

**Maximizing Profits Through People**  
**A CEO to CEO Quarterly Newsletter -- 2-15-01**

Dear fellow CEO:

PI In a Downturn—Part 2: A Plan of Action

Back in August, watching the first signs of an economic slowdown, this letter addressed the value of Predictive Index if or when the business climate became less favorable. My reading of the economy is that the “R” word may well describe our current situation. This letter will spell out why and what, beyond what was discussed in August, we each should do to assure our firms continued growth and success.

First, let me explain why I believe a recession may be here. I started in business in 1986. Since that time, we’ve had more than 200 clients. We’ve averaged an almost 95% retention rate. Until the last 60 days, I’ve only seen two of those clients close their doors. Some were sold. An occasional reorganization. Some companies were spun off or integrated. But only two closed their doors. But, in the last 60 days, we’ve had three clients cut staff down to ownership (yes, they were dot.com related), one large manufacturer declare chapter and close its doors, and another medium sized manufacturer purge virtually their entire senior management staff. It’s been scary. That’s from the perspective of our business.

On the outside, it’s just as bad. Every day, the papers bring more negative news. Lucent will cut 16,000 jobs. Chrysler is paring 26,000. Delphi and Visteon add thousands more to the list. Ford and GM add even more. The real estate market suffers across the country. To top it off, the leading economic indicators showed their 3rd consecutive month of negative figures, what used to be considered what presages a recession. And Greenspan changes course to support tax cuts, as they might be helpful should we enter a prolonged negative economy.

Whether the economy is in recession or not is not completely clear. The actuality is moot. It is imperative that we act decisively to assure that our individual firms don’t enter one—regardless of what the economy does. And, this is what I’d suggest we do.

1. Create a plan (if you don’t have one) to redirect your resources, if necessary, to assure the growth level you’re basing your assumptions on can be achieved.
2. Look at markets that have been historically marginal but which could prove sustaining during a down economy.
3. Attack inventory.
4. Build a cash cushion.
5. Provide whatever service is required to assure you are indispensable to your clients.
6. Use PI to assure that the right people are doing the right jobs and are energized in doing them.
7. Communicate your plan confidently to the troops.

Create a plan. If you are already involved in some variation of a strategic planning process add the topic, “What will the effects of a recession be on our firm, and how can we minimize or overcome them?” If you’re not involved in a strategic planning process, I would suggest you get involved in one (we can help you in this process, if you need it). If you don’t, it is still in your interest to call together your brightest, most proactive staff and brainstorm the action items listed above. Get your team excited and committed to a proactive response to the environment. Don’t wait for negative consequences. Develop a battle plan to assure you are prepared and as recession proof as you can be.

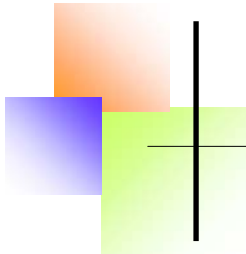
Evaluate new markets. There are always markets that do better than others during recessions. Have you maximized your penetration in those markets likely to be more recession proof than the markets you serve? Areas like food, health care, and education come to mind. Repair businesses will likely flourish (it’s cheaper to repair than to buy). Likely, with a new Republican administration there will also be more

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military spending in the near future. Do you have opportunities to connect in these markets? Use your brainstorming session to get at what specific markets may be more friendly during recessions and craft a plan to attack them.

Attack inventory. Inventory is disguised as an asset but always a step removed from cash and/or profit. You might think managing a consulting business has nothing to do with inventory. Not true. Our inventory is time. We've got to assure now, more than ever, our excess inventory is minimized while being fully utilized and wisely managed. All spare inventory must be evaluated. Turn it into profit or cash. Don't let it sit. Be sure to make this a topic of your brainstorming session.

Build a cash cushion—the fatter the better. Cash liquidity is always important, but much more so during hard times. On the one hand, banks are much less willing to lend as credit tightens so you don't want to be pinched by the lack of availability of funds when you need them. And on the other, if you've got cash, assets you wouldn't think would be available might be at prices you wouldn't have thought possible if things get bad. If you are ready for a recession, it may provide opportunities to acquire businesses, equipment, property, etc. that those who were not prepared have to sell to maintain basic liquidity.

Don't shortchange service. You may look at cutting a variety of things in your battle plan, but avoid making one of them service. Continue to make your clients feel that whatever you provide is indispensable to them. Civility, gratitude, appreciation, kindness, thoughtfulness are so hard to come by in our world and their paucity of availability will only increase with recession. Tempers will shorten, manners will deteriorate. Work to see that your interaction with your customers delivers a human touch and the likelihood of your doing continued business with all of your customers will increase.

Manage with P.I. in everything you do. Bolstering the confidence of your people will be one of your biggest challenges and P.I. will give you the best opportunity to do that. Work to make sure that when you do hire people they are the right ones. Make sure that people are given what they need to maximize their productivity. Aggressively use the diagnostic capabilities of P.I. to assure that when you have organizational dysfunction, you understand why and determine what can be done about it. Involve your P.I. consultant to help you in all aspects of your use of the system.

Once you have a plan, communicate it, consistently and confidently, over and over again. Make sure every person throughout your organization knows you have a plan that you are confident in that will battle recession and what part they each have to play in the battle. When things get tough, which they might, the team will want to know that they have a plan that they believe will overcome the challenges of the environment. As you execute whatever plan you create, encourage your people and let them know you believe their efforts are helping and that you will weather the storm. As discussed in my letter of six months ago, the biggest hurdle you have to face is psychological—your people losing confidence and productivity because of fear. You can help minimize that impact through communication.

Recessions only affect those who suffer through them. By putting a plan together now to combat recession, you have the opportunity to do the best you can to prevent one occurring within your company.

I hope you found this helpful and I thank you for listening,

A handwritten signature in black ink, appearing to read 'R. Wilson', with a horizontal line underneath.

Robert S. Wilson, President  
Bob Wilson & Associates, Inc.

P.S. If you would prefer to receive future editions of this letter via e-mail, please e-mail that preference to [lgorman@bobwilsonconsulting.com](mailto:lgorman@bobwilsonconsulting.com). We'd also welcome comments, thoughts or suggestions by sending them to [bwilson@bobwilsonconsulting.com](mailto:bwilson@bobwilsonconsulting.com).