

# Leaders' Insights

Chapter 1 / Version 2.0



## **Dealing with the Continuing Downturn**

We believe the economy will continue to be turbulent through at least 2014... most likely the industries we serve.

Obviously, there are no simple solutions. Many of our clients, particularly government agencies, are anticipating revenue decreases of over 20 percent, or more. While a quick fix may be to cut costs by reducing headcount, there are measures leaders can take to mitigate the downturn's damage and to emerge stronger as the economy stabilizes.

In short, out of adversity comes opportunity.

We recommend five steps.

### **One: Develop a quick action plan**

Due to the dramatic shifts that define the downturn - budgets, strategies and initiatives that were approved even a month ago may no longer be relevant. The shortage of cash, declining sources of financing, skittish investors, and in government, legislators and voters - dramatic shifts in customer spending may require - identifying alternative initiatives that can be acted upon immediately.

For example: One of our clients is anticipating a 20% drop in revenues, within 24 months - that will be difficult to back-fill in time.

We are partnering with them now to identify, and quickly implement organization and operations changes that will reduce costs. At the same time, they are determined to reposition themselves to offer new services, deliver less expensively, leveraging the internet – in a fashion that will save their customers time and money.

Our client is taking advantage of the difficult economy, to make changes that are frankly overdue – to be prepared for sustainable success.



**John McCreight**

We publish *Leaders' Insights* periodically to encourage a dialog among senior leaders - including C-suite executives and their senior leadership teams, board directors, and government agency leaders.

We invest in developing and publishing *Insights* chapters to share the lessons we learn during consulting engagements, supplemented by our ongoing research.

Our readers are encouraged to pass this *Insights* chapter along to others, or contact us for additional copies. Copies can be downloaded from our Web site.

This *Insights* chapter would have been impossible without the dedicated efforts of two alliance partners.

We are indebted to Matt Walton, (mwalton3@gmail.com) for his insight and analysis. Matt was the first alliance partner, or client, to encourage us to focus on the likelihood of, and the shape and severity of, the "*The Second Tsunami... Corporate Liquidity.*"

As always, Mark Schneiderman, (www.chernoffdiamond.com) has been a trusted colleague in terms of his perspectives on change management and enabling compensation initiatives.



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**Two: Use this time of adversity to move decisively**

As companies adjust to the turbulence, they are finding that speed is critical in gaining a competitive advantage.

*For example:* One of our publicly-traded client, designs, manufactures, and distributes, high-tech products for retailers, wholesalers and OEMs. In their business - plants, inventory, and global distribution are key. Recently, we partnered with the client during a review of their strategy. It became clear that they would need near-term cash to fund operations and growth initiatives. Their solution was to immediately sell their headquarters - valuable real estate in a high-profile market - to realign their operations for emerging markets.

The company had considered divesting its headquarters for years, but had resisted. However, the clear understanding that rough waters were ahead provided the impetus to move quickly.

**Three: Be visible. Communicate. Speak the truth. Credibility is key**

For change to be effective - leaders, employees, investors, customers, and suppliers must be engaged and energized. That is precisely what former Police Commissioner William Bratton did in New York City. He was able to change the culture of New York City's 40,000-person police department because he developed a sound and thoughtfully engineered plan. Then, he involved all stakeholders, at every level, in meetings and in focus groups, so that they understood what Bratton was planning to accomplish and why.

Conversely, the former president of the Los Angeles-based Times Mirror Corporation pushed to open a new newspaper in New York City, *New York Newsday*, without gaining the support of the organization's leadership. Result: when the president became ill and was forced to leave his position, his successor's first move was to close *New York Newsday*.

**Four: When layoffs are involved, respect the survivors**

Survivors are a priceless resource following downsizing and restructuring. Many have a bond with those laid-off. Often, survivors have lost close friends. Many will be distrustful of management and fearful, perhaps correctly, that they will be laid off in the next wave.

Anticipate and recognize their feelings. Try to engage them at the earliest possible moment - certainly before any public announcement about the layoffs. Encourage survivors to help those leaving, in a dignified and respectful departure.

It continues to be critical that leaders communicate tirelessly and credibly. As we highlighted in *Leaders' Insights*, Chapter 1. Be visible, listen, and speak the truth. For change to be effective, leaders, employees, investors, customers, and suppliers must be engaged and energized. Words alone are not sufficient to effectively communicate complex strategies and changes.

In his book, *Who Says Elephants Can't Dance*, Louis V. Gerstner notes, "In a crisis it's far easier for the company to emerge intact if the CEO makes sure that all the employees know there is a crisis, what management is doing about it, and what everyone must do to help."

Unlike recent years; today, Gerstner's step one should be simple - few in today's workforce do not understand that we are in a significant crisis. That understanding helps make an enterprise ready for change.

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The following is a partial list of the clients:

**Criminal Justice and Public Safety:**

- Boston, Mayor's Office
- Detroit Mayor's Office
- FBI
- Indiana, Governor's Office
- Michigan, Governor's Office
- Montreal, Police
- New Haven, Police
- New York, Mayor's Office
- New York, Police
- San Francisco, Police

**Healthcare:**

- Connecticut, Emergency Medicine
- Henry Ford Hospital
- Graduate Hospital
- Greenwich, Connecticut, Emergency Medicine
- Johnson & Johnson
- Metropolitan Washington Regional Medical Association, Emergency Medicine
- US, National Institutes of Health (NIH)
- Yale-New Haven Health Systems



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At the same time, it is important that the survivors understand the facts and rationale behind the restructuring initiatives. Typically, most do not have access to the CEO; or, in government, agency directors - only to their direct supervisor. Those supervisors must be informed, articulate, and trusted to honestly address the survivors' concerns and fears, and their own.

Trust, lost, is difficult to rebuild. That is why restoring confidence is so important. That way, it will be far easier for survivors to believe in, and implement, the vision of the new, restructured organization.

### **Five: Reassess leadership talent**

As enterprises contemplate dramatic change, it is important to re-evaluate leadership, in order to focus on the competencies necessary for these new conditions. Now may be the time to scan the market for new leaders. Now may also be the time to evaluate the effectiveness of each board member and corporate officer.

For example: We partnered with the CEO of a \$200 million publicly traded client, to review the names of every corporate officer and board member. We developed a list of the company's challenges and opportunities in the next three years and discovered that the client lacked talent in a number of areas, including evolving technology.

The client recruited the CEO of a technology company to serve on the board. In addition, we discovered that the leader of a recently acquired company had the technical and leadership skills the client needed. He was promoted to a more significant role.

Eliminate talent? Quite possibly. But also consider adding or restructuring positions with more competent and agile leaders, who will strengthen your organization into the turbulent future.

### **What are your plans?**

Defining and managing the road ahead will demand the best-of-the-best from our most talented leaders.

Please take a moment to share your perspective and your plans for action in today's fast-changing economy. We promise to share a sampling of your suggestions and our lessons learned from clients and Alliance Partners around the world. Let us hear from you at [roc@implementstrategy.com](mailto:roc@implementstrategy.com).

#### **Information and Education:**

American Express  
Applied Minds  
Bank of America  
Citigroup  
Connecticut Council for  
Education Reform  
Covisint  
Credit Suisse  
Detroit Public Schools  
Deutsche Bank  
Greenwood Publishing  
JP Morgan Chase  
Kauffman Foundation  
LexisNexis  
New York Public Schools  
Reed Elsevier  
Stamford Public Schools  
The New York Times  
TheStreet.com  
The Washington Times  
University of Pennsylvania

#### **National Security:**

CIA  
Deputy Secretary of Defense  
FBI  
NGA  
NSA  
ODNI  
Presidential Commission  
TASC

#### **Technology and Energy:**

Alcatel-Lucent  
Amtrak  
AT&T  
Avaya  
Bell Laboratories  
Boeing  
Chrysler  
Ciena  
Corning  
EF Johnson Technologies  
Getronics  
IBM  
Kellstrom Aerospace  
Kodak  
Lenovo  
Lockheed Martin  
National Grid  
Northrop Grumman  
Telcordia  
UIL Holdings  
United Illuminating  
United Technologies  
Varian Semiconductor  
Verizon  
Xerox



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## **Our Firms**

McCreight & Company and our three sister firms, Board Effectiveness Partners, the CIO Group, and Second Opinion, partner with clients worldwide, to ensure the successful design and implementation of strategic, large-scale change.

## **Our Experience**

Our consulting practices are built on decades of experience partnering with some of the world's most respected leaders and organizations . . . implementing complex, and often intense change.

## **How We Add Value**

- analyzing and refining strategy
- defining implementation initiatives with timelines and milestones
- defining implementation roles, accountabilities, and resources
- monitoring implementation progress and identifying and assisting to mitigate roadblocks
- ensuring strategy is sound, sustainable, scalable, and successfully implemented, on-time, on-target, and on-budget. We partner with clients in designing and implementing strategic change, including: global growth, leaders' boards' and directors' effectiveness, business or mission restructuring, new business or mission launches, mergers, acquisitions, joint ventures, and alliance partnerships.

## **Our Goal**

- Partner with our clients worldwide to ensure their competitive superiority.

## **Our Vision**

- To excel in leveraging experience, technology, information, knowledge, and evolving best practices.
- To exceed the fast-changing performance standards established by our clients, alliance partners, colleagues, and the community leaders we serve.

## **Our Values**

- Being leaders and visionaries, anticipating and pragmatically addressing the needs of our clients, our alliance partners, our profession, our colleagues, and the communities where we live and work.
- Making big contributions – “leave footprints.”
- Attracting and nurturing the best-of-the-best: clients, colleagues, and alliance partners.
- Contributing pro bono consulting to public and non-profit entities.
- Bringing out the best of every member of our firm in an environment that engenders respect, trust, and teamwork. And, have fun along the way.

## **Our Clients' Focus**

- criminal justice and public safety
- healthcare
- information and education
- national security
- technology and energy

## **Our Alliance Partners**

Our firms nurture relationships with over 150 partner-level professionals as Alliance Partners. They complement our competencies, exemplify preeminence in their fields, and bring to engagements a depth of experience dealing with many difficult business, governance, information, and technology challenges.

## **Our Research & Operations Center Professionals**

We focus daily on understanding lessons learned and emerging best practices, to ensure our firms' professionals are informed, competent, proactive, and responsive, and that we bring immediate value to our clients.



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