



DRIVINGFORCES

Adding peak performance to business practice

NEWSLETTER

Summer 2009

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***Downturn –Leadership or jellyfish?
Jellyfish can't proactively change
direction; leaders can!***

Not a time for jellyfish

Much has been said about the current global financial crisis.

It's not a new phenomenon. *Drivingforces* has experienced similar downturns before – for instance, the oil shocks of the 1970's, the share market crash in the late '80's and the Asian crisis ten years later.

Although the causes of each are different, the results are similar.

- They bring about change
- They create opportunities
- They create winners
- They do not last forever
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Studies of these and other past downturns show it takes on average about two years for recovery to kick in.

The evidence internationally indicates that successful organisations - those who manage the changed environment - tend to apply a standard set of survival rules.

These 'rules' are not immutable but they are based on experience, commonsense and sound judgement. And they work.

Here they are in summary:

- Look to history; examine what happened last time and how the situation was managed
- Assess the implications of the current environment and its potential longer term effect.
- Prepare (in fact over-prepare) for the worst by recognising that things are not the same as they were and are not likely to be for some time to come.
- Plan for the conditions and be flexible in your planning. Strategic and business plans should be reviewed and contingency planning built into the process.
- Be prepared to change the way you conduct your business and in the process make some tough decisions.
- Recognise that change comes from one of two factors – leadership or crisis. If there is no leadership then crisis will drive strategy and policy and ultimately the organisation.
- Use it as an opportunity to trim off excess fat and purge your organisation of sloppy practicesses built up during times of abundance. Improve the organisation's culture, build new teams, remotivate staff,

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create new energy and lay the foundation for continued success.

- Budget conservatively. Budgets and financial plans are based on prudence, not unsecured promises and unrealistic expectations.
- Assess risk more critically but do not be frightened of risk. Managing downside risk won't blindside you to potential upsides.
- Scan for opportunities. The most obvious one is the opportunity to redefine and refocus on the organisation's core business and if necessary, retool it to position it for the better times ahead.

Drivingforces stresses the importance of ensuring best practice fundamentals are in place including governance and administration practices; delivery infrastructure; quality of the product, services, communications and relationships; and employing the right people for the right job.

- Don't compromise on client/customer/member services and don't take for granted their loyalty, but build on it through communication, satisfaction surveys and focusing on quality.
- Don't assume that revenue will keep flowing in the same way as it has in the past.

Drivingforces has previously flagged its concern at the growing reliance of the not for profit sector on funds from trusts and government agencies.

- Several of the former have already stated publically that as a result of the downturn, investment income (the source of most of their grant funds) has suffered e.g. ASB grants budget has been reduced by 25%;

others have indicated reductions are likely.

- A significant government funding agency in the NFP sector has indicated a reduction in its funds of 11% in 2009/10.

- Don't shift rapidly into high spend activities. Ease into them.
- Don't focus on quick fixes for short term gain. Look beyond the bad times. For example, getting rid of skilled competent staff has long term implications.
- Be aware of the pressures and concerns of employees and stakeholders and communicate to them openly and frequently.
- Do not be frightened of devising innovative solutions.
- Finally, don't try to second guess the market. Successful organisations conduct their business for the long haul based on what they know (knowledge), what they have (resources), what they can control (strategy) and what they can gain (opportunity).

"Leading organisations know that downturns don't last forever and, in effect, they make friends with others who are trapped in the same foxhole – employees, vendors, business partners and customers."

from Moving Upward from a Downturn – D Rigby, HBR, June 2001, reprinted October 2008.



"A desire for Peak Performance is the force that must drive any successful organisation."

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