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# trekking

a newsletter on practical strategic thinking and action  
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## coping with recession

I met with a business owner/client last week. He described his business outlook by saying, "I can't see the bottom. 2009 will be about survival for my business."

There is no avoiding the fact that the world is now in a period of contraction and deflation. In order to maintain at least flat revenues for 2009, your company most likely will have to take a bigger share of an ever-shrinking pie. And in order to maintain margins that will enable your company to break even or eke out a profit, you will have to come up with some tactics to control costs.

Here are some things I have seen firms do to maintain revenues:

- Law firms that may have had other business foci are handling more divorces and guiding companies that are in danger of bankruptcy filings.
- Consultants that had focused on growth are now focused on helping distressed companies.
- Real estate firms that had focused on the purchase and sale of buildings are filling their days with sub-leasing.
- Marketing firms that had relied on referrals and increasing amounts of work from existing relationships are now focusing on more efficient sales processes, pursuing old leads, and aggressively renewing old relationships.
- Larger companies that had concentrated their efforts on big clients are going down market to support revenues.

On the cost side, I have seen:

- Companies looking to get more bang for their advertising dollar are going after more sponsorships instead of just media and print buys. They believe this achieves a better focus on the people they want to reach.
- In an effort to attain a better ROI on advertising dollars, some firms are using more sophisticated on-line advertising methods ([http://online.wsj.com/article/SB123379182761749823.html?mod=googlenews\\_wsj](http://online.wsj.com/article/SB123379182761749823.html?mod=googlenews_wsj)) rather than banner ads to reach their audience.
- In order to meet funding shortfalls, municipalities are looking for creative ways to make cuts. For example, the city of New Bedford, MA is cutting salaries by 10% and forcing unpaid holidays instead of simply ordering layoffs (<http://www.southcoasttoday.com/apps/pbcs.dll/article?AID=/20090205/NEWS/902050347/-1/news>).
- KPMG in Britain is offering a 4-day work week with a commensurate cut in salary (to 80%) of pay, but retention of benefits. Acceptance rate: 80% of the workforce voted to accept (<http://www.dailymail.co.uk/news/>



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article-1119431/Four-day-week-As-work-dries-KPMG-offers-11-000-staff-dramatic-cut-hours-battle-save-jobs.html).

- On the other hand, some cities and companies are using the shortfalls as an excuse to clean house of underperformers.

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## a different approach

One of the most important things you can do in this time is to understand your core competencies. When looking for revenues, leverage this core. When cutting, avoid cutting into this core. Knowing this core can be the result of some simple income statement analysis by category or service or department. So when thinking about how to build revenue, consider ideas to enhance what you currently excel at. On the cost side, think about what could be closed, sold-off or combined with another department.

At a recent panel discussion run by IMCNE about the economy (<http://www.imcne.org/events/2009/jan2209.html>), one of the panelists threw out this idea: You and your team should ask "What radical new idea sets us apart?" The idea of thinking about a value proposition is not new, but applying it to your image, your self-description when addressing clients, suppliers, and other key stakeholders could be particularly advantageous right now.

Keep talking to lots of people. This economic situation continues to change and companies have to be opportunistic and decisive. Instead of being paralyzed by fear and the day's headlines, get feedback on who's doing what. Keep an ear out for which weakening competitor you can exploit by taking customers or standout employees. Access to capital is crucial these days and if you have it, you can take advantage of it.

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## reading list

### *Disrupting Class*

By Clay Christensen, Michael Horn and Curtis Johnson

Clay Christensen has a strong body of work around what he calls "disruptive innovation," that is, innovations that change and/or create entire industries.

In this book, he and his co-authors make the case that the entire field of education will be disrupted by computer-aided learning.

This kind of learning is growing so fast that the authors predict that by 2019, 50% of high school courses will be delivered online. This has huge implications for anyone in the education industry. But it also has implications for our corporations. As learning becomes a lifelong affair, these disruptive learning technologies will be



important throughout our society. How are your employees going to learn in the coming years?

To learn more about this book, visit the author's web site (<http://disruptingclass.mhprofessional.com/apps/ab/>).

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## announcements

XPX Boston and Vitale Caturano will host an evening of networking on Wednesday, February 25, 2009 beginning at 5:30 pm at Vitale Caturano, 80 City Square, Boston, MA. Guest speakers will be:

- Business Valuation: Driving and Assessing Value  
Paul DiFilippo, Vitale Caturano, CFA, CPA/ABV, and Shareholder
- Economic and Market Outlook  
Jeff Korzenik, Vitale Caturano, Chief Investment Officer

Register online (<http://exitplanningexchange.com/index.php?/xpx/events/>) or call Cheryl at 781-489-9804. The pre-registration cost is \$30 for XPX members, \$65 for non-members.

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Mark your calendars for a full-day conference at Babson College on Tuesday, March 17. During the daylong XPX Summit 09, you will hear from three keynote speakers. Participants can attend up to three of nine break-out sessions that will cover a variety of timely topics ranging from exit planning checklists to achieving maximum valuation for the deal.

XPX Summit 2009 offers attendees the opportunity to broaden their skills and interact with like-minded professionals including:

- financial planning
- advisors
- accountants
- investment bankers
- commercial bankers
- management consultants
- marketing professionals
- estate planning attorneys

Registration is available to the first 200 attendees. Visit the XPX Summit 2009 Web Site for more information ([http://exitplanningexchange.com/index.php?/xpx/event\\_detail/annual\\_conference/](http://exitplanningexchange.com/index.php?/xpx/event_detail/annual_conference/)).



## about trek consulting

Trek works with owner-managed businesses to develop action plans for growth. Trek also works with the owners to prepare for their successful exit by coordinating the resources necessary to increase and preserve the firm's value, creating the succession plan and assembling the right transaction team, financing and post-transaction plan.

Our clients report improved market focus, greater revenues, better margins and increased profits. To learn more about Trek Consulting and how we can help you improve your company's results, visit us on the web at [www.trekconsulting.com](http://www.trekconsulting.com) or call us at 781.729.1008.