inexpensive, real estate will be inexpensive, interest rates will be low. Start planning your expansion now.
- Borrow as much money as possible in 2010, as conditions may not be as favorable in the years to follow.
- If you lease business space, renegotiate your contract as vacancy rates goes up later this year.
- Hire some of the exceptional talent that will be available through 2010.
- Cease activities that don't create profit, such as seminars, services or other things that lose money for your company.
- Eliminate products that aren't profitable. Get rid of that which doesn't advance the growth of your company.
- Ramp up your marketing and advertising.
- If you need to reduce your workforce, do it now.
- Find clients in these resilient sectors: energy, "green," hotel/motel, water, healthcare, funeral services, alcohol, security, legal services, food distribution, water purification/distribution, electricity, natural gas distribution, education (community colleges in particular), pet products, and leisure.



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- Look for clients or ways to sell your product in western Canada, Brazil, and Australia. These countries are positioned for strong future growth. Russia and China are not positioned for near-term growth.
- Review your competitive advantage. Define it and tout it.
- Lead with optimism. Be the chief cheerleader.
- Communicate your company's future clearly.
- Don't just maintain the status quo. Take risks and be courageous.
- Celebrate victories, even small ones, with your people. Treat your best employees well or they will defect during the recovery.
- Monitor your cash position religiously. Take all necessary actions to maintain a positive cash flow.
- Learn to compute your company's "12/12 rate of change" so you can project where your revenues are going.

Actionable Market Advice

There's no huge stock market rebound on the other side of this downturn, only a long, slow climb out. In fact, Beaulieu projects the stock market will take 15 years or more to recover the territory that we lost.

- People should put money into specific equities, in contract to a broad index fund that moves with the overall market--unless you are in your 30's or younger.
- People within 10 years of retirement should go for safe fixed income investments, perhaps setting up bond ladders.
- In the post-2010 world, avoid bond funds as they will be under long-term negative pressure.
- Consider using inflation hedges such as real estate and alternative investments like commodities.
- Pay your taxes now because they are only going to be going higher in the future.

Housing Market

There's more negative housing activity to come, says Beaulieu.

- Housing prices will continue to decline, reaching a bottom in late 2009.
- Mortgage rates will stay low through Sept. 2009. Take advantage of these rates while we have them.
- Even though housing prices have a little more to fall, now through the end of 2009 is a once-in-a-lifetime opportunity to buy a house. Rarely do low interest rates align with low prices and the promise of a modest recovery two years off. There will not be a better time to buy real estate in our lives. Look for areas with strong demographics suited to an aging population.
- Home prices will begin to rise slightly in late 2010.

Foreign Markets

- Canada, Australia, and Brazil are best positioned for growth for years to come.
- China is no longer the low-cost manufacturer that it's been for the past decade. Factories are shutting down or moving to nearby countries with lower labor costs. Look for increased civil unrest and more frequent recessions in China.

As a final thought, Beaulieu reminds us: "It took only two years to crumble to where we are today, but it will take us many more years to get back to that peak. It was a bubble and you don't recreate a bubble quickly, nor do we want to."



Take Advantage of the Stimulus Plan

The U.S. government's stimulus plan, known formally as the American Recovery and Reinvestment Act of 2009, has several provisions that benefit businesses. If you haven't taken advantage of these provisions, do so before they expire.

Loss accounting: The IRS currently allows businesses to carry back net operating losses for two years to offset past taxable income. The stimulus plan allows "qualified" small businesses to carry back losses for five years. (A qualified small business is one with gross receipts of less than \$15 million, based on trailing average of annual gross receipts.) This means that your business can re-file prior tax returns and get a refund from the IRS by applying 2008 net operating losses against prior tax payments. Think of it as an interest-free loan from Uncle Sam.

Equipment expense deductions: Section 179 expense deduction has increased from \$128,000 to \$250,000 and offers a 50 percent bonus depreciation through the end of the 2009. What does this mean? Purchase a vehicle, machine or computer for your business and you can offset any taxes you might owe in 2009.

Hiring incentives: Businesses that hire unemployed veterans or high-school dropouts can earn up to a \$2,400 per worker credit on their taxes.

SBA loans: The stimulus plan includes several key changes affecting how the Small Business Administration lends money. The SBA can now:

- Refinance existing loans backed by fixed assets.
- Raise its loan guarantee to 90 percent, encouraging banks to extend more capital to small businesses. This means you may qualify for a larger loan than previously.
- Offer deferred-payment loans of up to \$35,000 to small businesses that need money to make payments on an existing, qualifying loan for up to six months. Repayment is required 12 months after the loan is fully disbursed.

The SBA does not lend money directly; SBA loans can be obtained through banks or "certified development corporations."

One note of caution: The SBA typically requires borrowers to 1) come up with 20-30 percent of the loan value; 2) guarantee the loan with business assets; and 3) guarantee the loan with personal assets. If your business goes under or fails to pay back the loan, the SBA will go after your house or other assets to collect.

S-Corp holding period: The stimulus plan temporarily shortens the holding period of assets subject to the built-in gains (BIG) tax from 10 years to 7 years.

Extension of monetization of accumulated AMT and R&D credits: Alternative Minimum Tax (AMT) and loss taxpayers in 2009 can receive 20 percent of the value of their old AMT or research and development credits if they invest in assets that qualify for bonus depreciation.



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Delayed recognition of certain cancellation of debt income: Businesses that buy their own debt at a discount can now cancel their debt income over a 10-year period.

Ask your CPA or CFO for more information if you think you qualify for any of the above incentives or deductions.



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Track Your Key Performance Indicators

To adjust to market conditions quickly and do more of what's working and less of what's not working, you need to track and measure your activities and the results of those activities. As you engage in this process you'll likely find corollaries between routine business activities and revenue growth. These corollaries are key performance indicators.

"Every business," says Vistage member **Michael Iverson**, President of Trillium Financial, "should be able to find a certain key indicator that can predict their sales or revenue numbers for the month. The trick, of course, is uncovering exactly which numbers have that relationship in your business."

Iverson recommends tracking these metrics to see which offer the greatest clarity into what drives your revenues.

- **Trailing 12-month sales average:** To get a visual of your true monthly sales progress, track, monitor and graph sales on a 12-month moving average.
- **Operating profit percentage:** This metric reveals profit on standard operations and should be tracked monthly and on a trailing 12-month average.
- **Accounts receivables cash conversion cycle:** Track how long it takes in days to collect cash from the time the bill is sent.
- **Days inventory outstanding (DIO):** Track your inventory. In theory, you should keep the least amount of inventory on hand as possible. The longer inventory sits unsold the more it's a drain on your cash.

- **Working capital as a percent of your revenue:** Measure how much of your operating profit gets absorbed into working capital. Look at the number of days net working capital is invested every month (or cents on the dollar of what's invested). If you don't have enough cash flow to cover what you've got invested, you've got a problem.

- **Return on capital employed (ROCE) percent:** ROCE measures the efficiency and profitability of your capital investments. For example, capital assets such as trucks and computers should help make the business more efficient, cut down on costs and realize greater profits. The ROCE percent also indicates whether the company is earning sufficient revenues and profits in order to make the best use of its capital assets. The higher the percentage the better.

"These metrics can give a business owner an easier way to digest information and act," says Iverson.

Vistage speaker **Brad Hams** says that sales teams should closely track sales specific indicators, including qualified leads, proposals delivered in person (or via web conference), close rate, total number of customer touches, and the number of leadership team sales calls.

Hams warns that sales teams, if allowed, will use discounts to get sales. "This is a dangerous strategy, and a difficult one to escape from once customers become 'trained,'" he says. "Salespeople should focus on margin, not just revenue. The worst-case scenario is when they are commissioned on revenue and allowed



to manipulate pricing significantly.” Hams recommends that businesses track these sales-related indicators:

1. Average margin % per job
(by salesperson and aggregate)
2. Margin % variance from plan
(by salesperson and aggregate)
3. Total margin \$ delivered
(by salesperson and aggregate)
4. Total margin \$ delivered variance from plan
(by salesperson and aggregate)

He also suggests that businesses track numbers on existing clients, such as how often they receive “touches” and personal visits.

Tracking key indicators over a period of time will give you an idea of which numbers (and which activities associated with those numbers) are key to improving sales and revenues for your business.

Adjust Strategic Plans and Pursue Innovation

With a rapidly evolving marketplace, business owners need to adjust their strategic planning to react to changing customer wants. But changing directions or plans can drain resources, confuse your employees and customers, and carry revenue risks. How can you determine what market forces to react to and what changes to make?

To sustain profitability and growth, you need to anticipate the future. Possibly the best way of doing this is to spend time with your customers.

“Encourage your customers to tell you their biggest frustrations,” says Vistage Speaker **Jim Bandrowski**, “not just about your company, but about all suppliers of your products and services. These represent unmet market needs, and you could be first in fulfilling them. To dig deep for the latent ones, do what’s called ‘day in the life’ market research—watch your customers use your products and services, as well as your competitors. Look for frustration, waste, poor quality (and what it costs the user), inefficiencies and other pains. Then be open to making changes in your offerings.” *For more information on this subject see the next section titled “Understand Your Customer’s Needs.”*

When you find an innovation worth pursuing, don’t bet all your resources and cash on it. You can reduce your risk and increase clarity by funding fast experiments on them. “Test the idea with one customer or one distributor to maximize learning at the minimum cost,” says Bandrowski. “Remember also, your idea should meet four criteria. It should be unique, compelling, provable and memorable.”

Encourage both your innovators and your customers to vent their concerns and brainstorm everything that could go wrong with the innovation. “Have the same people brainstorm preventions to all of the concerns. This bullet-proofs your new strategy and fosters buy-in.”

To achieve the best execution of your new plan, use internal marketing. “If employees don’t understand it, they won’t buy it,” says Bandrowski. “Be sure your strategic and operating plans start with a crystal-clear case for change, are free of business jargon, and contain prioritized goals and objectives that are measurable. Add a vivid vision of the future that describes the destination of your company in detail when your strategy is successfully implemented, rather than the typical one-sentence idealistic slogan.”

For more information on how CEOs can motivate their organizations to achieve more, see Jim Bandrowski’s new book *Discover Your Inner Strength* (coauthored with Stephen Covey, Ken Blanchard and Brian Tracy).



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Understand Your Customers' Needs

When it comes to keeping and gaining customers in the post-financial crisis landscape, there's one piece of essential advice: add value to your offering. Adding value means increasing what your customer most wants in a product or service. But how do you figure out what exactly customers will value?

Vistage speaker **Howard Hyden** says you should focus less on what you think is the ideal product or service and more on what your customer actually wants. He recommends that you begin to view your business through your customers' eyes. Focus groups or customer advisory boards are one way to get input on what they value.

Another approach is to use a "corporate anthropologist"—a consultant who studies consumers to watch what they actually do with products or how they relate to services. Corporate anthropologists such as Vistage Speaker **Andrea J. Simon**, Ph.D., often uncover information that challenges fundamental business assumptions and leads to new breakthroughs.

Simon suggests that CEOs seeking to expand or improve their offering should try venturing out into the field with one of these anthropological techniques:

- **Day in the life experience**
Spend a day shadowing a customer to learn how he/she does business.

- **Customer lab**

If you're an online business, invite a few people to a computer lab and film what happens. Ask them to visit your site and buy something. Before they begin, ask them to tell you what they are going to do; then go back and watch the tapes and see what actually happens. You might find that your site works well for search engine optimization but isn't well designed for a sale. This would be impossible to learn without observing.

- **Hire observers**

If you have a retail operation, hire some observers who can meticulously yet quietly watch people around your store. See how your store's layout helps or hinders their buying experience. See how the check-out process creates a positive or negative customer experience. Take pictures and share them with your sales staff.

- **Use "deep hanging out"**

Spend time "hanging out" with your customer in their culture. Listen and watch to learn how they feel about your products and customer service. How do they solve their problems with what you or your competitors offer?

"Go on an expedition or spend a day with your customer," says Simon, "and see for yourself what they do. Or go with an anthropologist. You'll probably discover a startling new way to build your business."



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Find Opportunities

Opportunities and ideas for new products or services don't always come from your customers. Vistage speaker **Jay Forte** recommends that business owners tap the brain trust of their employees to look for new ideas and opportunities. His recommendations include:

- **Create a workplace culture that encourages employees to look for opportunity.** While organizations value effort, innovation and intent, they should also celebrate non-conventional and non-conformist perspectives.
- **Focus on exponential, not incremental, opportunities.** Direct your discussions of opportunities toward significant, above-average results.
- **Help employees learn their strengths and use them to develop opportunity-thinking.** Each of your employees has the potential to be great at certain things. Encourage them to use their intrinsic talents and strengths to deliberately hunt for opportunities in areas in which they have the greatest insight.
- **Solicit input from employees.** Leaders who ask "big" questions and take the time to listen to responses can discover new perspectives, facts, ideas and dreams from customers, employees and vendors. Try asking questions that begin with: "How about ...?" "What if ...?" or "Tell me about ..."
- **Share success.** The more successes are shared with everyone, and failures are seen as a way to improve, the more risks employees will take with their ideas.

"In an intellectual workplace," says Forte, "innovation, inventing and opportunity-hunting must be core expectations of all employees."



Instill Accountability among Your Employees

Instilling accountability creates a motivated workforce where employees make and keep commitments, stop the blame-and-victim game, and become more productive.

The success of your business will ultimately be determined by the work of your people. To get the best performance from your employees, says Vistage speaker **Daniel Meloni**, you need to do two things.

First, identify measurable priorities for your lower-level workers. Those priorities should be aligned with company goals. Second, offer those employees an incentive for reaching their targets.

“Most organizations approach incentive/bonus compensation upside-down,” says Meloni. “They attempt to motivate their top executives (people who are already intrinsically motivated) with bonuses. Yet, the people who most need an extrinsic motivator are those at the lower levels of your organization.”

Base-level wages serve to satisfy or dissatisfy employees but don't necessarily motivate them to do an outstanding job, or go above and beyond.

Meloni suggests you consider setting aside 50 percent of your projected profits to distribute in the form of incentives or bonuses to the lowest-level employees. This incentive plan is contingent, of course, on meeting all of the company goals.

According to Vistage speaker **Brad Hams**, it's important to change your corporate culture so that employees think and act like owners. This shift in thinking can generate improved performance and increased wealth. Transitioning to “ownership thinking” requires a company to take three basic steps:

1. Teach all employees the fundamentals of the business and how it makes money.
2. Identify the organization's leading activity-based performance indicators and then engage employees in the measuring, forecasting, and improving of these indicators.
3. Create incentive plans that are tied to the organization's financial performance (as opposed to the individual).

The effect of worker accountability on an organization leads to better customer service, greater productivity, happy employees, and the ability to attract better talent.



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Avoid Labor Union Formation

If your employees are unionized, you should consider renegotiating your labor contract with them before the end of the year if possible. If your revenues are off you may be able to get concessions now. “Businesses with favorable labor agreements,” says Vistage member **Mark Gardner**, CEO of Avatar Management Services, “will be in a stronger position as the economy picks back up. Of course, by mid-2010, the unions will most likely ask for a reprise.”

If your employees are not in a union but have the potential or inclination to unionize, says Gardner, then you should move now to prevent a union from forming.

Unionization comes with potentially serious costs and consequences to employers. Gardner warns of these possible ramifications:

- **Higher cost of doing business.** Employers incur expenses with unions through additional meetings, paying stewards to be present during many routine interactions, legal fees during negotiations, payment of grievances (very often eight hours of free pay) every time a supervisor makes a mistake, administrative and managerial time frittered away when threatened with strikes or slowdowns, etc. These additional expenses don't make it to the workers paychecks.
- **Onerous work rules.** Union work rules limit certain employees to perform certain functions (job-specificity), require greater stringency regarding the honoring of seniority, create salary visibility to all employees, limit flexibility when scheduling employees or calling them

in on off-hours and a host of other factors that hinder management discretion and a company's agility.

- **Rigid rules for discipline and termination.** In many industries, disciplining or terminating union-represented employees is expensive, time-consuming and demoralizing to other employees.

It's not just the employers who feel the restrictions; under unionization the employees are required to pay dues, initiation fees and other payroll deductions. Additionally, some non-union employees who benefit from unionized activities at their company often have payroll deductions taken even if they're not union members. Lastly, employees are restricted to several tasks and not allowed to expand their work horizons or negotiate their own pay. Typically they are ineligible for performance or incentive pay.

“Unions will promise your employees the very things you should already be providing,” says Gardner. “Maybe you're already providing them, but you're not effectively promoting them.” According to Gardner, employers can avoid unions by proactively offering their employees the very things they want and that unions attempt to get when bargaining, such as:

- Better pay
- Benefits, or better benefits
- Greater job security
- More compassionate work rules
- Better working environment
- Safety and security
- Respect, affiliation and camaraderie



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Meeting these above-listed worker needs and managing the workforce with “best in class” practices are the most effective ways to prevent unionization.

But first, says Gardner, “Employers should at least conduct some kind of vulnerability study of their employees. Feel their pulse, find out what’s going on — it’s folly not to know if your employees are happy or unhappy.”

Gardner has written a white paper “You Have a Choice: Prepare now for the Employee Free Choice Act” (<http://tinyurl.com/olqvhy>) on the subject.

Build a Pipeline of Talent

Businesses should prepare to add labor to their workforce now, to avoid the mad scramble for talent after the market turns around. Think of the preparation as a two-step process. Step one is to identify and anticipate your needs. Step two is to build a pipeline of talent that's ready to tap when you need it.

"You don't want to get caught in the unenviable position of missing market opportunities because you don't have the staff in place to capitalize," says Vistage speaker **Barry Shamis**. He suggests that you determine what your business will look like on the other side, then translate your business needs into people needs.

Shamis suggests businesses should consider the following questions when examining their hiring needs: What are the specific results your staff needs to deliver? What are the tasks and processes necessitated by your model? How many people will it take to deliver the results you need to hit your targets?

When answering the questions, think in terms of outcomes, not just open positions.

With those questions answered, it's time to audit the capabilities of your existing staff. Once you determine what you'll need, go to a recruiter or start posting new job positions.

"Hoarding talent now is the only way to hit the ground running when the market turns," say Shamis. "This doesn't necessarily mean hiring right now. It means building a pipeline of well-qualified prospects that you can quickly move into positions when the time is right. Now is the time to put together a database of talent."

Harness Outsourcers and Freelancers

Another option for filling labor needs is to outsource or use consultants or freelancers. Though you may not need the services at present, it's worthwhile to establish relationships now, so you can tap the talent when you need it.

Vistage member **Brad Farris**, Principal of Anchor Advisors, says, "Outsourcing provides flexibility that firms need to grow for the long-term." Farris uses outside contractors for bookkeeping, marketing and writing and recommends that companies use contractors in areas that make the most sense for them.

Bridget Ingebrigtsen, President of Write On Command, summarizes the benefits of outsourcing as follows:

- **Better talent for less money.** You can get top, experienced talent for about the cost of a good administrative assistant.
- **Access to a wide range of skills.** Instead of hiring a single person with limited skills and abilities, you get a whole team of talent and resources.
- **Increased flexibility.** If you make progress quickly or need to cut costs, your virtual staff can adjust accordingly.
- **Outsider's perspective.** Since virtual staff works elsewhere too, they see what other companies are going through so they can provide you with an independent and educated perspective.

- **Chance to try before you buy.** If you hire a top-level employee, you're stuck with that person. If your outsourced CFO or designer turns out to be the wrong person, you can make a swift change without disrupting your existing staff.

Outsourcing is particularly useful when it comes to IT and software development, according to Vistage member **David Easterling**, CEO of Prosoft.

"Hiring offshore programmers," says Easterling, "is a sensible way to lower your contract labor and salary costs while giving your project a level of scalability that allows for better response to market conditions."

Companies should examine their IT work style and use an offshore programmer that's a good fit for them. For companies that tend to work in small teams or whose solutions and specification evolve as the project goes onward, Easterling recommends using outsourcers in Costa Rica or other areas of Latin America, rather than firms in India.

Vistage member **Brian Sutherland**, President of Highland Solutions, says that outsourcing IT functions is "like getting a Swiss Army knife instead of a single blade." An on-call IT service can do everything from install a new file server, repair Internet security, fix reliability issues, develop a disaster recovery plan, reduce hosting costs, design an e-commerce or enterprise system.



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Strengthen Your Value Proposition

Now is the time to perfect your short description of what your business does along with your more detailed value proposition messages.

“You need to communicate what you do in a way that is short, concise and memorable,” says Vistage speaker **Mark Satterfield**. “Too often people describe their business in a way that’s either too technical or too general. Both problems make it difficult for others to visualize what you do. And if they don’t understand, then they’re not likely to use or recommend your service.”

To improve your elevator speech, Satterfield says you should try to complete the following two sentences:

I specialize in working with...*Who? What type of industry? What types of people?*

I help these people to...*Do what? Satisfy what need? Achieve what goal? Avoid what consequence?*

Once you complete these sentences, combine them into one sentence that reads as follows: “I specialize in working with (*who?*) helping them (*to do what?*).”

Satterfield’s own value proposition line follows this format: “I specialize in working with sales teams, helping them make prospecting for new business more productive and less frustrating.”

To make your company’s voice stand out, Vistage Speaker **Jose Palomino**, author of *Value Prop*, recommends that you develop a coherent and compelling “message platform.”

A message platform consists of purposefully designed concepts, words and phrases that effectively communicate your value proposition and coordinate it across different channels of communication.

Once you have the basic description of your offering, you should tailor it for a variety of selling situations. Palomino recommends that these situations or “cases” include:

- The business case:
The core rationale for your offering
- The financial case:
The financial justification for your offering
- The technical case:
What a buyer has to do, or what resources they need to have in place, in order to benefit from your offering
- The competitive case:
How your offering compares and contrasts with both direct competitors and alternatives
- The decision process:
How prospects can examine and evaluate your offering

A message platform can be tailored for any area where customers interact with your people or business, including your Web site, print collateral, sales team and other media. “A message platform helps you consistently communicate your offering and most effectively reach your target market,” says Palomino.



Use Tactical Advertising and Marketing

Businesses should take advantage of low-cost ad and media rates, says **Philip Kotler**, a strategic marketing expert and co-author of *Chaotics: The Business of Managing and Marketing in The Age of Turbulence* (AMACOM 2009). Among Kotler's recommendations to position your business for the recovery are the following marketing strategies:

- **Drop programs that aren't working.** Cut out any programs that aren't paying off on their promise.
- **Secure your core-customer segments.** Maintain your core source of revenue and ward off attacks from competitors. Invest in reinforcing your strengths. Don't go after new segments.
- **Take market share from competitors.** Monitor your competitors' marketing and advertising and take customers from those who slash their marketing budgets.
- **Invest more time and resources in customer research.** Market chaos and turbulence changes people's habits and puts our needs in flux. Research your customers' needs more now than ever before. Marketing messages that worked well in the past may no longer resonate.
- **Increase—or at least maintain—your marketing budget.** It's imperative to continue reaching out to your core customer segments, even at the expense of cutting funding for new projects or ventures.

- **Focus on all that's safe.** When turbulence strikes, consumers tend to flock to what feels safe. Assure your customers of the security and safety of your company's products and services.
- **Don't discount your best brands.** When you discount your most successful brands, you instantly tell the market two things: your prices were too high before, and your brands won't be worth their premium price when the economy rebounds. To appeal to more frugal customer needs, consider creating a new, separate, distinct product or service under a new brand with lower prices.

Vistage speaker **Mitch Gooze** recommends that businesses conduct analytic research to determine which marketing and sales activities generate the most ROI, and then do more of what works. Additionally, Gooze advocates that marketing departments should negotiate aggressively for lower prices from their vendors. Lastly, he says that high-performing companies have something in common – the top management spends 30 percent of their time with customers. "Get out of your office," implores Gooze, "Now, more than ever, get out and visit your customers."



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Cost Cutting

Shedding waste and unproductive practices is one of the best ways to survive a downturn and prepare for a recovery. But how much cost cutting do you do and from what areas?

One way to control costs is to educate your employees on the importance of cost saving, says Vistage speaker **Brad Hams**.

If your company averages 10 percent profit, then a dollar of revenue brings 10 cents to the profit line. Yet, every dollar saved adds one dollar to the profit line. So it takes 10 times the amount of revenue to get what you save through cost controls. When management and employees understand the critical implications of savings, organizations get better at doing it.

Don't leave cost cutting entirely up to others. As CEO, you need to determine direction and lead the effort. If you've begun cost cutting by letting go of under-performing assets and employees, says Vistage speaker **Jim Bandrowski**, you should continue to cut costs in other areas.

Start by identifying your loss centers. "Ask your CFO to intelligently analyze every single dollar of costs and expenses (as well as working capital and fixed assets) that go into individual products, markets and customers. Then stop the internal bleeding (low or negative return on net asset areas) by decreasing your emphasis on, or ending the promotion of, these losing products and markets."

Additionally, Bandrowski says, CEOs can use Lean Six Sigma to identify the "eight wastes" and the "cost of (poor) quality."

"Fourth-grade math will do just fine to identify and measure the eight wastes," he says. "Rank them and drill for their root causes, not root people. Then take creative leaps to redesign your processes and test them to prove they will work. The end result is that you can lower your costs and those of your customers. The latter is something you can promote."

After identifying where your losses come from, focus on your high-return centers. Once your CFO determines those most profitable activities or products, Bandrowski emphasizes the next step is to get creative on how to grow those areas. The growth plan for your high-return centers must be incorporated into your current strategic plan and goals.

"Tough times can motivate you to find unproductive and wasteful parts of your company. Shedding them now will make your takeoff all the more powerful when the economy rebounds."

For specific cost-cutting ideas see this article: "Ninety Ideas to Cut Costs and Increase Cash Flow" (<http://tinyurl.com/rab3cy>).



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Adjust to Change

It's time to prepare your business for a new age, says Vistage speaker and futurist **David Houle**, who argues that we're moving from the "information age" to the "shift age." Accord to Houle, the shift age will be characterized by these three paradigms:

- 1. Global connectivity.** All aspects of human endeavor will increasingly move toward a global orientation and connectivity. This means that your customers and competitors can be anywhere in the world. Open your vision to embrace this.
- 2. Importance of the individual.** The individual is gaining more and more power and is no longer defined by institutions but by personal interests and relationships. Loyalty to institutions will continue to erode. Your business should fully acknowledge the individual by making supplier and customer relationships personal and one to one.
- 3. Accelerated electronic connectedness.** We are becoming ever more electronically connected. Make sure you fully embrace the online reality. If you as CEO do not want to do this, then empower managers and all employees to do so. Companies should have a presence on Facebook, LinkedIn and Twitter and actively use interactive video technologies such as Skype and other two-way, inexpensive video communications. When updating your Web site, create as much video messaging as possible. The true definition of Internet 2.0 is video. If you don't use video and your competitors do, you'll lose business to them.

Houle projects slow, single-digit growth in 2010 that will feel like a continuation of the recession. The 18-month period between summer 2009 and January 2011 is the time to reposition and reorient your business. Houle says, "The global economy and the U.S. economy will start to take off in 2011."

Houle recommends businesses can take the following preparation steps:

Expand your notion of relationships:

"Relationships will be structured differently and will occur across multiple technology platforms. The old definitions of relationships such as face-to-face meetings, or meals followed by formal business letters, must be shed," says Houle. Younger generations understand electronic relationships and can bring this knowledge to work for your business. The era of the formal business letter is over. The era of electronic relationships is here.

Capture data and use it: Gather as much information about your customers as possible. "If you want to build a loyal community of customers," says Houle, "know their email addresses, their cell phone numbers, their Twitter names and how they prefer their communication." Service or retail business should create a sense of high-touch through customized communications.

Houle, who helps companies adjust to the shifting times, offers this final advice, "The world and the marketplace in 2012 will look and feel entirely different than it is today. Incorporate some of the above suggestions into the DNA of your business and you will be prepared and well positioned."



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Stay Focused on What You Want

Train yourself to focus on what you want and nothing else. Just as the world's top athletes take time before competing to visualize themselves winning, so too can business leaders harness this power of positive thinking. The way to do it is to stay focused on what you want and don't dwell on fears, anxieties or things you don't want.

"When we think about what we truly want in terms of the success of our organization," says Vistage speaker **Mary Lore**, "remarkable things start to happen."

Lore is the author of *Managing Thought: How Do Your Thoughts Rule Your World?*, a book in which she makes a simple but compelling case: When we think about the things we don't want, we tend to get those negative things. And when we think about the things that we want, we tend to achieve the positive.

According to Lore the very act of worrying, dwelling on what your organization lacks, and thinking about losing sales or customers will bring out those negative outcomes.

When we focus our thoughts on what we want (increased sales, better morale, higher productivity) we become inspired and we inspire others. In this way, thinking about what you want leads to significant results. To see more on this subject view the video here: (<https://view.vistage.com/portal/media/media.html?titleId=336>)



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Why Join Vistage?

Sixteen chief executives. Zero blind spots.

Vistage delivers the vital perspective chief executives need to see the big picture, test ideas, overcome obstacles and seize opportunities. In groups of up to 16 peers, Vistage members engage in candid and challenging discussions under the facilitation of a highly trained Vistage Chair. The Vistage Chief Executive Program includes:

- Monthly, full-day problem-solving meetings with up to 16 chief executives, presidents, or business owners, professionally facilitated by a Vistage Chair
- Monthly, two-hour personal coaching sessions with a seasoned business advisor (the Vistage Chair)
- Up to eight workshops per year led by a Vistage expert resource speaker
- The Vistage Gateway™: Online best practices library; local and regional member events; and access to a global network of 14,500 business leaders.

The Vistage Chief Executive Program offers:

Fresh thinking

New ideas and perspectives are the fuel for any company's continued growth and innovation. The Vistage Chief Executive Program inspires each leader's best thinking, challenges their assumptions and provides a platform to implement insights with confidence and precision.

Better decision making

Vistage provides the most effective sounding board for the chief executive's toughest decisions—fellow executives who have met and overcome the same challenges. It's like getting the "trial" without the "error," and it helps members make better decisions when the stakes are highest.

Accountability for success

Business leaders have precious few people to turn to for seasoned advice and the plain truth. With no agenda except to help one another succeed, Vistage groups and Chairs test assumptions, uncover opportunities and hold each other accountable for taking action.

Improved performance

In the end, Vistage is about improving members' performance so their companies can perform better. It's about continuous, accelerated, practical learning—more lasting than any one-time workshop, more actionable than any flavor-of-the-day business book—and about turning good intentions into great results.

We selectively seek, by invitation only, CEOs with a strong desire to enhance their leadership and business skills while moving their organizations forward. To attend a Vistage meeting in your area as a guest, contact our Member Development Team at 800.274.2367.