

Welcome to the New Economy

Discover the 12 Biggest Mistakes CEOs Make and How to Avoid Them

Businesses have entered a new era where the marketplace is filled with an unprecedented amount of volatility, uncertainty and opportunity. This is the New Economy where business leaders must develop a new mind set as well as new skill sets to survive and hopefully thrive. Failure to do so has already led to a long list of former market leaders who have become casualties at the hands of the New Economy. This Special Report is designed to give CEOs, presidents and business owners the clarity, confidence and resourcefulness required for avoiding the 12 biggest mistakes that can derail any business.





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Introduction

Attention business owners, presidents and CEOs who want to take their organizations to the next level but lack the time, experience and capability to do it on their own. In this Special Report, you'll discover the 12 biggest mistakes CEOs make in the New Economy and how to avoid them.

If you own or run a business today you know we're experiencing an economy that is different than anyone has seen in the past. Our current business landscape is filled with one crisis after another. Like waves on a beach they just keep pounding away. Here are a few of the economic challenges we're facing:

- Unemployment and underemployment is impacting 20-25% of the workforce and recovery is expected to be both slow and painful
- 11 million homeowners are upside down on their mortgages with little or no options on the horizon
- The Baby Boomers lost 30-40% of their wealth over the past few years
- Our debt ceiling/budget crisis is hopelessly deadlocked in DC
- Local and state budget deficits are becoming more common
- Financial uncertainty in Europe is spreading as nine countries saw their Standard & Poor's credit rating downgraded in January 2012
- The economy in China is slowing down and prices are increasing on imported goods
- Consumer confidence continues to be low

For many businesses the New Economy represents a real and present danger. To others it represents tremendous opportunity.

How Do You See It?





This is the *New Economy*. What do I mean by the New Economy? In the past, periods of economic slowdowns were followed by calm seas and long periods of steep recovery. Today recoveries still occur but they're more fragmented, shorter and less steep. Unfortunately the economy and business aren't going to return to "*the good old days*" any time soon, if ever. What we see is what we'll be getting for the foreseeable future. For up to a decade or longer volatility, uncertainty, complexity and ambiguity (VUCA) will be our constant companions. The choice is to embrace the New Economy or surrender to it.

A sustained recovery is still not under way, more than two years after the end of the Great Recession. And, of course, the economy remains vulnerable to possible shocks—war, terrorism, an oil price spike or a natural disaster. One or more of these could tip the U.S. into another recession. (Kiplinger)

As a business leader there are several options available to you for navigating this tough economy including:

- Ignore the economic mine fields and continue "business as usual".
- Take a defensive approach by cutting costs and reducing spending until the crisis is over.
- Take advantage of the uncertainty in the marketplace and grow aggressively.

Which approach is best for your business? It depends. There is no "cookie cutter" textbook response for surviving or thriving in the New Economy. We can look back at how businesses thrived in the Great Depression and in the downturns in the 1980s and 2000. You can also observe and learn from what thriving companies are doing now. These approaches can give clues but no approach will work unless *you have a clear understanding of where your business is right now and where you see it going in the future.* From those two perspectives you can begin assessing your marketplace, competitors, customers, employees and business operations to craft a strategic business plan. Your *plan, strong leadership and effective execution* are what you'll need to survive and hopefully thrive in the New Economy.

This Special Report combines my 30 years in business as a business owner, corporate executive and management consultant with a year of researching and interviewing *CEOs, presidents and business owners who are currently performing ahead of their marketplace curve.* My goal is not to give you a "paint by the numbers" solution for leading your company. Instead, my goal is to make you more aware of the land mines that lay before you and to *give you guidance to help you navigate your way from where you are now to the vision you have for your company.*

I hope this report will help you to recognize and avoid the twelve biggest mistakes while implementing strategies that will put your business on the path to increased sales, profits and customer loyalty.

Phil Faris, President
Phil Faris Associates



This Special Report will help you to:

- Understand the Five Key Drivers of the New Economy and how they're impacting how you do business today
- Recognize the New Rules of Engagement needed for surviving and thriving in the New Economy
- Identify the role Leadership plays in the success of your business
- Discover the 12 Biggest CEO Mistakes you must avoid *to prevent sales from stalling, profits from dropping and customers from leaving*

By putting into action what you learn in this report you'll lead your business to the next level with greater clarity, confidence and resourcefulness.

ARE YOU UP TO THE LEADERSHIP CHALLENGE?



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The Five Key Drivers of the New Economy

In order to effectively embrace the New Economy you must understand the Five Key Drivers that are responsible for the “constant white water” in which businesses must now operate.

1. The Economy has Become Customer-Centric. Customers today are more informed and have more options available to them for getting their wants and needs met. They are no longer content to be passive in the buying process. Instead they are aggressively seeking alternatives, comparing offers and holding out for the best price.

Customers are also engaging vendors/stores later in the buying process because they are doing the education themselves. Big box stores like Best Buy are seeing transactions per customer drop due to strategic shopping (customers do their research and enter the store with the sole intent of buying the one product and then leaving). Businesses are seeing this as well based on Marketing Sherpa’s estimate that eight out of 10 B2B sales are now initiated by the buyer finding the seller.*

-*How to Find New Customers: The Definitive Guide to Driving Demand for Your Company’s Products and Services, Jeff Ogden

“Once a guest or a prospective guest picks a destination they can go on-line and find a thousand different options for how to travel there... So, we have to be very, very tight and do a very careful job of defining value, because people have tremendous shopping power at their hands. So, we have to be very good at communicating and finding ways of communicating the value in our trips.”

-Edward Piegza, President of Classic Journeys, a 5 time winner in Travel and Leisure Magazine's World's Best Tour Operator

2. Globalization. No matter how you look at it we are in a globally-connected marketplace. From finances, to technology, to market demand... we are connected. When China sneezes everyone gets a cold. We, in the United States, can’t pretend that the rest of the world doesn’t exist.

Even a small business in the Midwest that ***doesn't import or export*** anything is no longer exempt from being impacted by the global marketplace. This is because someone in that business’s value chain or customer base is being impacted by a company abroad.

What does growing corn and soy beans in Minnesota have to do with a global economy? Nothing unless you were a farmer with funds being manage by MF Global.



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Dean Tofteland a Minnesota farmer who missed his deadline to buy seed for the spring's soy and corn crops is a good example of how the global economy can impact almost anyone. Tofteland missed his deadline because he lost \$200,000 that was being held in an account managed by MF Global. MF Global is the firm that was run by former New Jersey Governor Jon Corzine until it collapsed on October 31 after *making bad bets on European debt*.

Because Tofteland missed the early-buyer deadline he couldn't take advantage of the \$5,000 discount and may have to buy seed with borrowed money. Tofteland is not alone as farmers across the country have yet to recover up to a third of their money invested with MF Global. The ripple effect is that many of these farmers will see the cost of doing business going up, profits being threatened and prices increasing. All of this was caused by the unintended consequences of investing in European debt.*(Reuters)

3. Business Volatility. Change is now a constant. As markets and customers become less predictable businesses must vigilantly monitor the landscape. Trends start quickly and can escalate overnight bringing with it either great threats or opportunities. This often leads to *shorter lifecycles of products and services*. With shorter lifecycles market leadership is short lived, as is the opportunity to fully leverage the profit potential of the leadership position. Being the market leader in the past, meant years of market domination (think about IBM, Kodak, Nokia, Sears and Polaroid). In the New Economy market leadership is often measured in months. *How quickly and effectively a trend is recognized and acted upon is the key to success.*

Market leadership is not a destination. It's a race that must be won every day!

4. Technological Velocity. Trying to keep up to speed with the advances in technology is similar to trying to drink from a fire hose. The volume and speed of innovations in technology are simply becoming overwhelming. One of the biggest dilemmas with technology is that it represents a double-edge sword. Although advancements in technology bring about greater efficiency and productivity, they also eliminate jobs and put constant stress on organizations to continually adapt and assimilate new systems and processes.



To highlight this trend consider the following:

- Just a few years ago a website was considered a luxury for many businesses. Now it's essential for survival.
- Cyber Monday didn't exist before 2005 and now retailers do over \$1 billion in online sales on that day.
- Digital advertising wasn't a serious vehicle for most businesses 10 years ago. Now it exceeds \$30 billion and captures 1/5 of advertising money spent in the US.

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- Worldwide there are 88,000,000,000 searches a month done on Google and 46% of the searches are for products and services.
- Facebook has 800,000,000 active users. This population would make it the third largest country in the world.
- There are 6.6 billion mobile phones for a worldwide population of 7 billion.
- Last year's mobile data traffic was three times the size of the entire Internet in 2000.* (Cisco Visual Network Index: Global Mobile Data Traffic Forecast Update, 2010)
- The computing power of a smart phone is equal to that of mainframe computers from the 1980s.



Armed with this technology *customers want information available to them at anytime and anywhere*. If one company won't provide it there are dozens more who will.

Technology is changing every aspect of our lives both at work and at home. Let me share a real-life example that highlights this concept. I was eating breakfast at a McDonald's reading the newspaper when I noticed a 5-year-old girl giggling and pointing at me to her father. The father quickly apologized by saying, "I'm sorry about my daughter, it's just that she has never seen anyone reading a newspaper. I always get my news on my phone." The young father was in his twenties and had never relied on the newspaper for getting news so his daughter had never seen it.

To succeed companies must incorporate technology strategically into their organization so that they are better equipped to function in a changing marketplace. One of the biggest challenges leaders have with technology is *determining which technology will actually move the business forward*. Select the right technology and the company leap frogs ahead of the competition. Guess wrong and the company is saddled with obsolete gadgets that become obstacles to doing business.

5. Emotions Rule. Financial markets from Wall Street to main street and beyond are driven by *fundamentals and psychology* (i.e. emotions). Most financial experts feel that the fundamentals for continued economic growth across the board are lacking. There's just too much debt coupled with tightening credit and a stagnant job market necessary to drive sustained demand.

Steve Hennigan, President and CEO of San Antonio Credit Union explains our current market situation this way, "... we've been in a growing money and credit system for 70 years; it's *never seen a contraction*. And what most people don't understand about capitalism is that our capitalist society today is built on money and credit and that *the money and credit system is not a finite system*. It's actually an expandable and contractible system just like your lungs. So we've actually been expanding the money and credit system, which is their lifeblood of the velocity of money, and I should say of credit and business and commerce. We've been expanding and in that expansion mode for 70 years. And so *we've hit a peak, and it now requires a contraction*."

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With the fundamentals breaking down (financial, housing, investment, retail, etc.) markets are being kept afloat by three basic emotions: *Hope, Greed and Fear*. People buy when they have *hope* that the “recovery” has arrived or is just around the corner. They also purchase when they feel they can beat the system (the dot com bubble, housing bubble, etc.) which is *greed*. Finally, they withhold purchasing when they *fear* that they might take a loss or make a poor purchase decision.

These three emotions impact individual consumers, businesses and governments alike. In the New Economy everyone’s emotions are more *exposed, excitable and vulnerable*. That’s why there is so much volatility and disparity in how these emotions express themselves in the marketplace.

Recent Gallup research captures the emotional disparity that exists in the US. The index showed:

- 44% say they are struggling and 3.7% are suffering, while 53% are thriving
- 49% of US say their finances are worse off than a year ago and yet 56% predict that their finances will improve in the coming year. (Gallup)

“Advanced economies have steadily increased leverage for decades. **That era is now decisively over**. The direction may be clear, but the magnitude and abruptness of the process are not. It could be long and orderly or it could be sharp and chaotic. How we manage it will do much to determine our relative prosperity.” -Mark Carney, Governor of the Bank of Canada

An example of emotions driving volatility in a stock happened when CIT, a key lender in the retail industry, announced that it would no longer supply credit to suppliers shipping goods to Sears’s stores. Sears stock fell 6% before recovering at the end of the day. Although CIT finances less than 5% of Sears’s inventory their announcement sent fear into the marketplace that could create a domino effect on Sears’s business. Other finance companies may be driven to raise their rates to protect themselves from the *perceived risk that Sears won’t be able to pay their bills*. If this occurs Sears will have to pay more to stock their shelves and reduce the amount of capital needed to grow their business. This chain of events is a likely possibility even though *the fundamentals indicate that Sears has the liquidity to fund its inventory*.

Leaders need to understand that *emotions are impacting markets* far more than any time since *The Great Depression*. Ignoring this key principle can lead to negative and possibly devastating consequences.



New Rules of Engagement in the New Economy

Leading a business in the New Economy isn't for the faint of heart or indecisive. What most companies have learned is that the New Economy is very unforgiving. Every operational, sales and marketing flaw, mistake and missed opportunity results in companies paying dearly in lost sales, profits and customers. It's like working for Alec Baldwin's company in the movie *Glenn Gary Glen Ross* when he said, "We're having a contest. *First place wins a Cadillac, second place wins steak knives and third place gets fired.*"



To continue with the Sears example, they ended the year by announcing that they are closing 120 stores and taking as much as a \$1.8 billion charge for the underperforming stores. As Chief executive Lou D'Ambrosio was quoted saying, "We have to do a much better job of *demonstrating who we are as a company*. It's important to us to ensure that people *understand the value proposition of Sears.*"* (*Chicago Tribune 1/2/12) Will Sears turn things around and win the Cadillac, simply survive and win the steak knives or get fired and *become another casualty of the New Economy*? That depends upon their *leadership and ability to execute* in the months ahead.

Let's examine more closely how these new rules of engagement are playing out in many businesses today. This, of course, is a high level view that can be generalized across various markets

As markets contract customers become more *cautious and demanding*. This causes businesses to become *more competitive*. Some businesses respond by *cutting price* and reducing service or quality (sometimes both). Others *innovate* to better meet their customers' needs. The market rewards those businesses that best respond to their customers' needs. Average and below average companies are eliminated because they didn't respond or didn't respond fast enough. The remaining businesses get smarter and *more competitive*. During the next round the *customer demands even more* and only *the best will survive*. Market leaders who innovate increase their share (Apple, Samsung, and Southwest Airlines). Companies who can't (like American Airlines, Bally Fitness, Hostess, Kodak, etc.) lose market share, profits and customer loyalty (these are the next candidates to be fired or to get steak knives).



HOW IS YOUR BUSINESS POSITIONED IN YOUR MARKET? ARE YOU IN LINE FOR THE CADILLAC, THE STEAK KNIVES OR WILL YOUR CUSTOMERS FIRE YOU?

In spite of all the doom and gloom on the news *many companies large and small are thriving* in the same market spaces that are claiming former industry leaders. Apple, Michael's, Ulta, ITW, Honest Tea, Contegix, Convergent Technologies, Information Experts, JD Norman Industries and Foursquare are a few that come to mind. What are these companies doing that allows them to step out from the pack? One word: Leadership.



Leadership Makes the Difference in the New Economy

It's easy to lead when times are great and your company grows based on the market you're in and not by the ability to execute business fundamentals. *A bad economy doesn't cause good leadership to become bad*, it simply reveals deficiencies that were shielded by the robust economy. These deficiencies are now exposed so that they can be *exploited by the marketplace and competitors alike*. Leaders who don't understand the difference between being lucky (being in a good market) and being effective become quick casualties in a tough economy.

The New Economy is similar to the playoff season in the NFL. The competition intensifies and stakes become higher. Each team enters the playoff game armed with knowledge of their competitor's strengths, weaknesses and tendencies. This information is used to *develop a game plan designed to leverage their own strengths and exploit the weaknesses of the competition*. The team with the best game plan and execution of that plan wins the game and advances to the next round. The team that *fails to plan well or execute effectively is left to ponder what went wrong and what could have been*. In sports they say, "Wait until next year". In business there may not be a next year especially for the CEO or president.

Research shows that the average tenure for a CEO is 6.6 years, compared to 8.1 years a decade ago. That figure dips even lower for external hires, who on average keep their jobs for just 4.1 years. (businessinsider.com)

I'll guarantee that the CEOs of the struggling companies like Kodak, RIM, HP and BOA don't wake up every morning thinking; *"What can I do today to lose more shareholder value, de-motivate my employees while making more customers choose our competition?"* Even if the results suggest that they did. The truth is that they just weren't prepared as leaders to navigate in the New Economy.

I don't know exactly what kind of road lies before you and your business but I can guarantee that you'll need to navigate three types of economic conditions, each requiring different mind sets and skill sets. They are:

- **Growth opportunities represented by long stretches of open road.** As business consultant Ellen Rohr says, *"There are always going to be 'micro-economies' if you look for them"*. When on these stretches of highway you need to mobilize, accelerate and make hay while there's daylight. Justin Norman discovered this when his company *JD Norman Industries* successfully emerged from the automotive downturn in 2009 and discovered that many of his customers were accelerating their supplier consolidation. By aligning his company with his customers' strategic direction his company made the "short list" of suppliers and his company's sales and profits are benefiting.





"...every one of our customers are multi-national, multi-billion dollar organizations. And what they want is much fewer suppliers. So they're all on a supplier consolidation program. So the opportunity that's been created for us is that as we've grown through acquisition and gotten more scale and gotten more diversity in terms of our product offerings as well as our locations, we've put ourselves in a position where we're one of the suppliers that our customers are going to consolidate with." -Justin Norman CEO JD Norman Industries

- **Market turbulence represented by winding roads with treacherous curves.** There will be competition, economic contractions and periods of turmoil. This will require sharp focus coupled with the ability to be nimble and recognize, learn and adapt on the fly. The key here is not to panic but to stay focused on where you want to go while navigating each turn. When cell phone leader RIM hit this patch of road they weren't able to make the turns and ultimately lost their focus. This led to the change in leadership at the top. Will the new CEO be better equipped to negotiate the hairpin turns ahead? We'll have to wait and see.



- **Business disruptions represented by detours and road blocks.** These are often called "black swans" because they are totally unexpected and therefore nearly impossible to plan for. This could be a customer failing to make a payment, an employee making a mistake, a supplier not able to deliver product, a natural disaster or political unrest in another country. Use your imagination. *When these events occur the very fabric of your values, culture and leadership skills are thoroughly tested.* Since there is no protocol in place and little time to formulate plans of action, your natural instincts and those of your employees come into play. Response time, precision and coordination of effort are essential. Handle the crisis well and your organization grows stronger and more confident in their abilities. Make missteps and doubt creeps in with both your employees and customers. The challenge here is that *if you don't have the right culture and values in place you don't have time to develop them during the disruption.* They must be firmly in place before you come to this part of the road.



ARE YOU LEADING IN THE STATE OF DENIAL?

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In the New Economy you can't afford to lead by looking in the rear view mirror and doing more of what you've always done. (How'd that work for Kodak, RIM, and Hostess to name a few?) Instead stay focused on your vision and the road ahead. As a CEO or business owner you must leave the *state of denial* and wake up to the fact that it's not going to be business as usual...even if it may seem like it now. *Shift happens* and things can change in a hurry. First Solar, the solar energy panel manufacturer, was racking up record sales and profits over the past several years and was even named the fastest-growing tech company by Forbes in February of 2011. However, before the end of the year the company's financial foundation was shaken with softening demand and cheap competition forcing dramatically lower prices and profits and the CEO being forced out so that new leadership could be brought in to deal with the new marketplace.



Experience is the best teacher but the cost is often prohibitive. You can crash your company on the rocks of the New Economy or you can learn from the CEOs who've gone before you. Now is the time to *develop a new mindset* and start looking at the marketplace and your business with new eyes and listening for different signals so that you don't get lulled into a trance by short periods of the "familiar".

As a CEO you must learn to *become comfortable with these three answers* to almost any question you may ask:

- I don't know
- It depends
- We'll need to test that

Instead of feeling compelled to have your people give you definitive answers that indicate certainty, embrace the opportunity that exists in the unknown. Instead of accepting compliant answers to complex issues, create dialogue by gaining facts about what's really happening. Surround yourself with people who will tell you the truth. Develop the discipline of constantly testing, challenging and validating your assumptions as you move forward.

CEOs now realize that creativity trumps other leadership characteristics. Creative leaders are comfortable with ambiguity and experimentation. To connect with and inspire a new generation, they lead and interact in entirely new ways. -Capitalizing on Complexity, IBM Global Services

WHAT CAN YOUR COMPANY DO TO ENSURE SUCCESS?



During every economic downturn there have always been winners and losers. Companies with great leadership take market share from those that don't. In the Great Depression companies like Campbell's, Coca-Cola, Kellogg and others prospered during and afterwards because of their *leadership and commitment to customers, brand and employees*. Research conducted by the Harvard Business Review on how companies responded to the downturn in 2000 indicates that a combination of selective cost reductions and strategic investments in new business

opportunities allowed businesses to not just combat the downturn but laid the foundation for continued success when the downturn ended. (Harvard Business Review)

Michael's, the craft store chain, is embarking on this path as they have a strategy of using 50% of their cash flow to pay off debt and 50% to invest in growth. According to CEO John Menzer, "Reducing debt reduces our business risk, yet we continue to invest and grow stores and invest in technology, especially in the promotional side".

Menzer's three suggestions for leading in this economy include:

- First of all, adjust your business to economic conditions. Make sure you know where your expenses are going to be as well as where your cash flow is going to be.
- Make sure you have a very strong program if you want to grow. Because, if you want growth you're going to have to drive your business. But you do it in a way that minimizes business risk.
- And if you're going to continue to grow, then you better have people ready and you better be communicating to your team.

Michael's strategy is paying off. Through the third quarter they are *realizing record sales due to new approaches to marketing and increased earnings generated by improved operational efficiencies*.

Another example is Akorn Inc. which in 2009 was a floundering 65-year old pharmaceutical firm with shares trading below one dollar. Due to a focused turnaround by CEO Raj Rai the firm is prospering with record sales and profits in 2011. Their stock rose 239% in 2010 and another 83% in 2011.

Companies who are thriving now share many things in common including: having a clear sense of who they are, knowing who their customer is (and isn't), understanding the market they compete in, and then aligning their sales and marketing efforts to uniquely communicate and deliver their solution. Simply put they have "*Right Sized*" their organization to deliver the right solution, to the right customer, at the right time and at the right price... and they do it in a way that ensures bottom line results *and* grows customer loyalty.

Another key trait shared by thriving companies is that they've avoided making mistakes that can prove harmful if not fatal to their companies. By avoiding the 12 biggest CEO mistakes in the New Economy you will keep your business on the right track and out of harm's way.

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Unfortunately most of the casualties of the New Economy have been a result of self-inflicted leadership mistakes. Like the captain of the cruise ship Contra C the tragedy didn't occur because the captain didn't know better. It happened because of his decisions and actions. **Don't be that Leader!**

*Leadership Rule#1 in the New Economy should be similar to the part of the Hippocratic Oath that says:
"First do no harm."*

The next section outlines twelve CEO mistakes and guidelines on how to avoid them. As you read each section remember every CEO who made these mistakes thought to themselves, *"This could never happen to us!"* It did and it will happen to your company if you don't take the appropriate action to prevent it.



The 12 Biggest CEO Mistakes and How to Avoid Them

1. Unclear or Misaligned Mission, Vision and Values and Culture

In turbulent times it's imperative that organizations have a clear sense of direction and purpose. Not having everyone on the same page can result in *chronic organizational dysfunction* where employees and departments are working at cross purposes by pursuing conflicting goals. Remember every misalignment dissipates your company's *ITEAM* *(Information, Time, Energy, Attention and Motivation) and drains your profits. (*Mike Jay, B-Coach)

Many companies may have a written mission, vision and values statement but they usually fail to formally develop their cultures. Because leaders put off the heavy work of *erecting the scaffolding of values, policies, shared beliefs, rewards, rituals, and visual elements that constitute culture, a void is created*. In that void, culture happens spontaneously, organically and often chaotically. Culture becomes an aggregation of specific decisions made by different people in particular circumstances. The notion is that if the people are good, decent and competent, chances are, the culture will be good, decent and competent as well. Nature and nurture combine to form an understanding of *"how we do things" that grows more visible and sustainable over time*.

Some entrepreneurs aren't content to leave their culture to chance. From the beginning they select people, implement policies and clarify what's important at every step of the way. Because they want a culture that can sustain itself these leaders believe in *culture by design*.

"If you don't define the culture and you don't work on it and you don't progress it even when it's 2-3 people, it'll define itself. And it'll define itself really quick, and it may not be the one that you like." -Matthew Porter, CEO Contegix

Large organizations with well-developed cultures often neglect them resulting in the culture changing into something at odds with the organization's vision and stated values.

A good example of the latter is AIG. According to *Corporate Culture: The Ultimate Strategic Asset**, AIG's failure during the global financial crisis of 2008-09 in part can be attributed to misaligned values and a changed culture. AIG once had as a core competency *managing risks* and a culture where almost anyone could *challenge a trade*. Under Joseph Cassano, the financial products group sold hundreds of billions of credit protection in the form of CDSs without having to put up any real money as collateral. As sales grew the group took on more and more risk. Under Cassano's leadership the culture evolved into one in which *transactions couldn't be criticized*. When, in the financial crisis of 2008, investment banks requested insurance money for their collapsing derivatives, AIG was unable to deliver and received a bail-out from the taxpayers. A culture of *growth at any cost* overshadowed the old *culture of managing risk* and the rest as they say is history. (**Corporate Culture: The Ultimate Strategic Asset*, Eric Flamholtz and Yvonne Randle, Stanford University Press 2011)

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Many successful organizations like FedEx, IBM, Amgen and Disney have “woken up” to find that their culture wasn’t aligned with their vision. This “*Ah Ha moment*” forced leaders to implement a cultural re-alignment. This for many was a painful process (IBM laid off 60% of its workforce).



ARE YOUR COMPANY’S CULTURE, MISSION, VISION AND VALUES ALIGNED SO THAT EVERYBODY IN THE ORGANIZATION UNDERSTANDS AND ACTS CONGRUENTLY WITH THEM?

2. Focusing on the Wrong Who

What you don’t know about your customers is putting your business at risk. Why? Because market trends and customer needs are changing more rapidly than ever before. If you don’t know who your ideal customers are, as well as how, when and why they are motivated to purchase your solution, *you can’t position your solution to uniquely satisfy their needs.*

When your customers’ needs shift *how quickly can you re-align your company* to serve those needs? If you don’t take care of your customer someone else will. Just two years ago BlackBerry was the Smartphone industry leader with 43% market share. Today they trail both Android and Apple with a market share of 19% and dropping.



Borders failed to recognize the importance of selling books on line and paid the ultimate price of going out of business leaving 11,000 employees without jobs.

Knowing who your customer is and being close to them isn’t enough in the New Economy. Companies like ITW have emerged successfully from the Great Recession because of their understanding of their customers. As Bob Hamilton, Group President for ITW explained, “*The most important thing for us regardless of what market we’re in is we need to know our customer better than he knows himself. And we need to not only be close to that customer we need to be able to predict what he’s going to do.*”

To survive many businesses have resorted to discounting, coupons and promotions to attract customers. What they found was that the customers left as soon as the promotion ended or the coupons expired. They *didn’t acquire customers they merely leased them.* This is not a long-term sustainable strategy.

“Most businesses, especially small businesses, are operated with similar disregard for quality of customers vs. quantity of customers. Sin #1: thinking a customer is a customer, and any customer is as good as another. You can actually go broke acquiring large numbers of low quality customers, especially if the cost of acquiring them creeps up...Sin#2: being unwilling to strategize and invest in acquiring more valuable customers.” -Dan Kennedy



Sometimes the best way to grow profitably is to know who you are and who you're not. Irwin Steinberg has steadily grown his CPA firm Steinberg Advisors by focusing on what his ideal clients want and need -- business advice. Steinberg explains his firm's business model, " *...a lot of CPA firms have a lot of product lines. We don't have the same product lines that they do. We have business consulting, valuation, accounting and tax. We're not in the IT business. We're not in investment banking. We don't manage money for our clients.*" Instead of dissipating his firm's resources by offering services his ideal customers don't value and don't want, Steinberg focuses on what they do value and his firm can deliver.

WHAT ARE YOU DOING TO IDENTIFY YOUR IDEAL CUSTOMERS AND MAKE SURE YOU KNOW THEM WELL ENOUGH TO PREDICT THEIR BEHAVIOR?

3. Having a Solution that's Just "Good Enough"

In the past companies could survive and even thrive by having "*me too*" *products or services* that were *good, but not great*. Customers were plentiful, less informed and not as discriminating. Today customers are more *informed* (thanks to the Internet), *more demanding* (due to more choices) and *more discriminating* (thanks to tighter budgets and more scrutiny on every purchase decision). Customers are looking for solutions to their problems (both technical and emotional). They want companies who will help them make the right decision now and in the future. Therefore the stakes are higher. Your solution must uniquely meet your ideal customer's *buying criteria and emotional needs*.

Remember when you say "We offer great quality, service and convenience backed by honesty and integrity", there are *ten others saying the same thing*. If you don't stand out in the "*sea of sameness*" you'll never be found by your customers. And, if you can't deliver on your unique promise you'll never keep the customer. "*One and done*" is a tough way to build a sustainable business. On July 1, 2011 Hewlett Packard entered their TouchPad into the tablet market with great anticipation. However, product reviews like the one below matched customer reactions. Forty-nine days later Hewlett-Packard announced that it would discontinue all current TouchPad devices running webOS and the remaining TouchPad stock was cleared with substantial price reductions.

"The TouchPad would have made a great competitor for the original iPad, but its design, features, and speed put it behind today's crop of tablet heavyweights." -cnet.com

According to Ellen Rohr CEO of Baresbonesbiz and former president of Benjamin Franklin Plumbing, they built their business from zero to \$40 million in two years by focusing on and delivering on *one simple value proposition... punctuality*. They advertised themselves as "the punctual plumbers" and they backed up their claim by giving their customer a 'Ben Franklin' (\$100) if they were late for an appointment.



CAN YOU DELIVER A SOLUTION THAT UNIQUELY MEETS YOUR IDEAL CUSTOMER'S BUYING CRITERIA AND EMOTIONAL NEEDS?



4. Having your message lost in the noise of the marketplace

Having your message heard is a function of the media, message, timing, frequency and delivery. A recent LinkedIn survey revealed that the number-one challenge on the minds of sales professionals was “*getting the attention of prospects*”*. Customers are bombarded with information, so much so that *everything begins to sound like “Blah, Blah, Blah”*. Making matters more challenging is the fact that only 3% of your target market is in the buying mode at a given point in time. If they aren’t buying they aren’t listening. Getting your message to your customers too early, too late or without impact is a *waste of time, money and energy*.



In the communication jungle, there are just too many products, too many companies, and too much marketing noise. The mind, as a defense against the huge volume of today’s communications, *screens and rejects much of the information it’s offered*. The only hope to deliver your message is to *be selective and to focus on narrow targets*. In a word: “*positioning.*”

“This is a one-on-one world...you have to really be **more relevant** with the marketing channel and the media you use to the people you’re trying to reach and not only relevant in those channels or media, but also the content, messaging, timing, and even how they’ll respond.” -John Foley CEO, Interlink One.

To effectively position your company or your products and services you must find out:

- How the marketplace sees your company
- How your customers see your company and what they value
- What you know about your own company and the customer value it creates

Positioning should be a foundation for action to design, manage and defend your brand. It should inform everything you do, including:

- What customer value you create
- What you value
- What’s your sustainable competitive advantage
- How you conduct your business
- How you communicate and interact with customers

Business consultant and CEO of *Grow My Revenue* Ian Altman worked with a health insurance company who was getting a 1% response rate to their cold calling efforts. Sales were down and morale was even lower. Altman helped the company change their generic message to one that highlighted what the company did best and appealed to a large segment of the market. Selling the same products with the same salespeople, the company saw its response rate increase to 30%. Your company’s sales



and marketing messaging should be looked at as an asset that can be quickly leveraged into increased sales and profits.

HOW DOES YOUR MESSAGE HELP YOUR IDEAL CUSTOMERS CLEARLY UNDERSTAND HOW YOUR SOLUTION UNIQUELY SATISFIES THEIR BUYING CRITERIA AND EMOTIONAL NEEDS; AND IS DELIVERED WHEN IT WILL MOST INFLUENCE THE BUYING DECISION IN YOUR FAVOR?

5. Relying on a poorly defined or ineffective strategy

Creating strategy in the New Economy is considerably more complex than analyzing, forecasting and planning. Strategies today must focus on implementation and execution. Strategy involves the effective positioning of your internal capabilities within a dynamic and volatile marketplace. *An effective strategy successfully leverages your competitive strengths and internal resources to win the market's favor at the desired points of engagement.* This allows you to pre-empt the competition by establishing your solution as *the* market standard.



Unfortunately, good strategy is the exception, not the rule. And the problem is growing. More and more organizational leaders say they have a strategy, but they do not. Instead, they espouse what I call bad strategy... Like a quarterback whose only advice to teammates is "Let's win," bad strategy covers up its failure to guide by embracing the language of broad goals, ambition, vision, and values.

*Good Strategy/Bad Strategy: The Difference and Why It Matters
Richard Rumelt Crown Business (2011)*

Doug Zweiner, President of Mechanical Power demonstrates that strategy doesn't have to be complex and mysterious to be effective. Zweiner saw a void in his marketplace and developed a strategy to exploit it. He found his competition ignoring their customer base. He explained "*... companies are letting down their guard and becoming complacent in just accepting that these customers are there, and theirs to be had. I think they forgot lesson number one, and that is the cost of a prospect versus a current customer is so much more expensive. A current customer is so much less expensive to maintain*". To pre-empt his competition he went the "old school" route and put feet on the street. He hired a small direct sales force and a distributor to contact his customers and prospects face-to-face. Zweiner said, "*We're taking baby steps here, but getting out, shaking hands, hiring bodies that come across well and get to know the business and become integrated with the business is key*". His strategy of face-to-face selling has fueled an 18% growth rate in 2011.

HOW DO YOUR SALES AND MARKETING STRATEGIES EDUCATE YOUR MARKET SO THAT YOU DOMINATE IT?



6. Not delivering enough value

Since the recession started, many salespeople and companies alike are complaining that all their customers want is a *lower price*. If this were true everyone would drive a Kia, live in a one-bedroom condo watching TV on a 26-inch TV and never eat dinner at a restaurant.

Why do people pay \$6-\$8 for a cup of coffee at Starbucks when they can buy coffee anywhere else for \$1.00? Why are manufacturers of LCD TVs dramatically cutting prices in hopes of moving inventory at the same time Bang & Olufsen is backordered on their 85-inch TV that sells for \$85,000? They understand what their customers' value and they deliver it.

Price is never the top priority unless there isn't enough value provided. If customers understand the differences you provide and value those differences they will pay the price. If they don't understand the differences or don't value it, they won't pay. Remember customers always decide by differentiating. If you don't differentiate your solution somebody else will. Don't leave it to chance, or worse, the competition

Jody Padar, CEO of New Vision CPA LLC, changed her firm's pricing structure to better address her customers' desire for effectiveness over efficiency with their tax returns. Jody says the pricing structure *"...really allows us to become true partners with customers because they look to us as a member of their financial management team as opposed to someone who's providing them with a financial statement or a tax return."* By better addressing her customers' needs Jody's firm is making a much higher margin than her old firm made on the same type of clients and has helped to quadruple sales over the past four years.

"...what I found and been able to demonstrate with my clients over and over and over again is your customers will pay higher prices if you sell yourself on the prices. If you sell your team on the prices, and if you figure out how to add so much value to that transaction folks will say, "Ooh, he's expensive, but so worth it."

-Ellen Rohr, CEO Bare Bones Biz

Keep in mind that the price of a product is not always measured by the cost to acquire it. This point is illustrated by ZixCorp who provides an email encryption service that allows companies and people to share information securely over the Internet. The challenge to their growth is to increase adaption rate of using encrypted emails because in the past the delivery of secured email has been cumbersome. Using passwords and requiring extra steps to send and receive emails is disruptive to the workflow of a business. CEO Rick Spurr says that 30% of their customers receive secured emails that are transparent because neither the sender nor user is required to take any additional actions. Growing that 30% number to 70-80% is their goal because it's the cost of disruption not the cost of the product that ZixCorp must overcome. Spurr explains, *"To the extent that we can eliminate that disruptive workflow, we eliminate effective cost to the implementation and then the cost benefit analysis (value) becomes overwhelming and undeniable."*



DOES THE VALUE DELIVERED BY YOUR SOLUTION FAR EXCEED WHAT YOUR CUSTOMERS PAY SO THAT “PRICE” IS NEVER THE PRIMARY FACTOR IN THE BUYING DECISION?



7. Having a poorly defined sales process

A sales process is a series of documented steps salespeople follow to guide prospects from initial contact to purchase. It should include:

- Each distinct step a prospect takes
- Knowledge the prospect needs to move to the next step
- Resources you can provide to help the prospect move forward
- Length of time a prospect needs at each step
- Metrics that measure conversion rates (the percentage of prospects that move from one step to the next) for each step

With a documented sales process, you have a powerful tool that enables you to:

- Sell more efficiently
- Generate more accurate sales and revenue reports
- Estimate the revenue and return on investment (ROI) of your marketing campaigns
- See which stages take the most time and find ways to move prospects forward
- Create better literature and tools
- Improve your campaigns
- Minimize the amount of time your reps spend on estimates and forecasts

With all these benefits of a defined sales process **70% of companies don't require their salespeople to comply with a standardized, documented set of sales processes.*** Not getting compliance may be caused by any number of factors including: the process is poorly designed, or it's not understood or it's not supported by the organization. For whatever reason, **allowing salespeople to “wing it” is a very expensive business strategy.** Without a process resources can't be effectively allocated, revenues can't be accurately forecasted and customers may not get the information they need when they need it. All these factors contribute to **lost sales, lower profits and diminished customer loyalty.** (*ES Research Group)

Even If your company has a defined sales process, that doesn't guarantee success. Your next challenge is to make sure that your sales process aligns with your customers' buying process. Starting the sales relationship just after a customer purchased from a competitor is far more challenging than starting when the customer first becomes aware of a need or want.



DOES YOUR SALES PROCESS MAKE SURE THAT YOU DEPLOY THE RIGHT SELLING EFFORT SUPPORTED BY THE RIGHT RESOURCES TO MAKE SURE THAT SALES ARE MADE IN THE SHORTEST TIME WITH THE FEWEST RESOURCES?



8. Delivering a customer experience that satisfies but doesn't WOW

Customer experience is defined as the sum of all experiences a customer has with a supplier of goods or services, over the duration of their relationship with that supplier. This means **every touch impacts that experience positively or negatively**. Your ability to deliver an experience that sets you apart in the eyes of your customers serves to increase how much they spend with you and, optimally, inspire loyalty to your brand.

To create a superior customer experience requires companies to first understand the customer's point of view. Only by standing in the customer's shoes can a company *appreciate the full impact of the day-to-day customer experience* that the company delivers.

In the New Economy *products are becoming commoditized, price differentiation is no longer sustainable* and customers are demanding more. To compete, companies are focusing on delivering superior customer experiences. A study of over 860 corporate executives revealed that companies that have increased their investment in customer experience management over the past three years report *higher customer referral rates and customer satisfaction* (Strativity Group, 2009). Many experts feel that *the customer experience has emerged as the single most important aspect in achieving success* for companies across all industries.

As evidenced by the number of business casualties over the past few years *most companies talk about becoming customer focused, but few actually do it*. Doing customer satisfaction surveys is one thing, changing the company's culture based on what was learned from the surveys in something totally different.

Some companies have learned that being customer focused can give them a competitive advantage. Customers choose Disney World and Zappos because of their experience with them.

Let's clarify the difference between companies that aim for customer satisfaction and those that seek to *WOW their customers*:

- Because most, if not all, of the "bad" companies are out of business *customer satisfaction is the minimal requirement to keep your doors open*. Customer-focused companies strive to *delight their customers*.
- Most companies ask their customers about their needs. Customer-focused companies understand their customers' needs so well that they can *anticipate them and even surface unrecognized needs*.
- Most organizations strive to meet their customers' expectations. Customer-focused companies *deliver more than what the customer imagined*.
- Most organizations try to keep complaints to a minimum. Customer-focused companies *encourage feedback from their customers so that they can learn from it*.

A great example of creating a customer-focused culture is Zappos. A review of their number-one core value below speaks volumes about how they operate.



At Zappos, anything worth doing is worth doing with WOW.

WOW is such a short, simple word, but it really encompasses a lot of things. To WOW, you must differentiate yourself, which means doing something a little unconventional and innovative. You must do something that's above and beyond what's expected. And whatever you do must have an emotional impact on the receiver. We are not an average company, our service is not average, and we don't want our people to be average. We expect every employee to deliver WOW. Whether internally with co-workers or externally with our customers and partners, delivering WOW results in word of mouth. Our philosophy at Zappos is to WOW with service and experience, not with anything that relates directly to monetary compensation (for example, we don't offer blanket discounts or promotions to customers).

We seek to WOW our customers, our co-workers, our vendors, our partners, and in the long run, our investors.

Deliver WOW through service, is Zappos' founding principle. It's not something written down and forgotten. It's part of who Zappos is and every employee is immersed in it starting on day one.

DOES YOUR CUSTOMER EXPERIENCE MAKE SURE THAT EVERY CUSTOMER TOUCH REINFORCES YOUR UNIQUE SELLING PROPOSITION AND ENDEARS CUSTOMERS TO YOUR ORGANIZATION WHILE TRANSFORMING PROSPECTS TO CUSTOMERS, CUSTOMERS INTO LOYAL CUSTOMERS AND LOYAL CUSTOMERS INTO RAVING FANS?

9. Mismanaging human capital

In Jim Collins book "Good to Great" he says you have to make sure that the right people are on the bus. This means that a leader must know the strengths and motivation of each person on the team, as well as how the individual impacts the performance of the team. Recognizing a person's talent and then managing it creates a motivated and engaged workforce. Failure to hire the right people for the jobs and not putting people in positions where their talent can soar is a waste of a company's resources. Southwest Airlines set itself apart from the industry by hiring and developing people who are a natural fit for the company and the jobs they were hired for. The result has been an engaged workforce, low turnover and great customer loyalty.

Let's look at how having the wrong *people in place can cost your company dearly even at entry level positions*. I was with a friend waiting in line at Starbucks as he was paying for his \$8.00 grand latte supreme. The young woman at the cash register said, "That will be \$8.00 please. Boy that's expensive!" In that moment of truth my friend looked at me and said with a chuckle, "She's right." He paid and left with his prized coffee. But he stopped going there deciding his coffee money was better spent at Dunkin Donuts at \$2.00 a pop. Situations like this are as preventable as they are unfortunate. The right person with the right training would never have made this comment.

Welcome to the New Economy



Every CEO I interviewed mentioned finding and keeping the right people as one of their biggest challenges in the New Economy.

Marissa Levin, CEO of Information Experts explains her company secret to hiring the right people, "When we look at employees, there are three things that we have to look at. And this is a rule of thumb pretty much for everybody, any organization. It's called the GWC Principle. Do they get it? Do they want it? And do they have the capacity to do it? So as we look not only at new hires, but at the existing people as we shuffle them around and reorganize and grow, we have to look at people and say, "Do they get it? Do they really get what they're supposed to be doing? Do they want it? Do they have the passion for it? And do they have the capacity? Do they have the physical capacity, the intellectual capacity, and the emotional capacity? Whatever the capacity may be, do they have the capacity to do it?" And not all employees in every position are going to have the get it, want it and have the capacity to do it factor."

Matthew Porter CEO of Contegix puts his money where his mouth is. He offers his employees a \$20,000 incentive if someone they refer is hired. He said that he has paid one employee \$60,000 and feels it's one of his best investments.



Lynn Lionwood, Executive Director at Legal Shield has built one of the top prepaid legal agencies because of her commitment to recruiting and developing her people. Her unique approach to helping her people reach their true potential involves understanding both their strengths and weaknesses. She uses her broccoli analogy to explain her approach. *"We all have strengths and weaknesses, but if you don't like broccoli, still I could, I could serve you casserole after casserole and hide the broccoli, and yet you're going to find the broccoli. Because you don't like broccoli. So I don't want to do that to you. I want to say Phil doesn't like broccoli and I'm going to serve broccoli tonight. I'm going to make sure Phil's sitting next to someone who does love broccoli. Phil can give them his broccoli and they'll give their corn to Phil." So in other words I've got Joe who hates doing presentations and speaking to CEOs. But right next to him is Pete, and Pete absolutely loves to be the star of the show. Put me in the front of the room. Let me speak to everybody. Please let me be the one over here who, who goes out and sees the CEOs. I'm comfortable with that. I've been a business owner, I've been a Hedge Fund Manager, and I've been a banker. Whatever I've been, I've always been out in the open." So, Joe's experience is behind the phone. He feels power behind the phone, because nobody has to look him in the face. So if I partner those two people together. Joe can make appointments for Pete to run and they are both as happy as can be. Nobody's eating broccoli."*

Successful companies have specific plans for recruiting, interviewing, hiring and developing new employees. They also invest the time, energy and resources to develop employees for their current and future jobs.

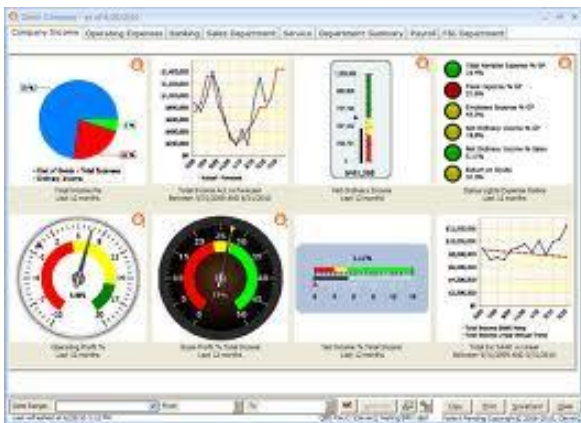
DO YOU HAVE THE RIGHT PEOPLE IN PLACE SO THAT THEIR TALENTS AND MOTIVATION ARE FULLY UTILIZED WHILE EXECUTING YOUR SALES AND MARKETING STRATEGIES?



10. Driving while blindfolded

CEOs are paid to describe the future (their business plan) and then create it. This requires vision and execution. The path to any vision is rarely as smooth in execution as it is on the drawing board. Like most flights on an airplane getting off course is expected. The key is *how quickly you and the pilot can course correct*.

To make this kind of mid-course correction you will need an instrument panel or dashboard. The business dashboard as a metaphor for critical metrics to measure business performance originated years ago at General Electric. Just as you use the speedometer, oil gauge, battery indicator, fuel gauge, and other instruments to monitor the status of your car as you drive, so you want to keep track of key indicators of the performance of your company. Like the dashboard gauges, your metrics allow you to continually assess your progress and detect any potential problems.



An effective dashboard provides you with the information you need to make good decisions that *keep your company out of harm's way and moving in the right directions*. This means that you must select reliable and predictive metrics. Armed with the information they provide, you must be able to use them as a guide for decision making. This isn't always easy. Consider the fact that Federal Reserve Chairman Ben Bernanke and other top central bank officials *failed to see the housing crash coming* as late as December 2006.

"We are unlikely to see growth being derailed by the housing market." -Ben Bernanke, Fed Chief March 2006

"There are some encouraging signs that the demand for housing may be stabilizing" – Janet Yellen, San Francisco Fed president December 2006 -Chicago Tribune January 13, 2012

With all the resources at their disposal coupled with the years of experience identifying economic trends, how did they miss the biggest financial crisis since the Great Depression? Were they looking at the right metrics? Or did they interpret them wrong? Or did they just make poor decisions based on what they saw? We may never know. But their failure points out how important it is to have *metrics that inform you well enough in advance to take corrective action*.



Your choice of business metrics and the importance you give them show what you value. If you value customer service or new product development, for example, you make them central to your business metrics. You include it in your dashboard.

By instituting key business metrics across functions and groups and at every level, you directly link individual performance to measurable outcomes. This sends a clear message that not only do you care about customers and revenue, but so should everyone else, since they are accountable for the results measured by their particular metrics.

Whether you manage a small administrative staff or a large global company, you need business metrics to keep your business on track. Having a solid business plan is essential but that's not enough because of the dynamic nature of the marketplace. This is especially true for small- and medium-sized businesses. Juvo Products manufactures assistive living products for seniors and people with mild disabilities. Because they are a growing early-stage business they must remain extremely nimble. As Park Owens, President of Juvo Products explains, *"It's a matter of how quickly you adjust and how flexible you are. How quickly you can react. I would say 50% of our business plan was right on and 50% was off."*

When establishing metrics, beware of the following:

- Metrics for which you cannot collect accurate or complete data
- Metrics that are complex and difficult to explain to others
- Metrics that complicate operations and create excessive overhead
- Metrics that cause employees to act not in the best interests of the business, just to "make their numbers"

John Menzer, CEO of Michael's describes how he and his management team use metrics to manage their business. *"We talk about what we saw in our stores and we ask, "What are the three things we need to adjust for the weekend to maximize sales and earnings for the weekend?" And we make those changes on Friday. What do we see in competition? How are the promotions doing? Do we need to make any adjustments because of that? So we're running the business on a kind of weekly basis, but our Merchandising Team is probably running on a daily basis. Even marketing is maybe running on a daily basis now because the economy is just so tough. We are changing on the fly even based on weather. We're now using weather service and we've incorporated that weather service into our modeling and pricing and promotions. So if we know a snow storm is coming, we're going to get that promotion in earlier rather than later."*



DO YOUR METRICS ALLOW YOU TO PROACTIVELY RESPOND TO CHALLENGES AND OPPORTUNITIES? DO YOU HAVE SYSTEMS IN PLACE THAT MAKE IT EASY TO REGULARLY MONITOR YOUR METRICS AND COURSE CORRECT TO ACHIEVE YOUR GOALS?



11. Cashing checks for resources you don't have

Growing beyond your company's means is like going on vacation without cash or credit cards. Neither will turn out to be a pleasant experience. This may sound like common sense but common sense isn't always common practice. One of the top reasons for small business failure is lack of capital. And if following this principal was universally applied in larger businesses, why did we have to bail out the auto industry and the banking industry? In fact, of the *150+ major businesses that failed in 2008 and 2009 most were due to bankruptcy*. (Wikipedia)

Some companies struggle because their eyes are bigger than their wallets. For example, a \$5 million tech firm had enjoyed steady double-digit sales and profit growth selling *non-core technology to small businesses*. In late 2011 the company jumped at the chance to bid on a large project for a *mid-sized business for their core technology*. They were ecstatic when they were awarded the business and high fives were given all around. However the euphoria quickly turned to angst when the CEO realized *the project would consume most of their resources and cash flow for the next 6-9 months*. Although the project would eventually be profitable the company had to take extreme measures to survive the implementation, including laying off personnel and putting a halt on new business development. The long-term viability of the company is still in doubt.

Spending and committing resources as if the road will always be straight and narrow is inviting disaster. Cash must be managed as the precious resource that it is instead of the endless supply people thought existed before the start of the Great Recession. At that time, much growth was fueled by the desire to grow and the availability of money. In the New Economy credit and cash have tightened up and demand has fallen off in many markets. This means unless you have money to burn don't pursue a market that doesn't have demand or you can't uniquely and effectively service. At least not right now.

Bob Hamilton Group President for ITW put several initiatives in place that helped his organization recover rapidly from the downturn they experienced in 2009. Among the actions taken, ITW:

- Restructured several businesses to get their cost structures in line with the marketplace.
- Assessed their various global markets and put resources where they saw growth and put growth plans on hold where markets were stagnant.
- Improved working capital by managing receivables and inventory.
- Implemented programs to increase cash flow.



DO YOU HAVE THE FINANCIAL RESOURCES TO SUPPORT YOUR GROWTH INITIATIVES WITHOUT PUTTING THE COMPANY AT RISK?



12. Having inflexible and unresponsive business systems and processes

The key to success in the New Economy in the face of complexity is to create *speed to vision*. How quickly can you galvanize your organization to exploit an opportunity or avert a disaster?

According to an IBM study, successful CEOs “*refashion their organizations, making them faster, more flexible and capable of using complexity to their advantage*”.

What happens if you don't or can't become faster and more flexible? Your company will join Kodak, Nokia, RIM, Blockbuster, Borders and countless others who watched market share and customers disappear as they readied their late and ineffective responses to the changing market demand.

A good example that showcases the speed-to-vision philosophy and why the Chinese are taking business from US workers is highlighted in this excerpt from *The Times* by Charles Duhigg and Keith Bradsher about why Apple does so much of its manufacturing in China: “*Apple had redesigned the iPhone's screen at the last minute, forcing an assembly-line overhaul. New screens began arriving at the [Chinese] plant near midnight. A foreman immediately roused 8,000 workers inside the company's dormitories, according to the executive. Each employee was given a biscuit and a cup of tea, guided to a workstation and within half an hour started a 12-hour shift fitting glass screens into beveled frames. Within 96 hours, the plant was producing over 10,000 iPhones a day. 'The speed and flexibility is breathtaking,' the executive said. 'There's no American plant that can match that.'* ”

I'm not suggesting that American workers start living in dorms next to the plant. I offer this example to underscore the level of competition that exists today in the New Economy. As the CEO you must find ways within your business to add both speed and flexibility to your operations.

Remember the challenge isn't just *speed or efficiency* -- it's about *delivering more value*. Angelo Baratta, business process “co-sultant” and author of “*More Perfect by Design*” says, “Many companies get very efficient doing things that don't matter or add value. They do this because that's what they know how to do instead of doing what needs to be done.” Baratta suggests that instead of focusing on a particular methodology, organizations develop a mental framework that allows them to connect strategy, processes, projects and performance.

As the CEO make sure that the processes and systems you select to improve will make an impact on what's important to your business. To accomplish this, ask three critical questions about every business process and system:

- Does it impact our strategic initiatives?
- Does it add or detract from the value chain?
- Does it add velocity or viscosity?



Those systems and processes that impact your strategic initiative should be analyzed first to determine if they add or detract from the value chain. If they don't add to the value chain, eliminate them. Then assess if they add velocity or viscosity to the process. If they add viscosity, examine ways to make the process more efficient.

Taking this approach requires that you look at every system and process with a "green field" mentality — what would you do if you were entering the market with no legacy burden?

One of the key drivers in organizations becoming faster and more flexible is the need to *help customers manage the complexity they face*. Successful companies are finding ways to simplify products and services while making them easier to use. As Steve Hennigan CEO of San Antonio Credit Union explains, *"Customers must have a seamless experience with our organization no matter which channel they choose."*

Hennigan uses the process of purchasing a mortgage as an example of how his organization must tame the complexity monster for his customers and deliver a seamless experience.

"In the mortgage space we've got to allow you the opportunity to make a loan via the phone, via the Web, via the call center, or via one of our branch interfaces. And we've got to do it so that it's as if you're in one channel. Say for example you're doing research in one channel and you start an application process on-line, but then you get stuck and you want to talk to somebody. You ought to be able to seamlessly jump into another channel without us making you do the extra work as the consumer... the technology must seem simple to the user although it may be very complex on the back to provide a simple solution, which is: I start on-line and then when I get stuck I can go get a face-to-face and I don't have to start from the very beginning again." -Steve Hennigan, CEO San Antonio Credit Union

Achieving this level of eloquent simplicity requires not only integration of lots of systems and the use of technology, but introducing new and different levels of skills and judgment to employees. This highlights the fact that improving business processes isn't just about technology. It's actually an Organizational Development effort that can create a cultural shift.

Getting the technology part is easy relative to the impact that it can have on employees. That's why Hennigan preaches patience during the assimilation process. As he points out, *"...during the assimilation period you're stressing out your best-trained people to train your least-trained people. So if you push on the system too hard before the people are trained you're actually burning out your best people. And if you'd followed that through, your best people wind up leaving you because they get stressed out and don't want to do it anymore."*



Joseph Grobler COO at Reveal says that in addition to Key Performance Indicators (KPIs) for business performance, top performing companies are adding them for process performance. This enables these companies to monitor how well their practices are performing and to adjust them as needed. Grobler states that companies who are adapting this approach are finding a gold mine that delivers bottom-line results in areas like:

- Reduced costs
- Increased sales
- Increased profits
- Improved service levels and customer satisfaction
- Higher customer retention rates

DO YOUR BUSINESS PROCESSES AND SYSTEMS ALLOW YOU TO RESPOND FAST AND WITH FLEXIBILITY?

A key concept behind the factors described in this Special Report is that all mistakes are interrelated and have a compounding effect on each other. For example, if your employees aren't aligned with your Mission, Vision, Values and culture you'll be hard pressed to have them deliver customer touches that are consistent with your unique selling proposition. If you have the right message but it's delivered too early or too late, it won't influence the sale in your favor or advance your strategy. If you spend selling effort and resources pursuing customers who don't need, can't or won't buy your solution, your sales and profits will suffer. The key to success is to *take action to avoid all the mistakes and constantly monitor them* to make sure they don't become obstacles to *growing sales, profits and customer loyalty*.

WHAT CAN YOUR COMPANY DO TO SUCCEED IN THE NEW ECONOMY?



Introduction to the Growth Positioning Survey

The **Growth Positioning Survey** examines *twelve growth factors* that are critical for success in the New Economy. Discover where you're strong and where you're vulnerable to the competition and the marketplace.

Take the Growth Positioning Survey (GPS) to discover how to grow your company's sales, profits and customer loyalty?

The GPS pinpoints how you're performing in each of the twelve growth factors and outlines specific actions you can take to improve. This road map provides you the focus and confidence to successfully:

- Identify issues before they impact performance;
- Allocate resources to areas that have the biggest ROI potential;
- Develop capability to ensure execution of business strategies and most importantly
- Grow your business profitably while improving customer loyalty.



Use the link below and take the Growth Positioning Survey (GPS). Complete the GPS and get a strategic snapshot of where your business is and specific recommendations to profitably grow your business now.

Click below for your GPS profile.

<http://www.philfarisassociates.com/GPSSurvey>



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Conrad Hall, Principal- [The Marketing Spotlight](#)

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Park Owens, President- [Juvo Products](#)

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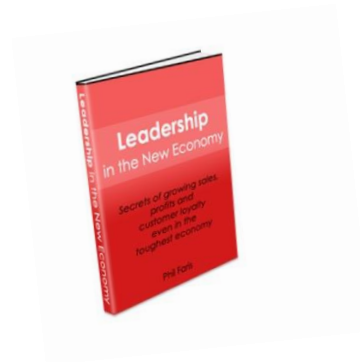
Matthew Porter, CEO-[Contegix](#).

Ellen Rohr, CEO-[Bare Bones Biz](#)

Rick Spurr, CEO and Chairman-[ZixCorp](#)

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Phil Faris is a business development consultant, coach, speaker and author. He is president of Phil Faris Associates a firm that specializes in helping organizations hire, train, develop, lead and retain the sales talent required to succeed in a competitive marketplace. Phil has developed a reputation as a “performance improvement doctor” for his ability to help organizations improve their financial health by diagnosing performance issues and then prescribing strategies that produce measurable results. He has worked in many key industries with a wide range of clients including: Amgen, Brunswick, Clarke, Dartnell, DeVry, Meredith, PIMCO, Shell Energy, TCI, Waste Management, Zimmer and others.

Phil brings a diverse array of hands-on experience to every project having held leadership positions in training, human resources, marketing and sales. As a consultant he has worked in more than 20 industries and has designed and delivered over 100 customized sales, management and leadership training programs.

Phil is the author of the following books: *Hiring Winners*, *Building Customer Partnerships*, *Training Winners*, *50 Activities for Sales Training*, *Upping the Down Side* and the soon to be published *Leadership in the New Economy*. He has also written numerous articles on sales, leadership and personal development.

He received his Bachelors and Masters degrees from Truman State University in Special Education. His post graduate education includes studies in Guidance and Counseling, Business Administration and Human Resources Development.

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