

# **Profiting in a Difficult Economy**

by  
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The long period of economic expansion over the 80's and 90's has left many companies and individuals unprepared to effectively manage the current downturn. While business veterans may find it surprising, many of today's business leaders have not experienced a significant economic downturn and therefore find themselves searching for strategies to help weather this storm. Too many companies and individuals have chosen to batten down the hatches. That may be their first mistake. We believe those difficult economies present real opportunities and provide the foundation for future successes. The key to capturing them is found in attitude, value and talent.

Over the last two quarters most of our economists have been hard at work predicting the start of a recovery. Depending on who you are listening to, it will come in the 1st, 2nd, 3rd or 4th quarter of FY 02 or 03 or ...Depending on your degree of optimism, you have selected one of the above. What if you are wrong? Do you find yourself pushing out your optimism to the next quarter?

This is where your attitude can help. Admiral Jim Stockdale was the highest-ranking US military officer in the Hanoi prison camp during the Vietnam War. In his book *In Love and War*, he described the attitude that helped him survive his 8-year imprisonment while many others did not survive theirs. What is known as the "Stockdale Paradox" in psychological circles is simply an absolute faith that you will prevail in the end, coupled with the discipline to confront the sometimes brutal facts of your current reality.

A recent article by Jim Collins in USA TODAY connected this paradox with a business lesson on why some companies are able to rise from difficulty to become great while others emerge from those same exact difficulties weakened and dispirited. The survivors had an absolute belief that, in the future, they would survive the experience and are stronger for it. However, in the moment, they confronted their reality as if it were likely to exist for an infinite time period with no light at the end of the tunnel. They used the grim reality of the moment to change their business model in order to prosper now.

The grim reality of our current difficult economy brings us to the second key of value. It seems to us that the companies most likely to emerge stronger are those who are willing to provide more value now. Over the past six months numerous prospective clients have told us that their customers don't understand their value proposition. Upon investigation, we have found the reality is these prospective clients didn't understand what their customer valued. In fact many of these prospects didn't even understand what their own people valued.

We cannot create value in a vacuum. We look at our products and services and decide that they provide great value and then attempt to go out and sell our value. The problem is what we perceive as value may not be what others perceive as value. At no other time than now has it been more important to find out what our customers and our own personnel value, and adjust accordingly.

For example, over the last year more of our existing and potential customers have told us time is more important than money. Our adjustment has been a blended approach with an e-learning virtual classroom, plus the traditional hands-on workshop in 33% less time. The initial response has been encouraging.

The right attitude combined with a great value proposition will still not insure success in difficult times. The final and most important ingredient is talent - the absolute skill to execute well at will. With this key you have two choices, buy it or build it.

It is easier to buy talent, especially in difficult economic times. Cutbacks and reductions in force usually put some very talented people back into the job market and those same market forces tend to depress the market price. The downside is during an economic recovery you are dealing with a staff of mercenaries who are likely to be attracted with a few more dollars from your competitors.

Building talent from within requires a more disciplined approach, but in the long haul we believe the results pay a bigger dividend and it continues to pay for the long term. Of course talent development is our business and we are probably biased in recommending that strategy. We leave it with you to decide which option is right for you and your organization.

In any event, business history is replete with organizations that have grown and prospered in difficult times. So can you, if you remember attitude, value and talent.

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