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# The Experts - Strategy

## Draw up your battle plan to win the war

In a recent interview, Warren Buffett, legendary investor and CEO of Berkshire Hathaway, described our current economic challenges as an “economic war.” With the U.S. economy shrinking at a 6.2 percent annual pace in the last quarter of 2008, a 63 percent increase in business bankruptcies over prior year, an unemployment rate of now



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8.5 percent – you can’t argue that we are facing an economic situation that we have not seen for many decades. An “economic war” may be the most accurate way to describe it.

The use of the economic war description caused me to reflect on what that means to owners and leaders of businesses. There really are only two possible responses that a business leader can make when faced with an economic war where the battles are not going in your favor. One response is to retreat and surrender – you stop fighting and you give up. We know what that means – the business closes down, employees lose their jobs, vendors lose business, customers must find alternate sources, and the business owners’ dreams are crushed.

The second response is to regroup, draw up new battle plans and attack. As in any war, the difference between winning and losing comes down to strategy and execution of that strategy. The most important step I can advise business owners and managers as they regroup and draw up new battle plans is to rediscover value – we must look at value from an external perspective as well as an internal perspective.

To understand value from an external perspective, you must gain a clear view of where you stand in the marketplace.

It is important to listen and hear what the market is saying about the value of your products or services. You must evaluate your current market position compared to your direct competition and analyze

how it has changed over time and determine why it has changed.

Take a fresh look at the industry landscape and see whether the barriers to entry are as high as when you entered or have they come down.

There may be innovations you have been holding back on investing in that you should pursue now with full force.

Your pricing may have to be transformed to better reflect the value you are providing to the market. Analyzing profitability by various customer sets should determine opportunities to shed the least profitable customers and to strengthen your position with the most profitable customers. An analysis of your company’s capacity could yield opportunities to expand horizontally your company’s offerings to attract new customers.

And finally, it may be the best time to consider a strategic acquisition to consolidate and increase your market share.

Next we move onto the internal perspective, gaining a clear understanding of your internal value chain.

Examine every process to weigh its ultimate value to the end product or service provided to customers. This will lead you to find the optimal efficiencies throughout your entire operation – you can either reengineer processes or eliminate them.

Opportunities to integrate either forward (distributors) or backward (suppliers) to lower operating costs should be evaluated and considered.

Now is not the time to be timid when considering whether to invest in your strengths or to pull back on those activities that are of less value. When you value-map every process and activity in your business and their associated costs, new sources of profitability can be found.

Just as any good general would do in a war, business owners must keep an eye

on the battlefield and see how it is changing so you can adjust your strategy and its execution.

Never lose sight of the customer – and be willing to adjust to changing needs and be prepared to invest in innovation. Even in good times, companies must remain lean so they can adapt quickly and continue to provide the highest value.

Keep listening to what you hear from the people closest to the customers and the market – your employees, suppliers, and distributors; they help you create and deliver value to the customer. There are things happening in the market you can’t see from afar – be open to hearing the good and the bad. Reality may not be what you believe or hope it to be. You must understand value, evaluate it and adapt to its ever-changing nature. It’s the only way businesses will eventually win this economic war.

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