# The Next Recession Is Coming – ARE YOU READY?

BY DENISE LEE YOHN

**The time to prepare for the next recession is now. Learn the three strategic actions then-CEO Alan Mulally utilised to save Ford Motor Co. from bankruptcy and return to profitability.**

A global recession is the biggest fear for credit investors today, says a survey by Bank of America Merrill Lynch.[1] Strategists at Societe Generale suspect the next recession will arrive sooner than most expect.[2] And the U.S. unemployment rate, which has been a perfect forecaster of past recessions, appears to be edging closer to triggering that signal.[3] So, the time to prepare for the next recession is now.

While it's unlikely the next recession won't be as severe as the Great Recession a decade ago, taking strategic action early on before the downturn can reduce its negative impact on your business. You may even be able to set up your business to thrive and grow despite the poor economic environment.

Consider what happened at Ford Motor Co. in the late 2000s. Like other automakers, Ford was struggling in what was the worst new vehicle market in nearly 30 years but unlike its competitors, Ford returned to profitability in just three short of years, escaped bankruptcy, and avoided taking a bailout from the U.S. government. It was able to recover so well and so quickly in part because back in November of 2006 when most people hadn't even begun to expect a recession at the time, then-CEO Alan Mulally had decided to mortgage all the company's assets for billions of dollars in loans to finance an overhaul.

But securing the loans was only one of several prescient moves Mulally made to revive the automaker. He also championed a single, clear vision for the company and the brand: "One Ford." With One Ford, he revived what he called the "phenomenally powerful" Ford brand, promoting "the critical ingredients that made a Ford a Ford" and leading the organisation to work as one team to deliver on those, as a *Fortune* article explains.[4]

Mulally dismantled the toxic culture of turf wars, opacity, and self-preservation that had plagued the organisation for many years. He grounded all Ford employees in the original purpose that prompted Henry Ford to start the company – to "build a car for the great multitude" – and instituted new core values such as "Emotional resilience…trust the process" and "Everyone is included."[5]

And he focused the organisation on its core customers, shedding luxury brands such as Aston Martin and Jaguar, which had been an expensive drag on the company's profitability and distraction from its core competency. Mulally knew that there remained significant, if latent, demand among mainstream American consumers – "the great

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multitude" that Henry Ford had referenced – for quality, affordable cars from Ford. Under his leadership, the company set its sights on winning back those customers by reviving the Taurus brand which had previously been discontinued and introducing the Fusion to anchor the company's new lineup of fuel-efficient family sedans.

By getting out in front of the recession with these strategies, Ford was able to post record-breaking profits, secure industry-leading market share, and resurrect its stock price at a time when most automakers were falling further behind.[6] Ford's current struggles with declining performance don't detract from the lessons that you can learn from its success during the Great Recession.

Ford's playbook presents three ways you should prepare your business now for the next recession:

### 1 Integrate and align your external brand identity and internal workplace culture

During recessions, customers usually become more price sensitive so you need to act now to offset the eventual comparisons between your and competitors' prices that they will make. One way to do this is to increase the perceived value of your brand by integrating and aligning your external brand identity and internal workplace culture.

By creating an interdependent, mutually reinforcing relationship between how your company operates internally as an organisation and how it is perceived and experienced externally as a brand, you create unique value for your customers. You should start this process by articulating an overarching purpose that unites your business mission and your brand aspiration, such as Nike's "To bring innovation and inspiration to every athlete." and Amazon's "To become Earth's most customer centric company." Then institute core values to guide the attitudes and actions of your people in pursuit of that overarching purpose.

As a result, your organisation will operate with greater alignment, authenticity, and purposefulness – and this, in turn, increases the perceived relevance and differentiation of your brand because today's customers are compelled by organisations with these qualities. With stronger brand equity, you can shift customers' purchase decisions in your favour, oftentimes even more than by offering a lower price. And this competitive advantage will hold up when the recession hits because your competitors may be able to offer products similar to yours at lower prices, but they cannot imitate the integration of your culture and your brand, nor how, when they are fused together, you resonate strongly and emotionally with customers.

Also by shoring up strong alignment of your brand and culture now, you will benefit from greater clarity and unity in your organisation's decision-making later. Most leaders face difficult decisions during a recession, such as whether or not to continue offering a certain product or selling through certain channels. But your priorities and values are clearer when your brand and culture are fused. So everyone in your organisation is more likely to share a common understanding of what you will, and will not, do for customers and with employees, and you can make difficult decisions more easily and quickly when you're called to.

NIKE aims to establish an inclusive work culture.
Photo source: NIKE

## 2 Cultivate a healthy, effective, sustainable culture

Although a vital workplace culture is important at all times, your ability to effectively engage employees becomes mission critical during periods of economic contraction.

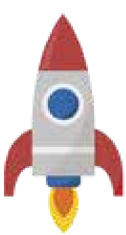
Employees may experience personal financial instability which can prompt attrition and increased turnover. You may have to ask employees to do more with less and/or to accept fewer financial rewards or reduced compensation. If you have to conduct layoffs or cut popular projects, workplace morale can suffer. All of these pressures on employees can be offset before the recession by cultivating a culture that's healthy (whole and not dysfunctional), effective (productive and proficient), and sustainable (viable over time).

Moreover, your culture should be unique. It should be grounded in core values that embody what makes your company uniquely "you" – what makes you stand out from other organisations and brands – and the distinctive attitudes and behaviours that your people should live out in order to deliver on your uniqueness. Common values such as "integrity" and "teamwork" are so overused that they make little impact on employees, and category values such as "speed to market" for a technology company or "friendliness" for a services provider only reference the bare minimum standards to compete in your category.

You should institute unique core values that differentiate your organisation and motivate employees to produce the specific performance you seek. Start by developing a clear understanding of the unique culture you need. (You can access a free online assessment that I've created to help you do this here: http://bit.ly/BCAssessment.)

Then deliberately cultivate your culture through your leadership behaviours–specifically your communications, role-modeling, people decisions (who to hire, fire, promote, and develop.) Ensure all leaders and managers throughout your organisation understand their role in culture-building and are trained and equipped to cultivate your desired culture.

You might also consider how you can use the design of your organisation – the structure and hierarchy, roles and departments, and even standards such as a minimum or maximum number of direct reports into a position – to facilitate the ways you want people to work together. And do the same with your day-to-day operations and businesses processes including planning, budgeting, managing approvals, and running meetings – all of these can be used to create the environment for your desired culture to develop. Finally, design the employee experience at your organisation so that your employees experience your values first-hand and on a regular basis. All their day-to-day experiences at work including even smaller elements like rituals and artifacts that you might institute add up to their understanding and embrace of your organisation's culture.



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## 3 Focus on your core customers

During recessionary periods, business leaders are usually tempted to hedge their bets by trying to offer as many things to as many customers as possible, so as to not risk losing any potential sources of income. But a more streamlined approach is smarter – especially when you will be resource-constrained. So you should do the exact opposite: focus your efforts on a key customer segment(s).

And now is the time to clarify who those customers are. You should deepen relationships with those existing customers who are likely to stay committed and remain the most profitable to you through the downturn – and develop relationships with new customers who fit that profile too. The bonds you create with those core customers now will become your most valuable assets during a recession because people who feel a connection to your brand are less likely to defect to another alternative. Plus, by narrowing your focus before the contraction, you will make only those investments necessary to develop those relationships before they fall into jeopardy, thus shoring up reserves and ensure future cash flow.

Foster core customer loyalty proactively and purposefully. In challenging times, a common tactic

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Starbucks regularly offers a reward program and limited time offers for loyal consumers. Photo source: Starbucks

is to try to lock in customers by raising switching costs or relying on rewards programs to bribe them into buying from you. But these customer bonds are easily broken by more savvy or aggressive competitors. Instead you should identify what your core customers want and need and then seek to go above and beyond that. You might, for example, deliver personalised experiences, offer extended service hours and terms, or provide "added value" services at no charge. Of course, you can't afford to do this for all customers so that's why it's critical for you to focus on your best segment(s). And once you demonstrate how committed to them you are now, they're more likely to demonstrate their commitment to you later.

You should also explore ways to enroll your core customers as ambassadors for your brand by encouraging positive word of mouth. Consider running "friends and family" events and extend the invitation to a few of your customers' friends, for example, or include them in "insider" news and experiences that they will naturally want to share with others. It's important to do this now, while you and your customers aren't distracted by the economy. And avoid offering incentives to post reviews or positive messages – not only does this practice seem disingenuous and can turn customers off, but it can actually backfire when customers have a bad experience.

The time to prepare your business for the next recession is now while you have the bandwidth and resources to do so. Don't wait until you start seeing its effects – by then, it will be too late.

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