



RECESSION AND REALITY

By Tony Hughes,
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"We are enjoying sluggish times and not enjoying them very much"!

George H.W. Bush's famous quote of 1992, towards the end of his presidency, seems rather apt given today's current climate of financial volatility. There is much debate amongst financial and economic bigwigs as to exactly how tough it is, and whether we are indeed headed for a recession.

There are a few definitions; the technical one – two consecutive quarters of negative growth. And then the one according to Ronald Reagan, who said, 'recession is when a neighbor loses his job. Depression is when you lose yours'.

Either way, everyone is in agreement that 2008 is going to be a tough and turbulent year, one that is actually softened by an Olympics as well as a presidential race.

Some are saying that 2009 could be even harder.

In conjunction with this economic 'clairvoyancy', and as per the tradition in a downturn, there is much talk of tightening belts, stripping out unnecessary costs and discretionary spending in order to weather the oncoming storm. Costs are cut first in areas of known waste; elaborate perks, lavish office parties and freewheeling budgets. Inventory also gets a review, as vendors are cast aside, then other

issues come into play under the guise of 'let's just not spend any money'. Travel budgets, entertainment costs, corporate hospitality and any outsourced contractors are either cut or eliminated. The last and final straw is to 'don the black cap' and walk into the sales department. Once 'streamlined', sales teams are often presented with a series of options to lift revenues; increase workloads, sell more for less, or 'up' the closing ratios. The first two present either physical exhaustion or abandoning value to embrace commodity, where there are ultimately no winners. And the third is easier said than done.

They say that the real test of a business is when economic times



are bad. In reality, it is perfectly understandable for a company to react in a negative way. It takes a brave one not to subscribe to a heavy dose of cost cutting, despite the logic that when times are bad, it makes sense to back the team in the business that is the revenue generator. Most importantly, it is vital that come a downturn, your sales people are as close to your customers as possible; the more complex the relationship and the more entwined your business is in theirs, the less chance you have of being cut.

In reality, this is just good business practice, whether we are in a recession or not. And here is the key - yes we may be headed for a downturn, but for the majority of businesses, will we really notice a fundamental difference from the highly competitive environment that we already operate in? Over the past few years, as globalisation has opened up new markets, every business has faced increased and more aggressive competition.

In response to this, there has been a shift; competition isn't based on company versus company, but supply chain versus supply chain. And the central player in this battle is the procurement department.

They are now entrenched in the buying process, not just for commodity-based industries, but across all major contracts, ones that would traditionally be

associated with high-value sales. Nothing it seems is escaping the hammer of procurement. This is exemplified by the increasing number of e-procurement and reverse auctions that we are now seeing for multi-million pound contracts of high value supplies. The market is most definitely shifting, and what is most telling is that procurement departments have been given the firm directive and free license to make all suppliers 'feel' like a commodity. In essence, they operate on a constant and permanent basis under the principles of recession.

There is no easy way to deal with this. Obviously if you are embedded into an organisation, you stand a chance of fighting off the commodity label. But it is not just about having a great relationship. As competition increases, recession or no recession, sales teams have to have the skill to build a value proposition that goes beyond what the product or service is. It's about having an in-depth understanding of a client's business and selling on the basis of driving positive change within the organisation that generates tangible results. Price will always be a factor, but this doesn't mean that the cheapest and lowest price will always win through.

Every organisation must be in the right quartile - you cannot price yourself out of the market - but even if you lower your prices, you still have to have the skills

to differentiate yourself, not just through your offering, but the way that you present it.

It is easy to be flippant about the prospects of recession, from the perspectives of both apathy and doom; one can over-react or not at all. There will inevitably be losers - that we can be sure of. But what we must not lose sight of is that those that win will not actually drastically change the way that they operate on a day-to-day basis. They will already have adopted the necessary skills that businesses need to both survive and succeed in an increasingly competitive, global market place.

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Recession breeds fear, but as Franklin D. Roosevelt said "We must lay hold of the fact that economic laws are not made by nature. They are made by human beings". And he really knew what he was talking about when it comes to depression.



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