



Consultant points of view

By Gary Baker

The long-term value of a downturn economy

In today's downturn economy executives face critical yet timely decisions about how to improve profitability and growth. The challenge is fueled by endless choices, including technology decisions, the likes of which have never entered the C-suite. Now is the time to re-tool the enterprise for both short- and long-term dividends; however, decision makers must develop a "clear line of sight" across the organization before they invest.

A downturn economy may tighten your belt...

Daily headlines that scream "layoffs" and hourly analyses of market trends are driving many executives to scramble for short-term cost controls. That's understandable: When you're concerned about tomorrow, next year -- let alone the next decade -- seems far away.

Exacerbating the difficulty of critical yet timely decision making is the ubiquity of Internet technology, both across the company and along the value chain. The result? Endless choices, the likes of which neither C-level executives nor their teams have seen before.

...but it can also generate opportunities

The flip side of this bottom-line scrutiny is a unique opportunity to re-tool the enterprise for both short-term value and long-term dividends when the economy cycles back.

Now is an ideal time for executives to look closely at their companies in a way they didn't feel impelled to do in an upturn economy. A broad vision for the organization provides the foundation for cohesive planning to achieve profitability.

This fresh view, which may comprise the entire enterprise or be limited to a single division, should include a detailed plan that encompasses the appropriate Web-based technology strategy and the supporting organization and operations policies. And it provides the opportunity to open up a "single line of sight" across the organization -- and beyond, into the value chain.

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A look at the environment

The long “boom economy” has left many companies with highly decentralized operations and fragmented businesses. Increased pressures on earnings and margins haunt many lines of business. A decade of high growth and unincorporated acquisitions concealed inefficiencies that now burden operations and profitability. Broadly defined value propositions and overly general customer segmentation increase the suffering.

To regain control, companies must recognize these shortcomings, make critical strategic decisions and execute relentlessly -- a daunting but critical task, particularly given budget cuts.

Executives cannot fund all possible initiatives, and the choices are many and often ill defined. Yet time is ticking away, so they are forced to make difficult tradeoffs.

Some respond with a quick-fix approach to reduce investment levels and improve controls. But patches are, by definition, weak. Fragmentation spoils many strategic initiatives. Where there is no single point of accountability, inconsistencies (and, often, failure) follow. Furthermore, inconsistencies lead to mismatched technology platforms across initiatives and missed opportunities for synergies of knowledge or coordination between business units (i.e., “more bang for the buck”).

Profitability-enhancing actions can “kill two birds with one stone”

Most would agree that Internet tools and technologies can enable people to be more effective and productive. Appropriately applied, they can also reduce costs, speed processes and yield more targeted results -- all of which can have both immediate and long-term implications. The key is to figure out how best to “appropriately apply” those tools and technologies.

Executives can combat immediate perils and gain a solid lead in transforming the future by focusing on profitability-enhancing Internet-based initiatives that cohesively target operations and the customer and result in improved business models. Here are four examples of such strategic initiatives that, executed separately can create short-term value, but collectively performed can catalyze improvements in an organization's focus and agility that lead to long-term value:

- **Operations optimization** -- Streamline and optimize SG&A processes through combining Internet tools and technologies to reduce costs.
- **Customer profitability analysis** -- Analyze customer cost versus customer value. Improve customer “wallet share,” customer loyalty and marketing/branding strategies. Manage multiple channels. Perform segmentation/price point predictive modeling to redirect resources to profitable customers. It will become clear,

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for example, what kinds of skills are needed, because the executive will understand what the customer considers valuable and is willing to pay for.

- **Business model optimization** -- Leverage methods and best practices to realize and optimize the desired business model. Among those: shared business model approach, process/IT consolidation, M&A consolidation/project office and organization change/management systems.
- **e-business portfolio opportunity analysis and action plan** -- Aim for cohesiveness rather than piecemeal initiatives. Achieve a balance between innovation and efficiency projects by ensuring that e-management systems are highly effective. Eliminate overlaps and stop low-return projects. The byproduct is an implementation roadmap and communication plan, outlining critical steps on the path to profitability.

A single line of sight leads to “applied business”

Driving many critical business decisions today is the very redefinition of the company's relationships with the customer and with those along the value chain. This highly complex new paradigm challenges leadership's ability to manage the traditional aspects of the enterprise. Yet the resulting strategic view will strengthen executives' ability to lead, both internally and along the value chain.

The Web's capacity to enable people along the value chain to access tools, technologies and processes -- and its very transparency -- will continue to drive executives to enable critical aspects of the business along one line of sight. One might call this new approach “applied business” -- through which every action or process has an impact on the organization as a whole, much like a common platform or software application.

Running a company as an “applied business” along a “single line of sight” will make it more efficient and manageable. It might even be called “the end game of becoming e-enabled” -- when a company is fully utilizing its people, processes, technology and the Web as one seamlessly integrated ecosystem. Becoming e-enabled requires unambiguous vision, insightful planning and determined execution. Moreover, it demands the willingness to transform the company into a profitable enterprise despite economic conditions.