

## Preparing For The Recovery Before It's Too Late

By Pierre Loewe and David Jones

Not all companies will survive the recession. But for those *who make it (and most will)*, the recovery will mark the beginning of the race to future success. Those who haven't prepared may survive the recession only to find themselves overtaken by their competitors as the recovery gets under way.

Consider the evidence: A recent study of more than 700 companies over a six-year period found that "twice as many companies made the leap from laggards to leaders during the last [1990-91] recession as during surrounding periods of economic calm"<sup>1</sup>. Moreover, most of these shifts persisted after the recession ended; proving that just surviving the recession isn't enough. You need to be, right now, preparing for the recovery. This article shows you how by explaining how to overturn the widely shared - but nevertheless wrong - belief that "It's easy to restart innovation efforts stopped during a recession when the recovery gets under way" (See our recent article "Six Deadly Orthodoxies of Recessions"<sup>2</sup>).

### *Update the Discontinuities*

Discontinuities are big, foundational shifts which have the potential to fundamentally change the rules of the game. They occur when trends from different areas combine, resulting in game-changing, long-lasting modifications to the external landscape. If you can identify them earlier and exploit them better than your competitors, you will win. If you don't, you will be left behind.

You need to assess how the current crisis has affected the discontinuities you were anticipating before the recession hit. Say that until recently, you thought that being "green" meant addressing your carbon footprint. But did you know that by the time we emerge from the recession, "green" will likely mean using efficiently multiple scarce resources, such as water<sup>3</sup>? If your stakeholders are asking about your carbon footprint today, then tomorrow they'll be asking about your water footprint. You need to get ahead of this opportunity - IBM<sup>4</sup> and Toyota<sup>5</sup> already have.



**Pierre Loewe** is a Founding Director of Strategos. He focuses on helping client teams identify new business opportunities and develop breakthrough strategies for their companies.

**Dave Jones** is a Strategos Associate who has worked with Fortune 500 companies in developing new products, ideas and cost reduction strategies.

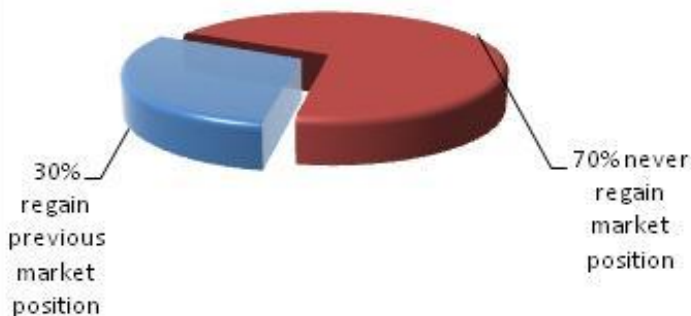
**Strategos**, a division of UTEK, is a global strategy and innovation consulting firm. The authors can be reached at [ploewe@strategos.com](mailto:ploewe@strategos.com) and [djones@strategos.com](mailto:djones@strategos.com).

### *Re-assess Unarticulated Customer Needs*

Before the recession, you knew your customers' needs. But these hard economic times are likely to have significantly changed them, so relying on past studies won't do. Consider this illustration from the auto industry.

GM, Ford and Chrysler have pulled out every trick in the book to attempt to revive demand - from 0% interest to employee pricing. But these incentives are achieving little. That's partly because the Big Three have failed to reassess how the needs of their customers continue to change. The tactics they keep trying worked in the early 2000's when most people felt secure in their jobs. But with job security so uncertain today, who wants to risk a new car payment - even if it's a little lower than before? Enter Hyundai and their *Assurance* program - if you lose your job over the next year, they'll take your car back. What seems like a clever marketing gimmick is really an example of meeting an unarticulated

### How hard is it to regain ground lost during a recession?



Source: Adapted from Baveja, Ellis, Rigby, "Taking Advantage of a Downtum", *Harvard Management Update*, March 2008

*Lesson: Analyze how the recent events have changed the external landscape -- impacted the discontinuities you had previously identified, or created new, unexpected ones.*

need – witness the 5% increase in Hyundai year-to-date U.S. sales compared to a nearly 40% decline industry-wide<sup>6</sup>.

**Lesson: Ignite your innovation efforts by developing new customer insights that capture the changed needs of tomorrow's recession-battered customers.**

### **Re-draw Your Industry Ecosystem**

Some of your competitors won't survive the recession. Others will come out of it looking very different. New competitors, suppliers and customers will appear, with different business approaches. So business in the recovery won't be like before. You'll need to figure out how your industry ecosystem - all the participants involved in your business, from suppliers to competitors to potential partners - has changed and what those changes mean for you.

Recall the beliefs that many had prior to the collapse of the tech bubble in 2000-2001. Groceries would be delivered to our door via Webvan.com, pet food via pets.com, and virtually anything else convenience related via Kozmo.com. In hindsight, it's easy to dissect why these business models failed. But the dot.com bust didn't only affect Internet companies. It also had a major impact on those who had partnered with dot.com industry players - for instance supplying them with products or giving them logistics support. Today's economy will create similar issues - banks you depended on may have discontinued a service you used, customers who bought your premium products may now be hooked on

private brands, formerly reliable suppliers may be gone. What will all of this mean for your organization?

**Lesson: Economic downturns change the industry picture. You need to anticipate these changes, prepare to work with different partners, and be ready to compete in a new way.**

### **Buttress Your Core Competencies**

The core competencies of your organization enable you to deliver unique value to your customers and differentiate yourself from your competitors. However, in difficult times, organizations often accidentally cut out some of the skills, processes, technologies, values and assets that make up their core competencies, causing an entire competency to weaken or even disappear.

Think about the cuts you made during this recession, and ask yourself: did we accidentally cut something that we will need as we move forward? Likewise, ask yourself if you will need new competencies to compete in the changed post-recession world. If the external environment has evolved, chances are you'll need to change with it.

**Lesson: Assess how your company's unique strengths held up during the downturn. If a key component is missing or weakened, beef it up so you can again provide unique value to your customers.**

### **Ready to Run**

Preparing for the recovery when you're stuck in a deep recession might seem like a waste of scarce dollars.

You're worried about cutting costs and streamlining -- taking actions that will help you survive the recession. But it is likely that, right now, your closest competitor or some newcomer from outside your industry is figuring out a way to beat you. When we come out of the recession, the market and competitive landscape will have changed, customers needs will have evolved, and you will need new competencies. Those who are prepared will do well, while others flounder. Will you be ready?

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1. Sarabjit Singh Baveja, Steve Ellis, Darrell Rigby, "Taking Advantage of a Downturn", *Harvard Management Update*, March 2008
  2. *CEO Magazine Online*, February 2009
  3. National Intelligence Council, *Global Trends 2025: A Transformed World*, November 2008
  4. "IBM Dives Into Water Venture", *Wall Street Journal*, March 13, 2009
  5. [www.toyota.com/whynot](http://www.toyota.com/whynot)
  6. [www.motorintelligence.com](http://www.motorintelligence.com)



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