MID-IOWA BUSINESS

Emerging from the Great Recession

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One of the challenges with writing this column is predicting what will be a relevant topic at the time of publication. Due to deadlines and my propensity not to procrastinate, I typically find myself writing columns that will not be in readers' hands for another four to five weeks.

Fortunately, many of the business improvement topics covered here are not especially time-sensitive. For example, reading about how Lean techniques can improve your office, factory, store, local government or school is as pertinent in October as it is in January.

Then there are columns that attempt to deal with the current economy, its impact on organizations and potential strategies to consider. For those topics, four or five weeks are a near eternity. Consider that, in less than three weeks last September, all of the following household names either failed or were acquired: Fannie Mae, Freddie Mac, Merrill Lynch, Lehman Brothers, and Washington Mutual. AIG also would be on that dubious list, were it not for the generosity of a rich uncle (Sam).

The ferocity and speed with which business declined in the fourth and first quarters was unprecedented for most business leaders. Reconfigured budgets completed on Monday were obsolete by the end of the week following four more days of dismal orders and pullouts. The drop was made all the more drastic by the fact most companies met the oncoming storm at full steam, coming off their two best years ever.

As one engineer related, "One day I was installing a half-million dollar machine with automation, and the next day I was having to sign out for copier paper."

So it is not without some trepidation that I choose to write this month about what life might look like on the other side of what may eventually be referred to as the Great Recession. Nonetheless, there is both economic and anecdotal data suggesting maybe, just maybe, we've found the near bottom of this cycle.

Make no mistake; hard times are still ahead. The analogy of falling into a deep pit is applicable; the plunge is a lot quicker than the climb out, and neither is particularly pleasant. It's almost a given that unemployment will rise. Due to the global nature of the downturn, exports will remain weak.

The overall health of the economy, as measured by gross domestic product, is not likely to return soon to levels expected during previous "good times." That's because a portion of our past growth was phony or unsustainable, fueled by consumers strung out on debt.

The future economy also will be

more highly regulated, especially the financial sector. Although arguably necessary, it almost certainly will increase the sector's costs, the majority of which will be passed on to customers.

So what does all this mean to your organization? For private enterprises, it means the size of the pie isn't going to grow as fast as it has for the last 20 to 30 years. In order to grow earnings at historical rates, you will have to sneak a bigger slice of the pie or improve margins with your existing slice.

Increasing market share requires innovation in products and services. Increasing margins involves reducing waste and improving productivity in all areas of your business.

For tax-funded organizations, it means revenue growth will occur at a slower rate than in the past. Like private enterprises, waste reduction and productivity growth in all areas will be required to avoid cutting services.

Whether private or public, these are foundational improvements. They require changes to not only what your employees do, but how they think. They won't occur overnight; rather they'll take months to implement. These changes require a clear vision and a well-thought strategy to guide implementation.

We'd better get started.

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