

Recession – An Opportunity to Slingshot Your Business Past the Competition

By Arun Shukla

A new recession playbook finds opportunities to slingshot past the competition by taking control through five key actions.

Recession clouds are looming over the 2023 business horizon. The prevailing recessionary indicators do not fit exactly into classic economics—yet there is a real threat that we will soon talk our way into recession. While hunkering down to ride it out is a valid option, it is not a winning strategy.

Leaders who find opportunity and orchestrate a dynamic, strategic shift can defy the business climate and slingshot past the competition. The knowledge and necessary tools exist to exercise this agility if action is taken now.

The Current Climate

The US economy and the US consumer have been defying expectations. US GDP grew at an annual rate of 2.9% in the fourth quarter of 2022. Consumer spending continued to support GDP growth in 2022 despite the dual headwinds of rising interest rates and high inflation. The Industrial Production Index registered at 103.43 on December 31, 2022. While trending lower in recent months, it was still up from 101.76 a year prior.

Yet, geopolitical uncertainties, a hawkish monetary policy of raising interest rates and easing supply-side constraints to cool inflation should usher the US economy into a broad-based recession and drive-up unemployment rates. The paradox of this foreordained recession is that many business leaders continue to grapple with job openings for key positions due to the historically low jobless rate and severe labor shortage.

A true business leader cannot afford to stand still at this crossroads and become a roadkill. Today's business climate demands a new level of agility. The timing is right to simultaneously sense, seize, and shift the business to meet economic realities while staying compassionate, factual, and inspiring.

The Traditional Playbook

Facing recessionary headwinds, business leaders typically hire external consultants or dust off the standard recipe that has worked in the past. Their to-do list will be:

1. Control Costs – lay off 10-15% employees
2. Manage Cash Flow – accelerate collections and slow down payments
3. Diversify Revenue Streams – add new customers
4. Communicate – overcommunicate the threat of recession
5. Micromanage – emphasize reporting and reviews

Sadly, this stale recipe is not going to work in this new age recession. It is more likely to alienate customers, damage the supply chain, and demotivate and overwork employees who are under a microscope creating busy-work reports instead of working effectively.

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A new playbook is required but that's not enough. This business environment requires a high level of dexterity and attentiveness. The traditional playbook is like driving a car with an automatic transmission that eases operation and facilitates making adjustments—the radio, the AC—along the way. A new approach to the business environment is more like a stick shift transmission, requiring a higher degree of participation from an alert driver executing precision steering. Leaders can't rely on the automatic but must grab the controls to take charge, using a new playbook to seize new opportunities and accelerate past the competition.

A New Playbook for Business Leaders

SLKone recommends rethinking your approach to recession with these five, key actions:

1. **Double click on the right customers and products in your portfolio.** Historically companies in certain industries take a direct hit during recessions: automotive, construction, financial services, manufacturing, retail, and tourism. These can impact other industries to a lesser degree such as consumer staples, healthcare and pharmaceuticals. Avoiding customers in the former and securing customers in the latter may have worked intuitively in past recessions.

The new playbook that we recommend departs from these generalizations. The key here is *double clicking*. We mean identifying and 'clicking' on the customers in your portfolio that will come out as winners despite the recession and determining how your products and services will be essential to their success story. Many SLKone clients have successfully managed their customer-product portfolio complexity with rapidly developed perspectives that connect through 'order to cash' processes with operational and financial parameters.

2. **Pursue meaningful innovation.** While recession-triggered, smart, cost reduction can kill off meaningless intellectual and non-commercial 'hobbies' within an organization; avoid strangling all innovation in pursuit of reduced costs. What is required now is a shift to innovation that creates lasting success for your customers. Engage customers and vendors in purpose-driven innovation that aligns the interests of your ecosystem. The best innovation will not be a groundbreaking idea but recognition of a problem and a practical process tweak that allows the value chain to do more with less waste. At SLKone, our teams engineer performance metrics for our clients that help them rethink their value chain and pivot away from siloed innovation.
3. **Enhance real-time information with smart-knowledge creation.** Relying solely on real-time information is a view in the rear-view mirror that can create panic and make operators numb. Smart, data-driven, decision tools are the best ally for effectuating this playbook. Avoid long reviews of real-time reports. Each SLKone client engagement is crafted to build leave-behind tools for ongoing, informed, decision-making by your business leaders and teams.
4. **Inspire employees.** Instilling recessionary fears that paralyze the employee pool is the last thing a business leader wants. Yet, the old school playbook does exactly that. The headlines are going to be bad. SLKone does not recommend ignoring the facts: what we suggest is shifting the employee dialog from inert incapacitation to empowerment. Their insights need to be integrated into what the business is and should be doing with its customer-product portfolio. Employees should be encouraged to act on innovative tweaks and be rewarded for that.

Chances are that recent pandemic experience has established remote work protocols. Rather than forcing employees to be physically present in offices, avoid the unproductive transit times and improve work life harmony. Focus on empowerment and support rather than threats of doom.

5. **Execute the Slingshot.** The purpose of creating the new playbook is not merely to survive a recession but to shoot past vulnerable competition and secure a permanent lead. Like the dramatic slingshot maneuvers in Formula 1 or in cycling, businesses can execute a similar move. The key is positioning, waiting for the right moment, and then applying an extra burst of energy to get past the competition. Steps 1-3 help a business position itself for the opportunity, and the inspired employee pool in Step 4 provides the collective energy needed to slingshot past the competition.

While this playbook can be universally applied, it becomes a business imperative in the prevailing business landscape by rallying the team for better outcomes rather than grimly hoping to minimize losses.

Predicting the 'if,' 'when' and 'how' of recession is a wasteful debate. It is a myth that ostriches bury their heads in the sand, but businesses are known to demonstrate that behavior during tough times—with catastrophic results. Recession, when and not if it hits, is going to require a better approach. The SLKone playbook enacted with support from motivated employees, enables business leaders to seize the moment and catapult the business ahead—from recession to opportunity.