How to Recession-Proof Your Business

Moving forward to seize opportunity instead of looking backward

By Mike Russell

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The lurking danger

How do these numbers apply to your business? Typically:

- 20% of businesses will achieve 80% of the $ and success

- 4% will achieve 64% of the $

- And just 0.8% will achieve 51% of the $

This means about 1 in every 100 businesses will accrue HALF of revenues. The middle will muddle along, treading water at best. 1 in 5 will suffer potentially crushing losses.

… and that is in *NORMAL* economic times.

During a softening economy or in down times, the stakes are even higher. The market pie may be temporarily smaller, leaving the bottom 80% of businesses facing economic hurricanes. Those who stay in – or move into – the top 20% will feast during the famine.

This isn't a minor blip on the horizon.

Wide-spread crises like the 2008 global financial crisis and the COVID-19 pandemic can radically change day-to-day life. Local crises or a crisis for a particular organization can do the same.

For a few, the changes are temporary, but nonetheless jarring and altering to day-day life.

For most, changes are permanent … *even if they don't realize it yet*.

 A big question on everyone's mind during a crisis is "when do we get back to normal?" A related question is "what do we do to get back to normal?"

These questions are *common*.

These are also the *wrong* questions to ask.

Conditions may have changed such that the past "normal" cannot be recovered. The past "normal" may also be *more dangerous* than moving forward … what succeeded in the past may fail now.

What worked to get to and stay in the top 20% may no longer work.

A leader's first priorities in crisis are to safeguard lives and stabilize current operations. As soon as possible (or in parallel), though, leadership priority is to think about the *future*.

A leader's key question should be the *opposite* of others who are focusing on "normal" and looking *backward*.

A leader's key question is: "how can we leverage this time of change to survive or, better yet, improve our position?" and looking *forward*.

These priorities and the key question are the same in *any* crisis or period of great change.

It may be intimidating to think about *more* change when people are trying to deal with the current change.

However, times of great change can be an *ideal* time to make further change, to change for the better. Once change is in motion, strong pre-change resistance has already been overcome.
(See the background section at the end)

This action guide helps you "innovate forward" rather than "revert backward" … to create a better "new normal" rather than returning to the "old normal."

The starting point is assessing your organization's capability to change and adapt … regardless of direction.

Here's to your success!

Get started –assess where you are

Getting started does not require major efforts or endless task force meetings.

You can begin on your own.

First, estimate how desperate the situation will be and when. general idea will help establish preparation priority and urgency level.

Next, do a quick "brain dump" of your observations and thoughts about organizational performance, especially during a current or past crisis.

Here are some questions to help you get started:

- Has performance been excellent? Stable? Predictable?
  In what ways yes, and what ways no?
  What was/is different from what you expected?

- What kinds of changes have you tackled in the past?
  How complex were the changes?

- How have people reacted to change?

- How easy was it to adjust the business?

- What ideas do you already have to better handle problems?

- Crisis often exposes waste, inefficiency, and all manner of related improvements. What are your opportunities in these areas?

Don't edit yet (or at least wait until you get all the major thoughts out).

You've now captured a starting point for improvement.

Next, we will use a specific model to help you focus on key areas of opportunity: the Optimal Business Performance Model™ developed by colleague Dr. Michael O'Connor.

Like the initial questions above, you can do this on your own. You can also use the questions to get others feedback. (If you want anonymous

feedback so people are more likely to respond or need a survey for a large number of people, we can help with that)

The Optimal Business Performance Model™ has four quadrants or factors:
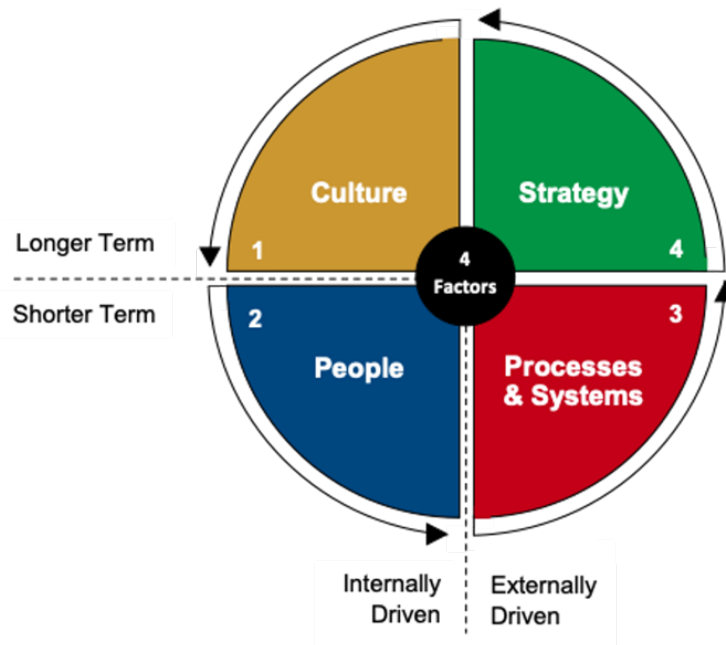
Note: it may surprise you that the right side – "Strategy" and "Processes & Systems" – is shown as externally driven. Does that mean someone outside the business, for instance, decides your strategy? No … it just means that the strategy and processes & systems reflect how you choose to respond to the market you're in, your customers, and so on.

Below are statements grouped by the four model factors. In each row are two statements representing different scenarios.

For each pair, decide which statement describes your situation best. Circle that statement. For this exercise, if the situation is *truly* a mix of both descriptions or you are unsure, circle the "or" in the middle.

Only circle the right side if you strongly agree with the statement. It should be characteristic of most, if not all, of your organization and present most, if not all, of the time.

Culture

We don't have explicit values of "how we work" or expectations around them.	*or*	Our values are clearly defined so people can understand them and related expectations.
Our values are not a driving factor in how we react to and work through problems, a crisis, or major opportunity.	*or*	We explicitly and consistently consider our organization's values in all major decisions.
Our values are not obvious to anyone observing our behavior and the business.	*or*	We clearly demonstrate our values internally and externally.
Out of the four major stakeholder groups*, we focus on one group. *Or* Focus varies depending on the person and situation. * Customers, employees, owners or shareholders, and significant others like our communities.	*or*	We explicitly and consistently consider how to achieve positive results for all our major stakeholder groups.
When we need to generate efficiencies, cut costs, and take other measures, there isn't enough trust for people to embrace the need and act. Also, people worry that "efficiencies" or "improvements" = layoffs.	*or*	There is enough trust so people proactively and wholeheartedly embrace change.

People

Our people exhibit scarcity, entitlement, or "it isn't my problem" mindsets amid problems or crisis.	*or*	Our people consistently demonstrate an abundance mindset and "own" our mission and vision.
Our people are reactive and want to be told exactly what to do, how to do it, and when.	*or*	Our people consistently demonstrate initiative, high performance, and adaptability.
Our people don't know how to express ideas or suggestions in line with our mission and values, much less in ways that enable decisions. We get lots of suggestions that make no business sense.	*or*	Our people know how to identify business improvements or opportunities and frame them for better business decisions.
Any lengthy absences of some people will radically and negatively affect our success.	*or*	We have succession plans and viable candidates ready if the need arises.
Our leaders and managers do not serve us well during change. They also have difficulty adapting.	*or*	Our leaders and managers lead change superbly by example and in adaptability.
[for those with a Board of Directors] Our Board makes matters worse.	*or*	Our Board makes us proud and supports us well.

Processes & Systems

We waste much time and effort because there are no clear priorities or people don't know the priorities.	*or*	We can quickly prioritize what needs to be done and communicate clearly. There is little confusion or wasted effort.
We are unable to respond due to our core processes and systems; or changing them is very difficult and slow.	*or*	Our core business processes, practices, and systems are resilient and easily adaptable.
Our support processes and systems (e.g., HR, finance, etc.) do not support easy change or change causes significant delays.	*or*	Our support business processes, practices, and systems are strong, resilient, and easily adaptable.
Our people management (e.g., organization, work direction, coaching and development, performance management, etc.) do not work well or are even detrimental during crisis.	*or*	Our existing people management structures and systems function well. They also support adaption and improvement.
We don't do improvement well, much less innovate well, even in the best of times.	*or*	Improvement and innovation continue or even accelerate when addressing problems or in a crisis.
We don't identify or separate waste (unnecessary cost; produces no value) from cost (necessary to produce value).	*or*	We understand cost versus waste and continually keep waste low, improve value, and focus on being cost-effective.

Strategy

Our market is not growing or decreasing.	*or*	Our market is growing.
We trail market leaders.	*or*	We are the – or one of the top – market leaders.
Our business model is very dependent on a certain set of conditions.	*or*	Our business model (and related products/services) can work in different conditions.
Our business model is difficult to change, if at all.	*or*	We can quickly and easily adjust our business model.
We don't have process or expertise to develop new products/services for changing markets, nor do we accept or integrate well outside help (e.g., "not invented here" mentality, consultants are "bad," etc.).	*or*	We can develop new products or services as needed for changing markets. We seek help as needed.
Our people don't know enough about our business model to know what needs to be done, nor work well on their own.	*or*	Everyone understands our business model enough to understand what needs to be done in their area and do it.
No one wants to acknowledge the business model has problems or knows how to address them. We're not sure if we can survive now or in a "new normal" post crisis.	*or*	We are open about issues and innovate rapidly to address business model shortfalls or seize opportunities. We continually evaluate and act to thrive and prosper.

Evaluate the assessment

Case 1

If most of your circles were on the right, congratulations! Your organization has more resiliency than most and better able to adapt. Past investments have paid off now and will continue to do so in the future.

In this case, a key decision will be whether to take advantage of opportunities in the market. Some additional questions:

- Can you apply your change capabilities elsewhere in the market?

- Are there acquisition candidates because some or most of *their* answers would be on the left?

- Can you gain market share against a competitor whose has some or most answers on the left?

- Are there nonprofits in your community that could use your expertise?

Case 2

If you had most circles on the left, know that you are not alone. Most organizations are *designed for stability and not for change*, much less for crisis or high rates of market change. Therefore, most organizations tend to have most responses on the left. The good news is that now is the time to make improvements.

Both cases

For both cases, now make a second pass. Of the circles on the left side, identify and rank order the top three biggest barriers recession survival. You now have your candidate improvement short list.

Don't start on the improvements just yet … we need to take one more step.

Macro factors

All of the assessment statements can yield valuable and even profound insights. There are some macro factors to consider, though, that may alter your list … or even render it temporarily low priority.

Waste

Typically, the top factor that *any* business can pursue is reducing waste.

Good times and easier profits can cover waste and other lurking problems. When economic conditions deteriorate and conditions worsen, what seemed insignificant and optional become dangerous and urgent. It's like submerged rocks that may not be a danger to a boat at high tide. However, at low tide, the rocks became exposed or close enough to the surface that they can sink the boat.

If leaders know where waste is, they can potentially "dictate" waste away. This can be done without much organizational change capability.

However, there is a big "however."

The workers are usually the ones who know where the most or greatest waste lies, particularly masked or obscure waste. They also usually know how to get rid of it.

That means people need to be willing and able to reduce waste if needed. Now the overall assessment comes into play, particularly the "culture" and "people" factors. You will need to improve change capability for workers to make a big dent in waste.

A key ingredient will be trust. Reducing waste, especially unnecessary work, can mean less people are needed to produce the same value. Workers will know this and resist change unless there is enough trust and "safety" to offset fear of losing employment.

Products/services

Reducing waste won't help if the product/service becomes obsolete or less valuable during a downturn.

Therefore, consider your product/service viability before implementing improvements. It may be that some should be improved to maintain viability. It may also be that some should be discontinued to focus on viable ones.

Note that product/service improvements and deletions will still require some level of change capabilities.

Market

Now, the ultimate question in the first statement set under "strategy": will the *market* remain viable?

- Will the market likely decline?
  Will the decline be temporary or permanent?
  How big a decline?
  Can you weather a decline?
  If not, what are your options?
- If the market will grow, can you maintain market share?
  Preferably *grow* market share?
  Become #1 in the market?

Choosing the right market is THE most important thing you do in business. *Everything* becomes easier in the right market.

A key DIY resource is Richard Koch's book *The Star Principle* (https://amzn.to/3YGlwyZ). An additional resource is the market navigator tool set (https://wheretoplay.co/). We can help with advice or training if needed …

Pursue the opportunities

Case 1

Strategically, your capabilities allow you more immediate flexibility. You can pursue one or more of the following general directions:

1. Maintain your current market position by adapting to changes more easily and quickly than others.
2. improve your market position *merely by adapting* if others ahead of you cannot adapt as well.
3. Find a way to be number one in *your current market*.
4. Find a way to be number one in a *growing market*.

Depending on your choice(s), you may still need to improve organizational changeability. If so, review the "case 2" section below.

Case 2

In case 2 some minimum work needs doing to increase changeability. Sooner rather than later.

Refining your candidate list

Evaluate your candidate list in terms of pain and gain. Will some take a lot of effort for little gain? Will some return multiples of effort invested? Do any clearly make sense to tackle first? Does any of this change the short list?

For each candidate, briefly document the need for the change. Make clear why the pain of *not* making the change and/or the benefits of the change outweigh the pain. When you are done, people reading your list should be able to come to the same "obvious" conclusion about the need to change.

- *If* the need for change will be obvious to all and you have reasonable data or proof of the need, don't spend lots of time in complex "change initiatives." Make explicit what's on everyone's minds and take actions accordingly to move forward.

- If the need isn't clear or any items on your list are assumptions, take just enough action to validate that the need is real. It is *data*, not opinion, that really demonstrates need and opportunity, and makes gaining buy-in for change far easier.

The larger the organization, the more you should validate that your views match the reality of the overall situation. Check your thinking with some trusted sources who are not "yes people." If necessary, perform some studies or surveys to get just enough data for decisions.

Regardless … don't get stuck in "analysis paralysis" or thinking plans alone defeat uncertainty.

In general, set priorities according to the quadrant numbers:

1. Culture. Does our culture keep everyone aligned toward organizational goals and with consistent, aligned behavior? Consistent, strong, inspiring organizational character is just as important as individual character. For instance, a key question is: what is most important … trust or profitability?

2. People. After culture, people are the biggest determinant to performance … and changeability. They ultimately affect all quadrants. Can you count on everyone to consistently deliver what's critical, even if uncomfortable? Are the current people adaptable?

3. Processes & systems. This is the most common area pursued during a crisis. Yet the best process in the world will be sub-optimized by self-interested or incompetent people. And more so during crisis.

4. Strategy. If you are in the wrong market or have the wrong business model, this may come first. Factors 1, 2, and 3 are the keys to changeability and success, whereas factor 4 – strategy – usually determines level of possible success.

This order is backward from how most organizations proceed … and end up wasting time and investment in lower leverage areas for changeability. If you are already in a crisis, you *must* focus on the highest leverage items.

Executing

Follow the fundamentals of successful improvement projects and communicate throughout the process, including celebration of "wins" as they come.

More DIY resources:

- "A3 thinking" and worksheets. A3 style approaches focus on distilling the essence of change into a short summary (e.g. A3 size paper or smaller) supported by references and additional information as needed. You can find a lot on resources in an Internet or AI search, such as https://www.lean.org/lexicon-terms/a3-report/ and books like *Understanding A3 Thinking* (https://amzn.to/46YWUn7).

- Change models like ADCAR, John Kotter's 8-step approach, etc.

- Project management methods and tools, especially those that emphasize business agility.

One very important point about communicating. Especially in a crisis or transformation, lots of seemingly unconnected solutions and changes can confuse people and drain energy. It can feel like "death by a thousand nicks." They need to see the big picture and overall objective.

Therefore, keep casting your overall vision of the improvements and what it means to all stakeholders. Make sure that the specific changes fit the vision and people can see how their improvements will support making the vision a reality for themselves and other stakeholders. A positive view of the future will help people make it through difficulties in the present.

In the days to come, keep focused on the key theme: don't return to the past "normal" … make a "new normal" that is dramatically better than the old! Continually communicate this point as an underlying theme of your vision and the overall context for any items on your improvement list.

Provide a positive message and realistic hope amid all the negative noise people get daily from news and other sources … or from others inside the company. Don't "sugarcoat" any issues, just deal with them honestly.

As with other aspects, we can provide detailed materials and assistance if you desire.

Help others

Finally, make notes as you go about how well this approach works in your situation. Also, consider how you can translate the approach to help others. Training and mentoring others achieves several benefits:

- You increase your leadership mastery ... checking and adjusting your mindset and actions by teaching others identifies areas of your understanding and skill that need improvement.

- It accelerates positive organizational change by broadening application through others.

- It can identify improvements to the process and questions themselves.

I'd love to hear how this helps you and if you have any suggestions to improve this quick action guide so others can benefit from your experience.

Send any comments or suggestions to NovusLeadershipInstitute@gmail.com – thanks!

Want to go deeper?

We can advise you through the process. We can also assist with organizational assessments, values-based management, leadership training, and more, using our research-validated and client-proven approaches.

Send an inquiry to NovusLeadershipInstitute@gmail.com or visit us at www.NovusLeadershipInstitute.com.

It must be remembered that there is nothing more difficult to plan, more doubtful of success, nor more dangerous to manage than a new system. For the initiator has the enmity of all who would profit by the preservation of the old institution and merely lukewarm defenders in those who gain by the new ones.

— Niccolò Machiavelli

"All courses of action are risky, so prudence is not in avoiding danger (it's impossible), but calculating risk and acting decisively. Make mistakes of ambition and not mistakes of sloth. Develop the strength to do bold things, not the strength to suffer."

— Niccolò Machiavelli

Background: why crisis presents opportunities

Major change can deliver positive results but can also be unpredictable and disruptive. Therefore, major change when things are "normal" usually looks too risky and can be far outside comfort zones. It's usually avoided but doing so precludes the potentially dramatic future improvements.

In a crisis, the risk equations are altered in your favor. Comfort zones are breached and even obliterated. Therefore, a crisis, though unwanted and potentially destructive in some ways, is the very vehicle to help you make major changes *with less risk to you and the organization than before.*

Newton's first law of motion helps us out here … a summary: an object that is at rest (i.e., not undergoing change) will stay at rest unless a force acts upon it. An object that is in motion (already in change) will not change its velocity unless a force acts upon it. The law generally applies to crisis situations, as once change is happening, it is easier to keep change going. Jim Collins' "flywheel effect"[1] also describes the positive effect of change momentum.

There is one important caveat: in the physical real world, gravity and other forces eventually slow the motion down to a stop. Momentum only carries so far. So it is too with organizational change. "Organizational gravity" will slow momentum unless you keep it going with consistent support.

Below is a summary of a portion of the change section in my book *Wrong Until Right – How to Succeed Despite Relentless Change*. It provides additional information about why more change is easier when change is already in motion.

> The phrase "change is hard" is a common one. However, change can actually be *easy*! People change all the time, if the change is to their benefit (so they have the commitment), and they have the ability or competency to make the change.
>
> For example, if you are driving and encounter a problem on the road ahead that has traffic jammed, what will you do? You will probably

take an alternate route that might get you to your destination faster than staying stuck in traffic. You don't need someone "motivating you" to consider or make the change.

People make major changes such as where to live, job change, and so on every day. They are either not satisfied with the status quo, or else the benefits of change seem better than the status quo. Just because the changes are difficult does not mean people don't make them. Change is a benefit/cost calculation, even if the calculation is not conscious.

The simplest calculation – the psychological formula for change – is that the pain of the change must be less than the pain of not making the change. Or, the pain of change must be much less than the future gain from making the change.

The change formula - change is easy when:

Pain of change	<	Pain of not making change
OR		
Pain of change	<< (much less than)	Future pain of not making change and/or benefits from making change

This explains why change is often viewed as "hard." Maintaining the status quo is easier - less painful if painful at all - rather than making a change. Why would someone leave their comfort zone when the pain of change is greater than staying in the comfort zone?

Or – why change and endure the pain in exchange for some nebulous future benefit? The future benefit must be much bigger than the pain of change since the pain of change is far more "real." The pain is now, but something in the future is "out there" and may or may not happen. The risk of betting on future benefits must

be overcome by the potential payoff being big enough or real enough.

The *real issue* is not that change is hard. It is that finding something worth changing *for* in a group or organizational context is usually "hard." Those asked to change did not initiate the change, don't understand why the change is needed, and don't see how the organizational gain outweighs their personal cost or pain of change. That puts change on the wrong side of the equation.

Change due to the COVID pandemic happened because the virus made the pain of not making changes greater than the pain of the changes. In short, the virus "unstuck" things for many. It made major change desirable compared to the consequences of not changing.

For example, remote work was not allowed or was even unthinkable in many organizations prior to the pandemic. It required major changes not only in technology but HR policies, legal agreements, and so on. However, the immediate need for remote work instead of shutting down operations amid the crisis overcame - and usually quickly - all the former hurdles perceived as too difficult or even impossible.

Once organizations are "unstuck" – the flywheel is moving – further change is easier.

Those changes you had wanted to make in the past? *In a crisis* is a good time to consider them. It is also a superb time to identify *even better* changes for the future.

[1] https://www.jimcollins.com/concepts/the-flywheel.html