



CEO Survey Q1 2009

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Surviving and Thriving in a Recession

Our network is full of exciting, dynamic people who want the opportunity to learn from one another. Conscious that we are part of a community of exceptional performers, we are clear that we have a role to play in sharing best practice.

As the country plunges into a recession worse than most of us can remember, the newspapers are full of apocryphal stories of doom and gloom, Radio 4's Today program is too depressing to listen to for long and television is no more cheering. The Government seems obsessed with encouraging huge spend to get Great Britain out of the red, both from its banks and from us, Joe Public, and has committed itself to haemorrhaging our tax pounds in the name of saving the world *ahem* sorry, the country. We felt that we were getting a slightly different message from the people we knew and we wanted to find out the real picture.

In the first of our C-level surveys, we asked a selection of CEOs what three things they felt CEOs should be doing to survive and thrive in a recession. The results were very interesting.

The Importance of Liquidity

The first trend is without question a clear need to maintain liquidity. Almost every respondent cites the need to conserve cash wherever possible.

Far from spending vast amounts, our CEOs are keeping a careful eye on their balance sheets, encouraging their management teams to reduce overheads and drive harder bargains for both costs and payment terms with suppliers wherever possible. As one respondent states: "Manage your cash. I can never recall a time when it [has] been more important. Get your accounts people to chase everything outstanding and if necessary put a stop on overdue clients. Stop bonus payments and salary increases. Try to negotiate better payment terms from suppliers."

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It would seem that never has the phrase "cash is king" been more apposite, and in tandem with reducing overheads is a concerted effort to bring in as much monies owing as possible, with CEOs pushing their accounts teams harder than ever to collect on outstanding invoices. In the case of one CEO – "Conserve cash [and] tighten capex controls... those with cash will win when [the] upturn comes".

People Power

The second largest trend was a surprise, although the cynics amongst you may doubt this! Rather than concentrate on top line growth, our CEOs have their people in mind. They know that uncertain times call for

exceptional leadership and are reassuring the key members of their strategy and management teams of their futures. As one respondent states: “Lead with vigour and optimism... the troops look for a lead and if the CEO is down in the mouth it will affect everyone.”

“Improve the DNA of the management team by robust appraisal and recruitment”

Retaining their A teams is a huge concern, as is capitalising on these uncertain times to reinforce their A teams or poach superstars from their competitors, as with one of our CEOs: “[Use] this time as an opportunity to measure potential talent in

the marketplace that may not previously have been available”, and with another “Improve the DNA of the management team by robust appraisal and recruitment”. Music to our ears, absolutely, but also symptomatic of their longer-term vision in ensuring that their businesses are best placed to steal a march on the competition when the economy starts to improve.

Love your Customers

Another key trend among our CEOs is balancing customer needs against profit. Keeping close to their customers to understand their needs, maintaining the flexibility to respond to their demands, supporting them during these difficult times where possible and generally making sure that

when the recession starts to lift our CEOs will be ready and waiting to work with them. While cashflow is absolutely critical, so our CEOs have been careful to stipulate that cost-cutting and overhead reduction should not affect performance, but rather provide an opportunity to become more lean. Focus on

“How can we add value to our customers?”

value-add – in the retail sector, this means for example better promotions or new product development. One respondent states “Put yourself in the mindset of your customers – what are your customers facing and how will they attract business, how can we as a supplier [or] provider add value to them.”

Leading the Charge

Along with keeping cash in the business, our CEOs are perhaps unsurprisingly focussing on driving revenue in a variety of ways. Concentrating on their core market which has historically delivered the most profit, focussing on countries which are still growing, realigning with a new market, analysing revenue streams and realigning capital for most effective investment... this list goes on. As one CEO states: “Invest judiciously in areas where you already beat the competition – drive home any competitive advantage that you have; the competition is less likely to respond than normal”. Finally, looking to the future and preparing for the upturn which will undoubtedly come. New product development continues to be a focus. In the

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words of one of our CEOs: “Continue to invest in critical R&D to have differentiation when there is an upturn”.

This characterises the underlying narrative of our responses – viewing the recession in some respects as an opportunity. Cost-cutting will create an investment pot; competitors will struggle or fail to respond quickly enough, creating gaps for gaining market share; talented people will emerge from the ashes of collapsed competitors; as long as there’s enough cash in the coffers we have the breathing space to reposition our businesses for real growth.

All in All

Strategies are geared towards ensuring that their businesses can survive the hard times ahead and will be ready for the upturn that will undoubtedly come. Optimistic and positive in the main, our CEOs are seeing this recession as a time for consolidation, reflection, differentiation and long term growth. A good summary from one of our CEOs: “Review strategy in the light of the economic situation. There is the crunch itself but also how might the world look after we are through it?”

A Word from the Partners

Thank you to all who took part in our survey. We hope you’ve found the results interesting and useful, and we’d love to hear any further thoughts. We will be carrying out further C-level surveys in 2009 and we look forward to sharing the results with you.

Best wishes

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