

Survival Strategies for 2008 (and Beyond):

# Making the Most of an Economic Downturn: Five Urgent Action Items



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# Economic Downturn, or Now

BY RANDLE POLLOCK, FSMPS

"Foreclosures are up. Job growth has flatlined. And the stock market has taken investors on a wild roller coaster ride. So are we going through a rough patch or has a recession arrived? Economists are split on the issue."

— *Scott Mayerowitz and Alice Gomstyn, ABC News Business Unit*

In the November 1990 issue of *Marketer*, Greg M. Goodwin Sr., FSMPS, wrote a memorable cover story called "Making the Most of an Economic Downturn." In the piece, he laid out some excellent prescriptions for what to do during that nationwide economic slowdown. Since then, there have been various blips and slowdowns, the most recent occurring after the collapse of the Dot Com Bubble, the September 11th terrorist attacks, and accounting scandals, all of which contributed to a relatively mild contraction in the North American economy from 2001 to 2003.

Ever since, let's be honest, there has been an orgy of work throughout the A/E/C industry. Firm revenues, profits, and backlogs hit new highs that continued through most of 2007 and perhaps even to today. Yet, there are vital signs—many unmistakable, some conflicting, a few confusing—that point to a slowdown, and many disparate voices are weighing in.

Economists may be split on the issue, "but it appears that everyday Americans are clearly feeling the pinch and have lost confidence in the economy," claims the ABC News Business Unit. "A weekly consumer confidence poll by ABC News showed the second-steepest fall in its 22-year record. The only other time the index fell this far, this fast was in October 1990 as the 1990–1991 recession gathered steam."

"In fact," says Michael Sivy of *Money* magazine, "the conventional wisdom is that the U.S. economy entered a recession in December. It's worth remembering, however, that a literal recession—two back-to-back quarters of economic decline—isn't inevitable."

## Point/Counterpoint

"As we enter 2008, the outlook for the economy has become more uncertain. The debate among economists has changed from one of *whether* the economy will weaken, to one of *how much* it will weaken as we move through the year. As such, there is more concern now about when we will see a downturn. Given that we are entering a period of economic uncertainty, there are several questions firms should be asking themselves to assess their risk. Which projects are the most vulnerable; which are the most solid? Are other design firms running into problems on projects? Are my clients facing any problems? Are inquiries for new projects really viable? What are options for diversification for my firm?"

— *Kermit Baker, Ph.D., Hon. AIA, Chief Economist, American Institute of Architects*

"I hate to be contrary, but I don't accept the premise. All we have been hearing in the A/E/C industry for the last year and a half is that there will be a large economic slowdown in 2008. It is almost like the media would like there to be an economic slowdown. The truth (at least in the Kansas City metro area and surrounding states) is that we have more backlog than we have ever had. My firm and every firm worth their salt around me is extremely busy and won't see daylight until October/November of 2008. I don't see what all this gloom and doom accomplishes and think it is driven more by the political winds than by sound economics."

— *Thomas Merker, CPSM, The Clark Enersen Partners, Kansas City, MO*

## How often do recessions occur?

Since the early 1980s, recessions have occurred about every 8–10 years or so: in 1981/1983, 1991, 2001, and possibly now, but that is not for sure yet. From WWII through 1983, they happened more often, every 5 years or so.

Source: *Wikipedia.com*



"We have always believed that our clients and our industry relationships are the cornerstone of our business. Now we are even more convinced. In our strategic planning for 2008, we looked at our backlog and did some 'relationship mapping' for each new project we secured in the last year. We wanted to see what the origin was for each of our new projects and determine ways to keep our backlog secure. We found that 98% of our new work came from existing relationships with clients and associates. This knowledge also has reinforced our strong belief in supporting our network and assisting other firms in their efforts to secure work. As we move forward, we have a renewed commitment to our existing clients and associates and look to expanding our network for growth and to provide a stable future."

— **Andrea Walden, Vantage Technology Consulting Group, Manhattan Beach, CA**



"Maintain relationships with your key clients even though they may not have projects for you right now: Protect your loyal clients. Contact your previous clients to find out if they have small but important projects on the horizon. Talk to your clients: Become even closer to them in lean times. See if you can create a project that provides intense value-added returns to the client organization. Double your network: Ask your clients to talk to prospects."

— **Dennis Schrag, Ed.D., FSMPS, CPSM, The Longview Group, Iowa City, IA**



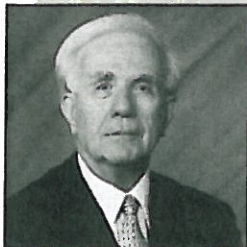
"Now is a good time to meet with your best clients, one on one. Discuss their problems and how they intend to weather the storm. Discuss working together to solve problems. Provide seminars with subjects and speakers that address the client's problems as well as serve our business for insight into future opportunities."

— **Dianne Schachner, FSMPS, CPSM, LEO A DALY, Washington, DC**



"In my experience the only cure is to get out of the office and meet someone, every day if possible. It starts with our existing customers. Then venture out into the segment(s) you are serving, get to know the players, influencers, and the experts that are chirping to your clients. Next, be a change agent. Make a difference in your client's and potential client's business. Leverage the people within your firm, outside the firm, the knowledge they have, the people they know, synthesize that information, and use it as client intelligence along with the research you've gathered on the client and those surrounding the client."

— **Harlan E. Hallquist, FSMPS, J.E. Dunn Construction, Eden Prairie, MN**



"Maintain good client relations with good clients; they will remember you when times are better."

— **Philip E. Bannan, CPSM, Gillan & Hartmann, Valley Forge, PA**

"We're sliding into recession, or worse," said former U.S. Labor Secretary Robert B. Reich in *The New York Times*, "and Washington is turning to the normal remedies for economic downturns. But the normal remedies are not likely to work this time, because this isn't a normal downturn. The problem lies deeper."

With all this news, what can or should a marketer do right now? Put another way, what would *you* do if your firm hits a snag?

To answer that, we did a lot of research, talked to experts, surveyed SMPS members and firm owners, and assembled a list of the best "recession repellants" and survival strategies for this year and beyond. Based on recommendations from some seasoned pros, here are five things you can do right now, or at least initiate. This list is not comprehensive, and we know there are many other activities you can—and should—undertake. We just think these are the best of all, listed in the order in which we think they will yield the greatest sustained value, for both the immediate short-term and the longer horizon:

1. **Client Care**
2. **Focus/Targeting**
3. **Fundamentals**
4. **Internal Marketing**
5. **Diversification**

## 1. Client Care

*A strategy that positions your clients—and the depth and quality of your relationship with them.*

If you do nothing else, this is the one to take seriously and implement immediately through a host of targeted client care initiatives. Maintaining and deepening relationships with your key clients, strategic accounts, and/or largest revenue sources will give you the biggest bang for your buck and the highest return on your marketing investment. Action is required; this is not a passive strategy.

“Focusing obsessively, passionately, and sharply on which clients, markets, and projects you have targeted in your marketing and sales plans is in order.”

Listening is more important than talking (as usual). Find out what is on your clients' minds, how their business is doing and what they are seeing and learning, what tips they can offer, how their own customers/clients are doing, and what their plans are for the next 12–24 months with which your firm can possibly help. Spend time primarily with existing and former clients and key referral sources. Get “intimate,” go deep. Recommended tactical initiatives include:

- Client Maintenance (meetings, travel, events, entertainment)
- Internal Marketing (sharing the marketing/sales plan with the whole firm; divvying up the responsibilities to make contact)
- Positioning (Web site updates, direct mail)
- Market Research (gathering and analyzing client and business intelligence and trends)

## 2. Focus / Targeting

*A strategy that positions your firm—with its singular focus on targeted clients, markets, and projects.*

If you pursue more than one strategy, this one, too, will give you a higher marketing return on investment than some of the others. Focusing obsessively, passionately, and sharply on which clients, markets, and projects you have targeted in your marketing and sales plans is in order. This is the time to be rigorous and crystal clear about your goals, objectives, and expectations—as well as your implementation plans. Being proactive and using seasoned judgment are key actions. Analyze and confirm your clients, the profitability from their projects, your go/no-go criteria, and your marketing/sales plans. Make sure they align with current conditions in the marketplace and



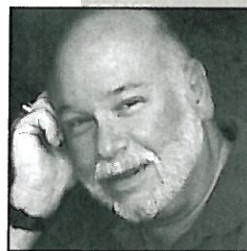
“One word comes to mind when I think about how to address the impact of a potential slower economy on our industry: *FOCUS* on all of the marketing activities of the firm, on business development pursuits, and where marketing dollars would be best spent. As a 950+ employee international firm, our markets are diverse to weather various impacts on any one of them. But within the markets, there has to be a clear focus on the clients and projects that should be pursued. Submitting a proposal without knowing something ahead of time about a project, or without having met the individuals who are responsible for making the selection, doesn't work. Spending marketing dollars foolishly without focusing on how best to prepare the firm's audiences, and in particular prospective clients, also won't work. Focusing on how to get the most for the money spent will go far in preparing for economic challenges.”

– **J. Rossi, Burt Hill, Philadelphia, PA**



“I'm the national private-sector industrial business development manager of a \$90-million-a-year environmental and engineering consulting firm based in Cincinnati. Our firm has 15 worldwide offices. As a result of new management, I have been requested to facilitate the growth of our industrial market share (currently 10% of total revenues) by 20% in 2008. Given the slowing economy, the company's focus has shifted from pursuing smaller, diverse projects to pursuing strategic clients with multiple facilities and needs, such as P&G and GE; both have headquarters in Cincinnati. We have been focusing on learning as much as possible about these companies, their business drivers, and their future strategies and goals so we can establish ourselves as their “go-to” firm on a corporatewide basis. I have found they are a great resource for referrals to the multitude of companies they do business with.”

– **Laurie A. Buckman, CPSM, Environmental Quality Management, Cincinnati, OH**



“Resources are limited; use them wisely. Don't chase what you can't win! There are two parts to this. The first is that every firm must have a brutally honest go/no-go process that everyone who markets *must* use. All must recognize that wishing will not make it so. The second part is the recognition that every good effort takes time.”

– **Bernie Siben, CPSM, The Siben Consult, Visalia, CA**

“Keep your focus: It's positioning for the change and being there for the client and his business.”

– **Harlan E. Hallquist, FSMPS**

“Avoid seeking or taking on projects for which your firm is ill-suited.”

– **Philip E. Bannan, CPSM**

"As the economy softens and people grow increasingly concerned, if not worried, about their own job security, now is the time to build up and sustain relationships with your internal clients."



"My best advice is get back to basics: Focus on the marketing fundamentals that stand the test of time. Set up your marketing effort based on SMPS' Domains of Practice for Professional Services Marketing. Re-

search is obviously crucial. The marketing plan should clearly define the steps to take to stay ahead of the game as certain markets go stale. Business development should also be a priority as connections, both new and old, will be critical. Proposals need to be the best they have ever been. Promotional activity is an area that really needs rethinking. Be smart and look into applying current technology that is not too costly. Finally, make sure you are monitoring and measuring your actions to stay on track and maximize effort wherever possible. Focusing on the basics can give you the competitive edge over rivals who may just be working on branding and re-branding their look."

– **Gina A. Bedoya, CPSM, Bedoya Business Strategies, Scotch Plains, NJ**

"The key to success is to stress the basics.

1. Have and use a good marketing plan.
2. Reinforce the philosophy that marketing is in everyone's job description.
3. Maintain a diverse practice that crosses industries and building types and a mix of private and governmental clients."

– **Philip E. Bannan, CPSM**

"Recession planning is a strategic activity all-too-often dealt with using short-term tactical decisions that have obvious and immediate impacts without regard to long-term effects. Before making any decisions, dust off the strategic plan; confirm the long-term relevance of the plan and only then begin to develop responses to a tightening economy and marketplace. Look at employment levels and employee performance. Have a bottom 10% list; develop it by getting input from a variety of upper level management. Ask department or group leaders to identify their worst performers as well as their opinions on all staff. Don't pick on only junior staff or those with the least tenure. Start cutting early."

– **Thomas A. Zimmerman, FAIA, CSI**

"Dust off that go/no-go form: Don't waste your resources unless you have a better than 50/50 chance of winning. Do your market research: Contact your previous clients to find out if they have small but important projects on the horizon. Conduct some telephone surveys to find out what types of projects your markets are doing. Increase visibility: Turn out a few more lights and increase your direct mail, tradeshow efforts, and person-to-person calling. Talk with your employees: Keep them motivated and efficient."

– **Dennis Schrag, Ed.D., FSMPS, CPSM**



"1. Maintain positive cash flow while achieving strategic goals.

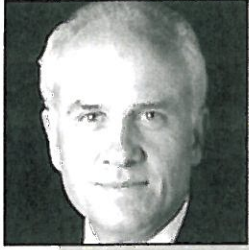
2. Look at trends regularly; plan ahead.

3. Don't diversify

for its own sake, but alter your business mix now.

4. Weed out bad clients; say no to bad deals, 'ambulance chasing.'
5. Keep the clients you have: expand services or help them create new opportunities.
6. Compete on value, not price (and articulate 'why'). Be sensitive to pricing: Cheaper is not necessarily better.
7. Make your services attractive and your projects profitable.
8. Become a 'connector' with your network resources.
9. Retain key talent and hire strategically; understand what you are looking for.
10. Acquire expertise (geographic leverage and/or special expertise).
11. Maintain a lean infrastructure, while assimilating lessons learned.
12. Get buy-in from staff.
13. Get ahead of the money (that your clients are seeking).
14. Determine who will confirm your 'value.'
15. Understand your client's metrics for success."

– **Marjanne Pearson, Marjanne Pearson Associates, San Francisco, CA**



"As I wrote in the *Marketing Handbook for the Design and Construction Professional*, 'Internal marketing is a strategy for growing a firm from the inside out, focusing on the people *inside* a firm. A continuous, participative process, it fosters communication, training, and motivation of employees—principally those with client contact, but support employees as well. It requires leadership, direction, planning, and constant focus. Its sole focus is inside a firm, targeted to the people who perform the work—mobilizing their energies and motivating their pursuit of shared goals—and shared rewards.'"

– Randy Pollock, *FSMPS*



"Make your 'A List': These are the strategic core of employees needed for your strategic plan to succeed. Meet with them, talk to them, and ask them for their ideas. Promise to make the pay and benefit reductions up to them as soon as the market turns around."

– Thomas A. Zimmerman, *FAIA, CSI, Z2 Consulting Group, Canandaigua, NY (formerly with SWBR Architects)*

in the firm. The focus is on targeted clients, markets, and projects *only*. Recommended tactical initiatives include:

- Planning (focus; follow strict go/no-go criteria)
- Execution (reducing the number of bad clients)
- Internal Marketing (stick to your plan and share it with the whole firm)
- Market Research (gathering and analyzing client and business intelligence)

### 3. Fundamentals

*A strategy that positions your marketing operations, procedures, and processes and revisits your fundamentals.*

Assuming your client care and targeting efforts are underway and in good shape, revisit the fundamentals of your marketing program, the procedures and processes that have stood the test of time and worked previously. The focus is internal as much as it is external. Recommended tactical initiatives include:

- Marketing Operations (procedures, processes; evaluating metrics)
- Internal Marketing (staffing, talent; the right people "on the bus")
- Positioning (public relations, Web site updates, direct mail)

### 4. Internal Marketing

*A strategy for growing a firm from the inside out, internal marketing focuses on the people inside a firm.*

As the economy softens and people grow increasingly concerned, if not worried, about their own job security, now is the time to build up and sustain relationships with your internal clients: your colleagues in the firm. Keeping the technical, management, and support staff well-informed on what's going on inside and outside the firm; holding regular group meetings; being candid and forthright in your communications; and sharing market intelligence on clients, trends, and competitors will help to build understanding for what may happen and engage them in the solutions selected.

Invite your colleagues to help the firm (or office) weather the economic slowdown. Brainstorm together. Solicit them for ideas and leads, market and client intelligence, and constructive suggestions on what to do and who should be involved. (This also may be a good time to think about acquiring new talent and strategic hires who may become available as other firms down-size and people get nervous and start looking around.)





"As we go into the downward sloping curves of another cycle, we need to look back at what we learned in the early downturns in our markets. One is the axiom *If it doesn't get funded, it doesn't get built*. In this time of a credit crunch, one should always be prepared to ask if the project has been funded. Ask to see the financials for the project. If it is a new client, ask to see the financials for the company. While the fundamentals that underlie our industry remain strong, the financial institutions that handle the process of getting money into our projects have become very

weak, and it will take time to sort all this out. There will be many more banking catastrophes before it's over. If you have good backlog, recheck the funding on every project. Then treat your clients with all the love and care you can give them."

— **Laurin McCracken, AIA, FSMPS, Jacobs Carter Burgess, Fort Worth, TX**



"In the latter part of the early 1990s recession, I learned a marketing model that saved my then-new business and continues to be a cornerstone of our revenue generation today. The late Walter Hailey of Hunt, TX, outlined the concept in his book *Breaking the 'No' Barrier*, in which he advocated extending the referral/relationship concept to the business supply chain. How would you apply this model in your own business/practice? Start by looking at your own accounts payable list, perhaps your landlord, lawyer, insurance broker, or the like. Ask for a meeting and

see if you can network (respecting confidentially, of course) through your suppliers' own network of suppliers or, where appropriate, clients. As you progress, you may find (like I did) a sustainable model that induces and encourages referrals while helping you avoid the price/bidding war/margin trap."

— **Mark Buckshon, CPSM, Construction News and Report Group of Companies, Ottawa, Canada**



"As public relations counsel to many associations and organizations that have weathered the ups and downs of economic cycles, I have learned to relax. During the economic challenges of the 1980s, I was concerned that the A/E/C industry might not fully come back. But what really happened is that the cream rose to the top and came back stronger than ever. After 9/11, a similar belt-tightening made some companies vulnerable and they became takeover targets. Others simply buckled down and weathered the storm quite nicely, again coming back to

achieve peak financial performance. Just as you plan for your personal retirement, plan also for how you will manage your business' marketing challenges at different stages of its maturity and different phases of economic turns. And always remember to get advice from those who've been there before."

— **Linda Mastaglio, Thoughts, Words & Images, Van, TX**



"Smart firms don't need survival strategies because their marketing plans work. Fully integrated marketing departments and business development teams keep these firms humming during any slowdown with a fat backlog and quality work. The economists say that nationally we will see a slowdown and possibly a recession; however, Atlanta will continue to thrive. Housing will drop but apartments will pick up the slack; retail slows, but everything else continues. And this marketer believes the answer to survival strategy over the next few years and

beyond is just that: faster, quicker, better. We are blessed with wonderful new technology, databases, graphics, education, research, consultants, certification, planning—all smart tools that assist marketers on being better at what they do."

— **Betty S. Hearn, FSMPS, Hearn Associates/Projects in Print, Atlanta, GA**

Recommended tactical initiatives include:

- Internal Marketing (engaging colleagues in finding a solution)
- Positioning (update Web site portal for recruiting)

## 5. Diversification

*A strategy that intentionally broadens your services, markets, and/or geographical locations.*

This strategy will take longer to fully implement, but it offers strategic benefits and valuable lessons on how to weather and overcome economic adversity. It will provide no immediate quick-fix to your situation. But, as most experts agree, your firm's longer-term outlook is considerably enhanced when you have diversity in your services, markets, and geographical locations.

### Service Diversification:

- Broadening your service mix *vertically* (adding services to the core traditional services your firm already provides). If you offer interior architecture services, for example, consider adding graphic design, programming, asset management, or other pre-design services.
- Broadening your service mix *horizontally* (adding a new service). If you provide architecture, for example, consider offering interior design or engineering or master planning. If you offer construction services, consider offering construction management, program management, or even real estate development services.

### Market Diversification:

- You have been thinking about it for a long time, and you have done the research, but perhaps now is when to kick-start what new markets your firm will enter in the future. Would your K-12 design capabilities help with the transition to doing private-sector higher education facilities? Does your health-care planning expertise strengthen your ability to do research labs or science and technology facilities? These are just some of the questions you would need to consider.

“After doing your research and tapping your network of existing and past clients and referral sources for information and suggestions, go where the work is.”

***Geographical Diversification:***

- After doing your research and tapping your network of existing and past clients and referral sources for information and suggestions, “go where the work is”—to another city, region, or state. Get active in those markets once you do. Join client associations and organizations in other locations. Participate in alliances or joint ventures to accelerate your penetration of the local market. Consider an acquisition to advance your efforts.

**Recommended tactical initiatives include:**

- Planning (focus; follow strict go/no-go criteria)
- Execution (reducing the number of bad clients)
- Internal Marketing (stick to your plan and share it with the whole firm)
- Market Research (gathering and analyzing client, market, and business intelligence)

In closing, there are many options to repel recession and make the most of an economic downturn. Some we have detailed here; others also can be effective. But what to keep in mind at all times is that surviving change and economic uncertainty can be like dancing with a gorilla. No matter how much you may try to let go, you aren't through dancing until the gorilla says you are.



“One of the keys to LEO A DALY’s long-term success has been to concentrate on a diverse, but limited, mix of markets. For the past 10 years we have focused on aviation, healthcare, hospital-ity, and federal (military and non-military) clients for approximately 70% of our annual sales revenue.

This mix of private- and public-sector work has allowed the firm to weather the ups and downs of the building economy. Over the past 6 months, we’ve seen a notable reduction in new opportunities in the private sector. Our federal sector was already leading the 2007 markets, and we have bolstered that effort with new hires on both the pursuit (BD) and delivery (design/operations), at both the corporate level as well as in many of our offices. In addition, we are increasing our international business development efforts to help mitigate the slowing domestic market impact.”

– **Craig E. Park, FSMPS, Assoc. AIA, LEO A DALY, Omaha, NE**

“Develop a line of services your in-house staff can provide that addresses the needs of prospects and clients such as marketing services (which SMPS members do really well), proposal development, client relationship management, and possibly project management services for clients who do not have in-house staff. Provide seminars with subjects and speakers who address the client’s problems as well as serve our business for insight into future opportunities.”

– **Dianne Schachner, FSMPS, CPSM**

