

# Growth Strategies in Recessionary Times

Ann O'Connell outlines how your business can maximise potential for growth in recessionary times by adopting some key strategies.



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The impact of the recession on business strategy has been significant. PwC's 2011 Global CEO survey revealed an overwhelming majority (84%) of global business leaders having changed their company strategy in the past two years. These strategic changes were driven primarily by economic uncertainty, changing customer requirements and the increasing competitive tensions and dynamics within their industry. In the light of these developments most CEOs said that they have had to adjust their strategies with a renewed focus on managing talent (83%), risk management (77%), investment decisions (76%) and ensuring that the organisational structure is fit-for-purpose (74%).

Despite this widespread restructuring, many business leaders remain committed to cost control. Today's business environment is vastly different to that of a few years ago, one where the customer is looking for greater value, where the market is intensely competitive and where profits and margins are under pressure like never before.

## Growth – Key to the Future

However, companies are now planning for the future and looking at ways to achieve sustainable profitable revenues. This has resulted in new business models emerging as organisations position themselves for growth. Businesses have had to adapt and develop new growth strategies in a bid to firstly survive and then hold and grow market share. These new growth strategies for many represent 'back to basics' with less complicated organisational structures, easier and quicker decision making processes, better lines of communication, new ways of working, greater leveraging of technology, better risk management and a much greater understanding of what the customer wants and values.

Adopting some or all of the below strategies will ensure businesses maximise their potential for growth.

## Giving Customers Their Say

The permanent shift in consumer spending and behaviours is a key barrier to business growth according to nearly a third (27%) of Irish business leaders as revealed in the 2011 PwC Irish CEO Pulse survey. CEOs are looking to new strategies that embrace technology and innovation in order to get closer to customers. You can only get closer to customers by involving them directly in product and service development.

Obtaining deeper consumer insight is a trend that will gain momentum in the future. This involves having consumers test new offerings before they are launched. Media and Entertainment businesses, for example, increasingly factor input from the global consumer base when determining the viability of new products and consumer models, before the 'official' product launch. Consumers now expect this level of engagement from businesses.

Technology has become a key enabler, as well as a driver of consumer involvement in product development. According to PwC's Global CEO survey, many consumer-facing business leaders foresee social media and mobile devices prompting a 'significant change' to their strategy, as consumers turn to these media to voice their preferences.

Ask yourself who is your customer? What are you offering them? Do they want it? Do they value it? The world has changed and so too has consumer behaviour. It's not all about price. Value and perceived needs are critical and if these can be satisfied again and again you're a long way towards growing your business.

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### Permanent Focus on Costs

Strategies to achieve cost efficiencies will be fundamental for long term growth. It's not about doing it once but about keeping a constant eye on costs and having the mindset, skills, systems and technology in place to make the right decisions on time. Much needed funds can then be released for investment in the business in areas such as R&D, new product and market development, capital investment and retention of key talent. Closely monitoring the supply chain including procurement and distribution costs can also achieve efficiencies. Monitoring costs from a bottom-up approach where every item of cost is questioned is critical. However, it is also important not to cut costs so deeply that you damage the fabric of your business. For example, you need to ensure you keep your best talent, you keep your best customers and that service levels and standards are maintained.

### Exploiting New Markets and New Products

Once you know you have the cost base right and really know your customer, you can expand your existing markets and investigate new ones. Alongside this is new product development. Nearly half (45%) of Irish business leaders said they are launching new products and over a quarter (26%) are planning to enter new markets over the coming year according to PwC's 2011 CEO Pulse survey. However, when investigating new markets, careful attention needs to be given to potential barriers such as culture, language, regulations, tax etc but if proper advance planning takes place, the opportunities can be significant. These barriers can be easily overcome by recruiting locally and getting a local business advisor on your side.

### Joining Forces with Competitors

Growth can also be achieved through teaming up with a competitor company (i.e. co-opetition) and in so doing certain overhead efficiencies may be achieved and complementary product ranges made available to the customer at better prices. If carefully planned, volume and margin increases may be easily achieved for your business. Of course, growth can also

be achieved by doing a straight forward merger/acquisition or simply doing a joint venture/buying a branch of a business complimentary to your own.

Advance planning to ensure proper funding is in place with respect to such transactions as well as appropriate due diligence are critical. How you integrate any new business into the existing business will be critical. For example, integration of systems, products and markets while at the same time ensuring you have the right people to manage the process will play a huge role in the success of bringing the businesses together. A focus on developing and executing the 'First 100 day Plan' pays dividends in the end.



### Nurturing the Right Talent

Over the last few years a key concern has been the unavoidable loss of skilled employees where management has cut too deeply. This has resulted in expensive recruiting and retraining as volumes return. Talent is now at the top of the CEO agenda for 2011 according to PwC's 2011 Global CEO survey.

Talent isn't just a numbers game! It means finding, retaining and motivating employees whose skills really fit the organisation's strategy. Given that the majority of CEOs have changed their company strategy in the past two years, organisations talent needs are changing too. A company's long term performance will depend on the quality of its people whose reward is aligned to the long term goals of the business. The

manner in which this is applied is critical.

### Conclusion

Coming out of this recession, we are seeing businesses being more focused, cost effective and clearer on their markets, products, people and operational strategies. At the same time we are seeing improved reporting and metrics to help manage the dynamics of this new business environment. We are seeing an increased focus on grasping the strategic opportunities in order to strengthen market position. While the M&A market is still slow, we are seeing some merger and acquisition activity where good value and business fit can be achieved. Companies coming out of the recession are demonstrating more resilience, are leaner and more efficient. Cash constraints can often be a barrier as businesses attempt to fund growth. Achieving a balanced trade-off between cost, stocks and service levels coupled with getting the financing right is essential for long term sustainable growth.

### Lessons for the Future

**Be prepared:** Prepare for various scenarios and future market volatility. Having robust, diligent and meaningful management engagement supported by a scenario-planning tool that caters not only for revenue decreases, but also includes early warning triggers, KPIs, etc is critical. Such a tool is equally effective to anticipate revenue upsides; ensuring growth is translated into margin, with funding requirements clearly identified.

**Be lean and agile:** Focus on improving operational, people and procurement flexibility to deal more effectively with demand variability and cost reduction.

**Be bold:** Most companies initiate cost reduction programmes prior to a recession. However, they subsequently realised that those plans were not drastic enough. Keep a constant eye on costs and take timely action.

**Differentiate:** Know your strengths and your customers. Engage with your customers ensuring they get the value they are looking for.