

# The Five Mistakes of a Recession



Recessionary times normally 'surprise' most business people. It is almost like the recession sneaks up on them and creates the surprise. Very few businesses in the world have themselves financially and strategically set for a recession before it arrives.

There are then five common mistakes made by business people when they implement the consequent change in strategy and adjustments to the business to cope with the economic environment. In outlining these we hope that it helps you to avoid these common pitfalls. At our next conference, "The Opportunity is Now", we will go through these five mistakes in detail to demonstrate how to create your advantage.

## MISTAKE NO. 1: TIMING

There are four stages to every economic cycle;

- Down – as the market heads south into a bear market
- Drag – as the market bounces off the bottom but drags out in a flat period
- Release – the market spikes downward initially and then releases into a new period of growth
- Up – the market moves into the new bull market

More commonly than not, business owners are implementing strategies behind these cycles instead of getting in front of them. The opportunity rests with being able to see when these cycles come into play in an economy and investing in our businesses accordingly.

## MISTAKE NO. 2: RISK PROFILE

Risk Profile is a measure of how willing an owner/management team is to taking business risks. What typically happens is the owner/manager **reduces** their risk profile through a recession. This puts them into the spiral of "sell low, buy high" – and creates the mismatch of timing mentioned above.

Measuring a business's risk profile and adjusting tactics accordingly is what enables a business to grow quickly when coming out of recession – the "**buy low, sell high strategy.**"

## MISTAKE NO. 3: WIND/UNWIND

When a business is in growth mode we describe this as "winding up" – think of a bicycle winding up to gain speed. When a recession hits businesses start to "unwind" – think of slowing that bike down; you have to put the brakes on.

When the market turns most owner/managers still have their foot on the brake, operating their businesses in the "unwind" modality. And with a low risk profile, they are reluctant to take

their foot off the brake until there is lots of proof that we are genuinely out of recession.

Problem is: by the time there is plenty of proof that we are out of recession and it is safe to invest again; then the opportunity is gone as the market will have already picked up 30% to 50% growth in the initial stages of the new cycle.

The Opportunity is Now – at the bottom of the cycle.

## MISTAKE NO. 4: MACRO/MICRO

During boom times business managers tend to focus on the bigger strategic plays available to them; mergers, acquisitions, new markets, new branches/outlets etc – it is what we call **macro strategies**. What is forgotten during these times is **micro** – all the detail that keeps a business lean and efficient. You can hide these mistakes during a boom period as the growth will hide them. So during boom times **micro is the blind spot in a business.**

The opposite is true during recessionary periods. Owners tend to get dragged back into all the detail of the business and become very micro focused. This means that the alignment of the detail to the **macro strategies and visions** is often overlooked. Businesses come out of the recession in one piece but not aligned with the growth strategies. They then waste 12 months plus aligning the business to grow – but the market is already growing – they miss the boat!

## MISTAKE NO. 5: INDUSTRY CYCLE

And the last mistake is often linked to cycles within Industries. Owners tend to get caught up in the conversations of "doom and gloom" across the market and fail to watch the economic cycles within their own Industries. Not all industries move with the same timing as the overall economy.

## SUMMARY

Watching these cycles is critical to achieving timing of individual business strategies.

Five common mistakes; easy to see when you are looking for them; easy to not see if you forget about them.

At our next global conference, "The Opportunity is Now", we will examine in depth the opportunities for companies during an economic downturn. How can companies thrive, and not just survive, as we face challenges together over the coming 18 months?

**"The opportunity is now - at the bottom of the cycle."**

## The Opportunity is Now

Shirlaws International Conference 2009

Gold Coast, Australia 4-6 March 2009  
Hertfordshire, UK 25-26 March 2009  
San Francisco, US 1-2 April 2009

[Save the date!](#)  
We'd love to see you there.