

Management magnified

Getting ahead in a recession by making better decisions

A report from the Economist Intelligence Unit
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Preface

Getting ahead in a recession by making better decisions is an Economist Intelligence Unit report sponsored by SAS. It is the first paper in a three-part series entitled *Management magnified*, aimed at helping managers find ways to guide their companies more effectively through troubled times. The Economist Intelligence Unit bears sole responsibility for this report. The Economist Intelligence Unit's editorial team executed the survey, conducted the interviews and wrote the report. The findings and views expressed here do not necessarily reflect the views of the sponsor.

The research drew on two main initiatives. We conducted a wide-ranging online survey of decision-making practices in May 2009. In all, 229 senior executives took part. To supplement the survey results, we also conducted in-depth interviews with senior executives knowledgeable about decision-making in a corporate context. The author of the report was Jan Fedorowicz, and the editor was Dan Armstrong. Mike Kenny was responsible for design and layout. Our sincere thanks go to the executives who participated in the survey and interviews for sharing their time and insights.

August 2009



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Executive summary

Recessions separate corporate followers from leaders. As Warren Buffett famously put it, “Only when the tide goes out do you discover who’s been swimming naked.” It is precisely during times of uncertainty that decisive companies have the best prospect of overtaking their competitors. A recent study of more than 700 companies revealed that twice as many moved from the bottom of their industries to the top during the 1990-91 recession as did so before or after that period.¹ And as economics columnist and author James Surowiecki points out, the US food company Kraft released Miracle Whip mayonnaise in 1933, Texas Instruments launched the transistor radio during the 1954 recession, and Apple brought out the iPod in 2001.² Each of these companies acted decisively during uncertain times and moved past their competitors to industry-leading positions. In other words, the best time to make big decisions to grab market share and drive growth may be now—a time when many companies are distracted, timid or confused.

To explore how the recession has affected corporate decision-making, in May 2009 the Economist Intelligence Unit surveyed companies from a range of industries around the world. Almost two-thirds (62%) report weaker demand, while only one-quarter observe continued growth. Most report that their organisations are responding to economic challenges in the traditional way: by focusing on cutting costs or improving efficiency.

Whereas companies may have limited control over the level of demand for their products and services, they have a great deal of control over their own decision-making. Many are changing key aspects of the process:

- The downturn demands that companies become more efficient not only in their operations (cited by 96% of respondents) but also in incorporating more customer-centric information into decisions (cited by 53% of respondents).
- While the focus of decisions at half the companies surveyed has shifted to the short-term and tactical—to survival, in other words—executives also agree that companies cannot make good tactical decisions without a vision of where the company wants to be in the long term. Unless it has a clearly articulated long-term strategy, warns Dr Barry Abzug, senior vice president for corporate development at Rockwell Collins, a manufacturer of aviation and defense-related communications and electronics: “a company will find it impossible to make effective or coherent tactical decisions in the near term.”

1. Sarabjit Singh Baveja, Steve Ellis, Darrell Rigby, *Taking Advantage of a Downturn*, *Harvard Management Update*, March 2008.

2. James Surowiecki, *Hanging Tough*, *The New Yorker*, April 20 2009.



- Survey respondents note the need to diversify the sources of information used to make decisions, both inside the company (46% identify middle management as a key source of information) and outside it (customers are identified by 57% of respondents, and providers of capital by 33%).
- Two-thirds of respondents say that the financial and operational information held by the finance function—as filtered through the sceptical eyes of the chief financial officer—is the most important input for good decisions. Also important are the strategic planning function and those with direct pipelines to the customer, notably the sales, marketing and customer-service departments.

Whether companies stick with their core competencies or strike out into new territory, they can increase the odds that they will successfully navigate the recession by improving decision-making. The principles of good decision-making include being proactive, ensuring that decisions are made at the appropriate level in the organisation and basing them on the best information available. Such principles can reduce risk and help companies to turn current challenges into future opportunities.



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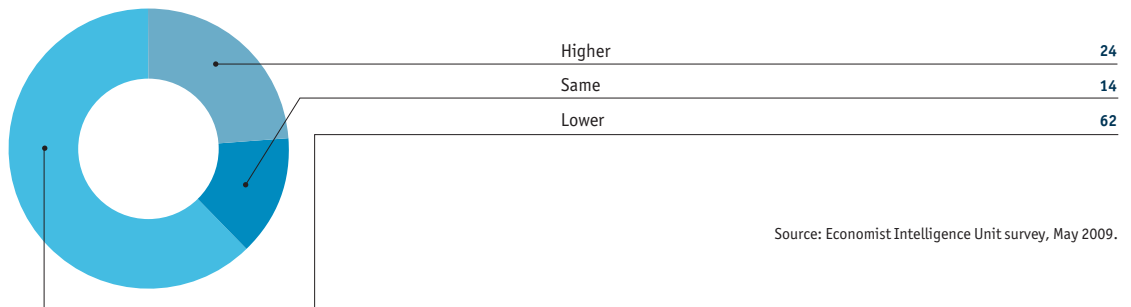
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Introduction

From the viewpoint of executives, decision-making is a process that should lead to higher returns, lower risks or both. By gathering the right information, systematically analysing it and routing it to the appropriate level of authority in the organisation, executives come to understand their environment and the factors influencing it. Based on that understanding, they can make proactive decisions to deal with the future.

Such decisions need not necessarily lead to success in the form of revenue, margins or other metrics. What makes decisions “good” is that they are based on logical analysis of the best information available and are aimed at achieving clear goals. Most executives accept that the environment is governed not by

In light of the economic downturn over the past year, how has demand changed for your organisation’s products or services?
(% respondents)



About the survey

In May 2009 the Economist Intelligence Unit surveyed 229 senior executives to test their views on how decision-making had been affected by the recession. Respondents were almost evenly split geographically: 31% came from the Asia-Pacific region, 31% from

Europe and 29% from the Americas, with the remaining 9% hailing from the Middle East and Africa. Financial services providers constituted the single largest sector in the survey, at 29%, followed by high technology (15%) and manufacturing (12%). Forty-four per cent of companies had annual revenue of less than US\$500m, while 27% brought in over US\$5bn. Forty per cent of respondents were in the C-suite or at board level, and another 19% were at senior vice-presidential level.



mechanistic Newtonian actions and reactions but by an uncertainty principle. There is no guarantee of success for even the best decisions. Indeed, the recent focus on systemic risk recognises that rational decisions by individual firms often occur within a fragile and unstable system.

The recession challenges the decision-making capabilities of companies by forcing them to operate in an environment of heightened stress and uncertainty. It is not just about making decisions in the presence of greater risk; as the economist Frank Knight pointed out, risk involves known probabilities, while uncertainty is about unknowns. When uncertainty peaks, it is impossible to continue business as usual. Decision-making can become paralysed. Organisations curl into a metaphorical foetal position, protecting their vitals and waiting for the re-emergence of a more comforting environment.

These challenges are reflected in the Economist Intelligence Unit's online survey of 229 senior executives. Almost two-thirds (62%) of those surveyed report weaker demand for their products and services since the start of the financial crisis, whereas less than one-quarter report higher demand. This alone shows the extent to which the corporate landscape has been affected.



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Key points

- The stakes are higher during the recession—there is more to gain and more to lose
- Make short-term decisions within the framework of a long-term strategic plan
- If cutting costs is essential, the ideal way of doing so is through higher productivity

A changing context for decision-making

In a recession, demand drops and companies respond by downscaling their operations. Unemployment rises and asset values fall. Uncertainty and fear cause economic activity to slow further. And the fear is justified: in the US alone, more than 500,000 businesses failed during each of the ten recessions since 1945.³

The survey shows that corporate decision-making has also changed. One-half of survey respondents state that decisions become more complex when times are tough. In addition, 47% say that the consequences of an incorrect decision are more severe because of the recession. “In good times, mistakes can be washed away by growth,” says Matthew Rubel, chief executive officer (CEO) of US-based Collective Brands, the largest non-athletic footwear company in the western hemisphere. In bad times, however, economic uncertainty makes decisions more complex and riskier.

The recession has also delayed plans. Tom Waechter, CEO of JDSU, a California-based provider of communications testing and measurement solutions, observes that many companies are delaying capital investment in order to hang on to cash.

Uncertainty has slowed the pace of decision-making. Anyone reading the reports of recent corporate investor conferences will be struck by how often company executives explain anaemic sales by pointing to dithering clients who cannot make up their minds as fast as they used to. They delay orders from suppliers, who in turn stretch out purchases from their suppliers. The entire sales cycle slows to a crawl—the very essence of a recession.

While companies have lost influence over the decisions of buyers, many are working to improve their own ability to make decisions quickly. At a conference for US-based Amcore Financial investors in April 2009, Amcore’s CEO, William McManaman, reported on an internal reorganisation that “not only reduces our cost structure, but also eliminates one layer of management and two layers in the commercial line of business. We believe this will serve to accelerate decision-making in the bank and make us a more disciplined, flexible organisation, capable of adapting quickly to changing conditions,” said Mr

3. “Strategies to prevent economic recessions from causing business failure” by John A. Pearce II (Villanova University), and Steven C. Michael (University of Illinois at Champaign), published online April 2006 at www.ScienceDirect.com.



McManaman. Executives at other companies have made similar comments to analysts.

A cynic would say that these companies simply want to cut costs, and that the need to accelerate decision-making offers a convenient rationale for reducing headcount. But there is no contradiction between increased efficiency and speedy decision-making. The downturn demands that companies become not only lean and mean but also faster than their rivals.

Unfortunately, layoffs can compromise future performance if strategic skills are lost. A better strategy is to focus adjustments on reducing operating costs by boosting productivity. Japanese manufacturers long ago seized a position of industry leadership by introducing lean-manufacturing systems that reduced costs while improving quality. In the US, Southwest Airlines cut costs by reducing the time that its fleet spent on the ground. Companies as diverse as clothing manufacturer Benetton, sports-goods supplier Nike and computer giant Dell slashed their overheads by outsourcing production to networks of suppliers. In each case, cost reduction was tied to the implementation of a new business model.

Our survey suggests that the current recession has also shifted the focus of decision-making from the medium and long term to the near term. Almost one-half of respondents report that decisions are now more focused on the short-term and tactical. But Barry Abzug of Rockwell Collins, a manufacturer of aviation-related communications equipment and electronics, cautions that “without a clear vision of where it wants to be in five or ten years, companies will find it difficult to make effective or coherent tactical decisions in the near term”. Accordingly, Rockwell Collins has articulated a long-term strategic framework that guides its tactical choices.



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Key points

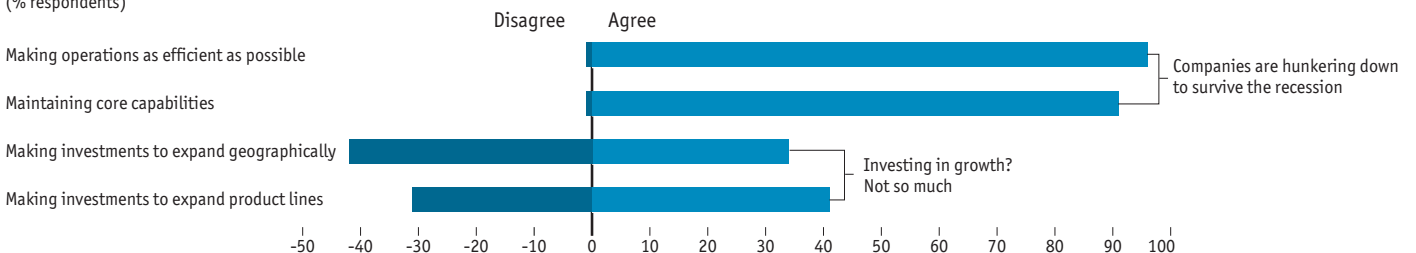
- Deep recessions are typically followed by longer periods of strong growth
- Recessions “reshuffle the deck” and open up new ways of doing business
- “Missing the boat” means failing to be ready when the recovery comes
- “Sinking the boat” means weakening or bankrupting the company by getting too aggressive too soon

Deciding how to respond

If the context of making decisions has changed, so has the content. The fundamental choice in the recession boils down to challenge and opportunity: do companies hunker down and weather the storm, or do they look for a way to skip across the waves?

Most companies choose to hunker. Two-thirds (67%) of the companies surveyed by the Economist Intelligence Unit have responded to the recession by spending less. Even more striking, virtually all (96%) of those surveyed note that their organisations are responding to the recession by emphasising efficiency. A similar percentage (91%) are focusing on maintaining core capabilities. In other words, they are biding their time and emphasising what they do best.

My organisation is currently focusing on: (% respondents)



More than one-third of the companies surveyed, however, are also willing to try something new. Some 34% of respondents report that their companies are investing in new markets and 41% are investing in new product lines. Most companies seem to respond to challenges by working to limit risk and exposure, but about one-third consider the current economic climate a time of opportunity. These companies



Where to focus decision-making in recessions: Ten areas to consider

1. Evaluate your business model: Is it time to move on?
2. Is it possible to cut costs by increasing productivity?
3. Review your customer base: Are you addressing the entire potential market? Is it the right market for your product? Is your product right for the market?
4. Consider how to provide even more value to customers and clients.
5. Evaluate your marketing: Are you getting the right messages across to your markets in the right way?
6. Don't lose knowledgeable people with valuable skills: Re-deploy them.
7. Invest in skills, especially among decision-makers and sales staff: Prepare them thoroughly for what has to be done.
8. Evaluate competitors, distributors, channels to market to find innovative ideas.
9. Assess the evolution of your industry and prepare to work with different partners and suppliers.
10. Identify new products and services to invest in.

recognise the beneficial role of recession, which:

- hastens the decline of outmoded business models
- forces producers to trim their expenses and get rid of unnecessary overheads
- adjusts consumer attitudes towards quality and value
- creates buying opportunities through lower asset prices

In effect, recessions “reshuffle the deck” and pave the way for a more efficient, reinvigorated economy. Typically, buoyed by the return of confidence and optimism, economic recoveries are longer and stronger than the recessions that preceded them.

Many companies recognise the inevitability of a boom after every bust. They know that adroit organisations can benefit from recessions, moving ahead while others falter. During the depths of the Great Depression of the 1930s one US cereal company, Post Foods, chose the predictable course and cut its costs. Rival Kellogg's, by contrast, embarked on an aggressive campaign of advertising. The result: revenue at Kellogg's grew, even amid feeble demand, and the company emerged from the crisis as the dominant force in its chosen market. Other companies that have achieved strong growth even during recessions include fast-food firm McDonald's, carmaker Toyota and retailer Wal-Mart.

Terry Ansari, Vice President, Internet Business Solutions Group at Cisco, points out that a recession presents companies with two distinct opportunities. “It's an opportunity to refocus the organisation, refine your strategy and tighten up things that have been allowed to happen because in good times the company had lots of cash. Or it's an opportunity to become more aggressive in the market in preparation for the coming upturn. You can either work to right the ship or raise your sails and cruise on through to the next up-cycle in the economy.”

The risks corresponding to these two courses of action have been called “missing the boat” and “sinking the boat.” Missing the boat means failing to prepare for the coming recovery; sinking the boat means overspending to do so (or failing to cut costs sufficiently to survive the recession). Not surprisingly, research suggests that most executives would rather risk missing the boat than sinking the boat, but also



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that they prefer “to pilot bigger craft than smaller ones”.⁴

Executives may find it counterintuitive to expand rather than scale back during a recession. And yet half a century of experience with recessions suggests that the real winners will be those that recognise the inevitability of recovery and prepare for it aggressively. They understand that their competitors are already preparing for that recovery, and that they have to do the same if they are to be first off the mark when it happens.

Moreover, the choice between scaling back and expanding may be a false dichotomy: companies can do both. This is what happened at the US member-owned hardware co-operative True Value, says Steve Poplawski, senior vice president of logistics and supply chain management. When the first signs of recession appeared, “on the one hand, we decided to stay the course and even increase investment in strategic initiatives, future growth and anything that was customer facing. On the other, we took aggressive steps to control spending on anything that was discretionary.” As a result, True Value has been very successful in weathering the recession, according to Mr Poplawski. The most strategically successful decisions reconcile both imperatives.

4. P Dickson and J Giglierano, “Missing the boat and sinking the boat”, *Journal Of Marketing*, 50 3 (1986), pp. 58–70; James G March and Zur Shapira, “Managerial Perspectives on Risk and Risk Taking”, *Management Science*, 33, November 11th 1987, p.1,404; John W Mullins and David Forlani, “Missing the boat or sinking the boat: a study of new venture decision making”, published online at www.ScienceDirect.com, January 2004.



Key points

- Dealing successfully with uncertainty requires speed and agility
- Ensure that decisions at all levels are informed by a collective understanding of the company's strategy
- Resist the temptation to overcentralise decision-making

The decision-making process

An instinctive reaction to greater complexity and uncertainty is to tighten control. Many companies are centralising their decision-making processes in an attempt to respond quickly to changes in the market: 45% of survey respondents report that decision-making in their companies has become more centralised during the recession. In some cases decisions may take longer; in others, they may need to be instant. Focusing them on senior management ensures that the C-suite can respond to either situation.

Companies centralise to become more responsive, but centralisation can sometimes slow decision-making. At Unified Grocers, a wholesale grocery co-operative in the western United States with net sales of US\$4.1bn in 2008, the organisation's president and CEO, Al Plamann, suggests that centralisation actually impairs flexibility. "Companies have to deal with dramatically more uncertainty, complexity and ambiguity in the current recession," he says. "There are many examples of dilemmas that are not easily solvable and that require constant agility. That does not come from centralisation." Instead, Mr Plamann suggests that true flexibility arises when those who are closest to customers are empowered to respond to constant shifts in demand, preferences and attitudes.

Mr Rubel at Collective Brands suggests that the decision-making process must be both broad and deep. "It is widely disseminated across functions and deep into functions," he says. "It is a waterfall or cascade down from the top as well as coming up from the bottom." It is equally important that decisions are informed by a collective understanding of the company's strategy. According to anonymous internal benchmarking surveys, says Mr Rubel, between 87% and 92% of the firm's employees understand the strategy of the entire company or their own business unit. "And if you ask if they understand their role in operationalising the strategy, you would get a score in the upper 80s," he says.

Rockwell Collins also claims an approach that combines the best of both worlds—broadly based participation tightly coupled to expeditious senior executive decision-making. The company develops and maintains a long-term vision of where it wants to be. This serves as a framework for tactical choices. This vision is a permanent work in progress that continues to adjust to new information and



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Unified Grocers: Decisions driven by customers

With annual sales of US\$4.1bn in 2008, Unified Grocers is the largest retailer-owned wholesale grocery co-operative in the western United States. Because its business depends on rapidly changing consumer preferences, the company supports its decision-making with an extensive network of marketing specialists who track their customers "ZIP code by ZIP code and neighbourhood by neighbourhood," as the organisation's president and CEO, Al Plamann, puts it.

Unified Grocers has engaged specialists with a deep knowledge of markets that are still growing in one way or another, such as the expanding Hispanic community or organic foods. These specialists work closely with retailers to develop a detailed understanding of local conditions and dynamics in every community. Mr Plamann says that "by having the right people out there, we can embellish what we learn from the general data sources". The result is that Unified Grocers can develop highly customised and very successful

programmes of support for its retailers.

Unified Grocers also empowers its marketing network to make decisions at the local level. It understands that its customer-facing employees are in the best position to observe changes in demand and to understand what retailers need. Senior management develops the company's broad operational strategy, but then validates it by working closely with its local markets. For example, it launched a programme of cost-cutting through productivity increases that Mr Plamann says was highly successful because of the creativity of the younger people in the organisation.

"It occurred to us that logistics models are changing," he said. "We asked ourselves what we need to do differently if cost drivers such as energy change on us." Unified's analysis combined the insights of its local marketing teams with the expertise of external consultants. Today, the company has moved away from the idea that it needs to operate huge facilities of its own. Instead, it is focusing on facilities at the retail end. As a result of initiatives such as these, 2008 was a record year for Unified's revenue, which came in US\$150m above target.

changing circumstances.

Within the company's broad vision, activities at Rockwell Collins are organised around business lines, or what the firm terms portfolios. Each portfolio conducts its own planning and makes its own decisions. One of the things that unifies the process is the fact that Rockwell Collins has adopted a strong corporate-service model that extends, among other areas, to all of its manufacturing activities. Before any portfolio implements a decision, it must first align the decision with the fabrication (manufacturing) services unit, which in turn has to align it with the plans and decisions of the executives managing all the other portfolios. At that point, all options, plans and strategies are brought together in the C-suite, where final decisions are made quickly. Executives can choose a course of action secure in the knowledge that the plans have been thoroughly prepared, analysed and aligned across the organisation.

This technique served Rockwell Collins well in the days following the September 11th 2001 terrorist attacks in the US. Executives knew that the attacks would lead to a decline in orders for aircraft and the systems and components that go into them. Says Dr Abzug: "We understood our industry and the factors driving it, we had a clear vision of where we wanted to go, and we had an effective process of decision-making that enabled us to integrate portfolio and corporate service inputs quickly into a coherent enterprise response." As a result, executives were able to adjust the company's growth and product strategy within a matter of weeks.



Key points

- Develop a process to gather and analyse information and distribute it to the right levels of the organisation
- Think about re-weighting different types of information by their degree of importance to the final outcome

Information about what?

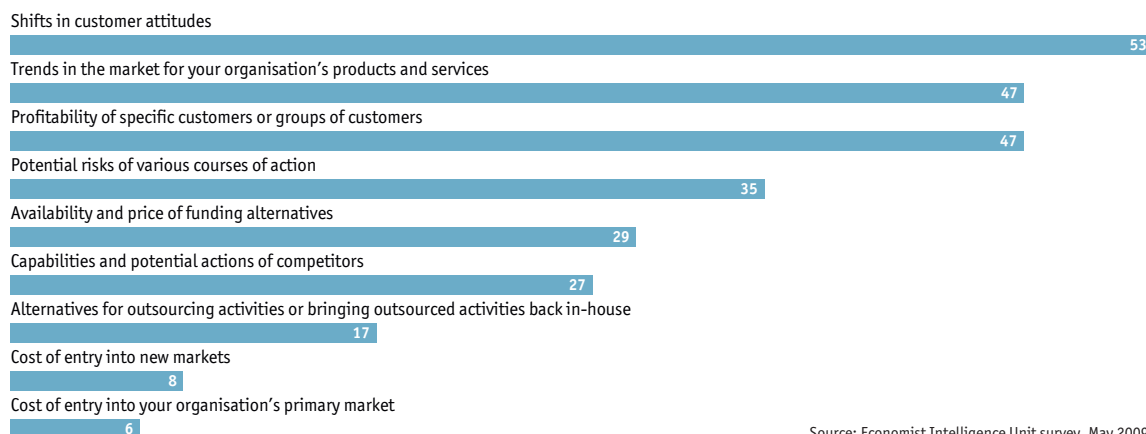
All decisions are made amid uncertainty, and companies respond by collecting information that they hope will reduce uncertainty. The key is to ensure that those who need to make decisions have the right information in the right form at the right time.

In the Economist Intelligence Unit's survey, 56% of respondents suggest that the types of information needed to make decisions are now being weighted differently than before the downturn. The survey also shows an almost even split between those who say that their company needs to make better use of internal information (29%) and those who want better use of external information (28%). A relatively small proportion (9%) want more weight to be given to external advisers and consultants.

In the current climate of uncertainty, certain types of information have become more important than

Given the changes in the economy over the past year, which of the following types of information or analysis have become more important than before when making major decisions?

(% respondents)



Source: Economist Intelligence Unit survey, May 2009.



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they were before the recession. About 53% of those surveyed say that tracking shifts in customer attitudes has become more important since the recession started, while 47% report that market trends have become more prominent, and an identical percentage are paying closer attention to the profitability of their customers. Clearly, gathering better information about the marketplace becomes more important as the recession undermines demand.

The point is echoed by Unified Grocers' Mr Plamann. "We try to listen to shifts in the preferences or the demographics of our customers at a very granular level. We worry about what is happening ZIP code by ZIP code, neighbourhood by neighbourhood."

But it is not just about customers; it is also about the broader context of information. Cisco's Mr Ansari points out that "the complexity of the environment, by definition, means a whole different view of who are your partners, sources and stakeholders. The information model continues to evolve. Information can come from a variety of sources, including non-traditional ones such as social networks." In other words, there are more ways by which decision-makers can gather insights into customers than ever before.

Although market information is critical, about one-third of survey respondents also place a premium on information about the risks inherent in different courses of action. A smaller, though still significant, proportion are interested in financing (29%) and the actions of competitors (27%).

There is an inherent tension, however, between amassing information and exercising decisive leadership. The threat of "analysis paralysis" grows as sources of information proliferate. Mr Ansari calls information the life-blood of organisations, but it has to be channelled to where it is needed. He suggests that information has to be treated as a core part of a company's infrastructure, as fundamental to its operations as is electricity. That means developing an appreciation of the critical importance of information coupled with a framework—a "taxonomy", as Mr Ansari calls it—to ensure not only that the right information is collected but that there is a broad understanding of how to process and apply it. He suggests that "this is less a matter of any specific technological infrastructure and more a matter of corporate commitment."

Successful companies are those that have perfected an ongoing process of gathering information, analysing it and making it available to any decision-makers in the organisation, at whatever level, so that they can draw on it instantly when they need to.



Key points

- The credibility of the chief financial officer (CFO) as a source of input to decisions has increased
- Customer-facing functions should have a strong voice
- Corporate strategy can ensure that short-term actions are aligned with long-term vision

Whose input matters?

Where does the C-suite look for input into major decisions? In a word, finance: two-thirds of survey respondents rank the finance unit as the most important source of input. This is not just because finance tracks and aggregates the company's financial and operational information. It also reflects a particular way of seeing things: CFOs tend to have a conservative and sceptical attitude that is essential for companies struggling to survive as well as for those considering new initiatives. In second place is the strategy function, at 39%, followed closely by the functions most intimate with the customer: sales (36%), marketing (34%) and customer service (34%). In challenging times, corporate decision-makers focus on cash, strategy, customers and sales.

This preoccupation with the customer was found elsewhere in the survey when respondents were asked which groups needed to be most involved in decision-making during the recession. The largest group identified were customers (57%) followed by middle management (46%). About one-third of respondents also mentioned input from providers of capital, such as financial institutions and investors.

The importance of insight into customers at all times—both when the economy is growing and when it is shrinking—is stressed by Collective Brands' Mr Rubel: "We are always looking for consumer insights. However, we believe that the consumer's mindset has made a material shift toward quality and value during these [recessionary] times." Thus, the source of the insights may not change, but the message can alter significantly.

Most companies claim to be customer-focused. But because recessions are likely to change customer behaviour, companies need to reassess what their customers care about. The global crisis in the automotive industry illustrates two approaches to addressing changing customer priorities. The big American companies have attempted to revive demand with 0% interest and offers to the public of pricing formerly offered only to employees, to little effect. By contrast, Hyundai of South Korea determined that in the current climate the real impediment to vehicle purchases was the fear of job loss. It therefore introduced its Assurance programme, under which anyone losing their job within a year of purchasing

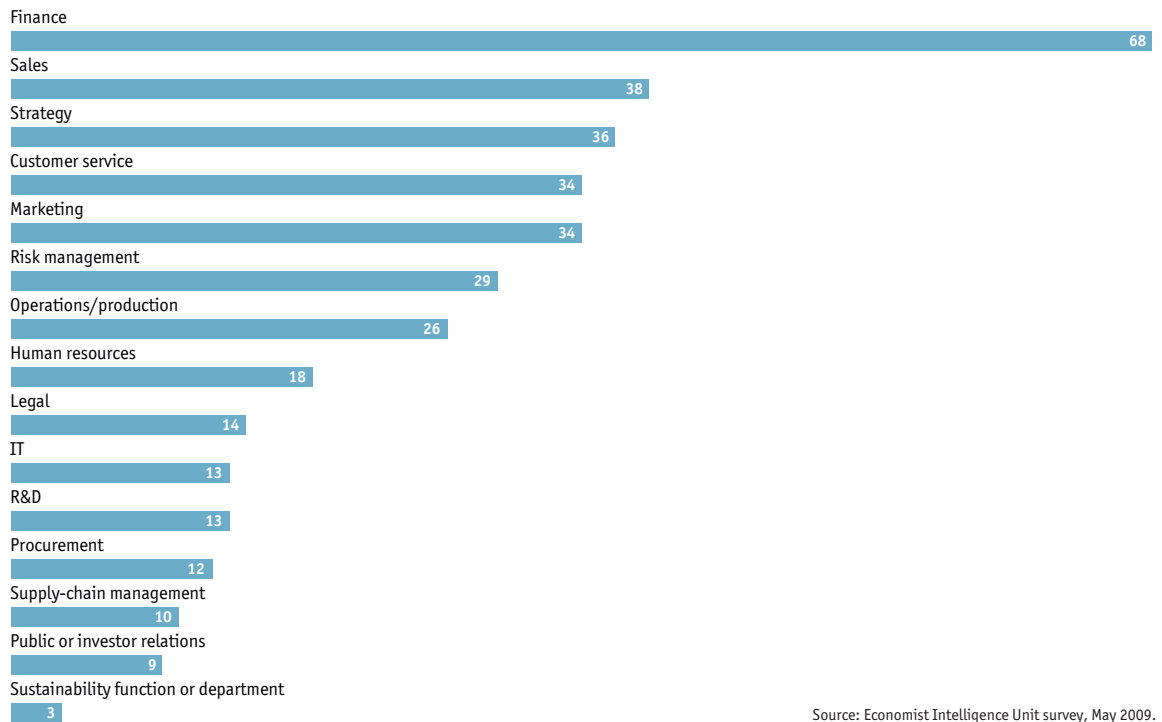


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When major decisions are made, which functions provide the most output?

(% respondents)



Source: Economist Intelligence Unit survey, May 2009.

a Hyundai product can get a full or partial refund. Purchases of Hyundai cars have increased even as industry-wide sales have plummeted.

The recommendation to pay more attention to customers begs the questions of which customers and how to gather the information. Altera has a carefully defined process for dealing with information that it put in place long before the recession, but, as Mr Biran says, "you do need smart people to collect the right data and analyse it. Our system doesn't make any decision automatically. You still need to talk to the right customers, understand what they are telling you, come back and look at our technical capabilities and our return on investment. There is nothing that will replace good sense."



Conclusion

Any boat may seem seaworthy in a protected cove, but navigating through a storm requires skill and vision. And while storms are dangerous, strong winds and high waves also provide the power to speed skilled captains toward their destinations. In short, recessions can offer aggressive companies a chance to catch up and pass their competitors, as long as they read their surroundings correctly, incorporate this intelligence into their decisions and execute well.

Most survey respondents say that their companies are doing what they must: cutting costs, becoming more efficient, trying to survive from day to day. But at least one-third are going beyond the “hunker down” strategy. These companies, as well as the executives interviewed, present a more nuanced and proactive vision of decision-making amid uncertainty. Some of their lessons are:

Expand your sources of information. The more diverse the inputs, the more nuanced the decisions. An executive who draws on the views of colleagues in a single function will obtain fewer viewpoints than one connected to the same number of people across different functions. Moreover, people who interact with each other every day come to know many of the same things and share many of the same views. In contrast, customer-facing employees tap into a wider world of perceptions and views that are directly relevant to the company’s future. And customer intelligence is now available from a variety of sources, including non-traditional ones such as social networks. Customers do not wear blinders (at least not the same ones worn inside the company). Survey respondents and interviewees alike emphasise the importance of funnelling customer input into the decision-making process.

Keep your eyes on the prize. Executing a long-term strategy is not a luxury reserved for times of economic growth. Companies cannot make tactical decisions without a vision of where they want to be in the long term. If the strategy is customer intimacy, the customer-service department will not be sacrificed to the research and development function. If it is operational excellence, logistics and inventory



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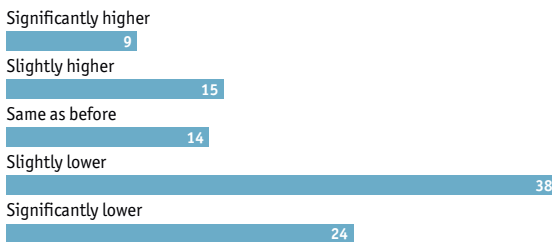
management may be accorded a higher priority than sales and marketing. The job of aligning short-term survival with long-term strategy is ultimately the job of senior management.

Develop a taxonomy to help classify, analyse and distribute information. Too much information can paralyse decision-makers. An automated or semi-automated system of gathering, classifying and routing information can help to ensure that it is understood and acted on quickly. Mr Ansari of Cisco suggests that this information infrastructure is as fundamental to operations as electricity. He stresses the importance of a taxonomy that ensures not only that the right information is collected but that there is a broad understanding of how to process and apply it. To do this does not necessarily require sophisticated technology—it is more a matter of achieving a collective understanding of the company's strategy (as Mr Rubel points out) and its corporate culture. Regardless of the mechanics, successful companies pay attention to gathering information, analysing it and making it available to any decision-makers in the organisation, at whatever level, so that they can draw on it instantly when they need to.

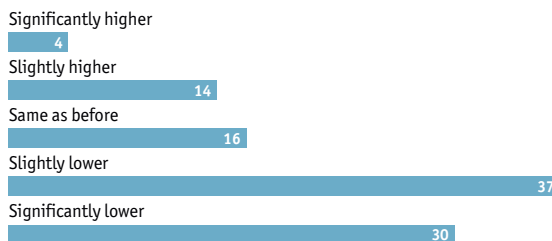
As Warren Buffett has said, "risk comes from not knowing what you are doing". Whether they focus on the existing business or strike out into new territory—righting the ship, or raising the sails—companies can make it through a recession successfully by enhancing their approach to decision-making. Good decision-making is proactive, occurs at the appropriate level of authority and is based on the best information available. These principles reduce risk and provide a clear path towards effective execution. They can be used to ensure that companies do not merely remain conscious of the changes around them, but also know how to adjust what they are doing. Companies that are more aware of their environment are more likely to sail through the storm and arrive at their destination; ignorant firms tend to be blown off course—or worse.

Appendix Survey results: Management magnified Getting ahead in a recession by making better decisions

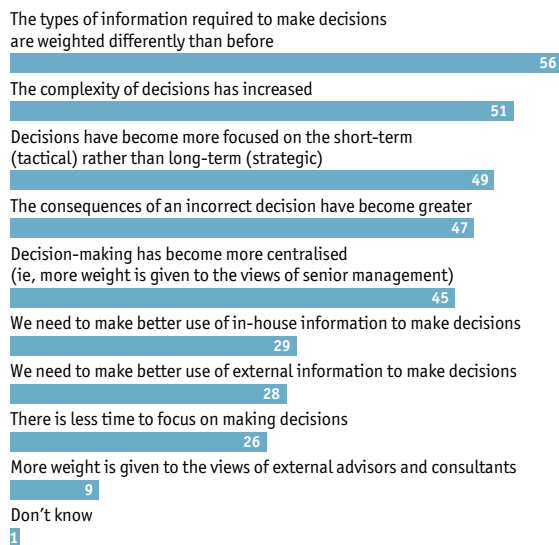
In light of the economic downturn over the past year, how has demand changed for your organisation's products or services?
(% respondents)



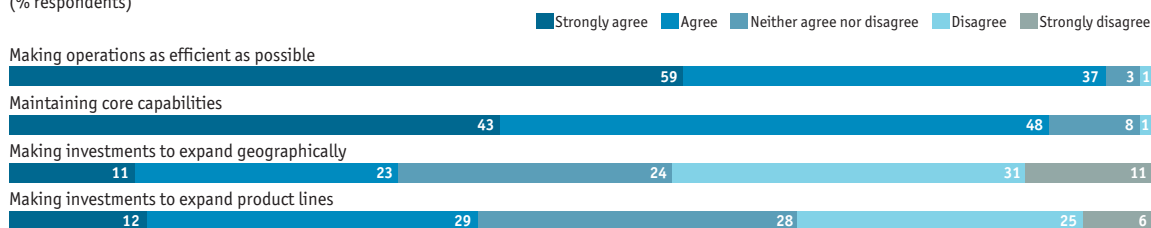
How have overall expenditures at your organisation changed during the downturn?
(% respondents)



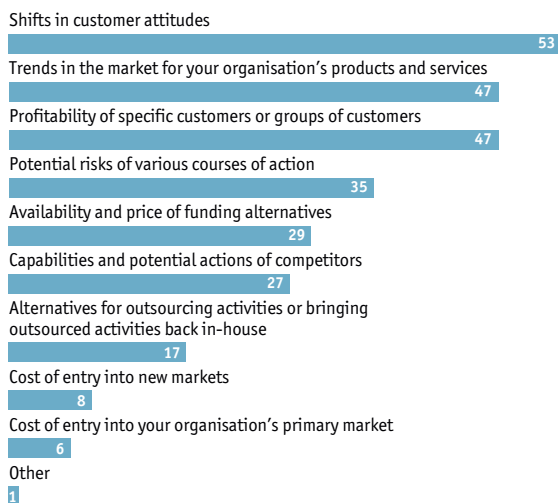
How have changes in the economy over the past year affected major decisions at your company? Choose all that apply.
(% respondents)



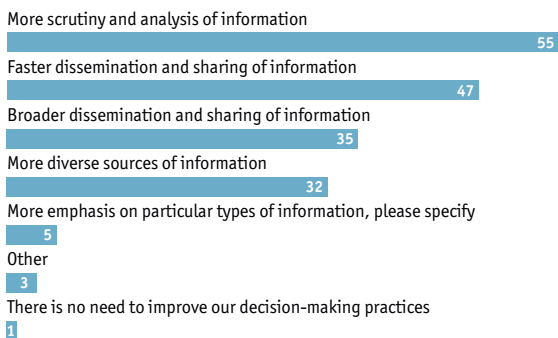
My organisation is currently focusing on:
(% respondents)



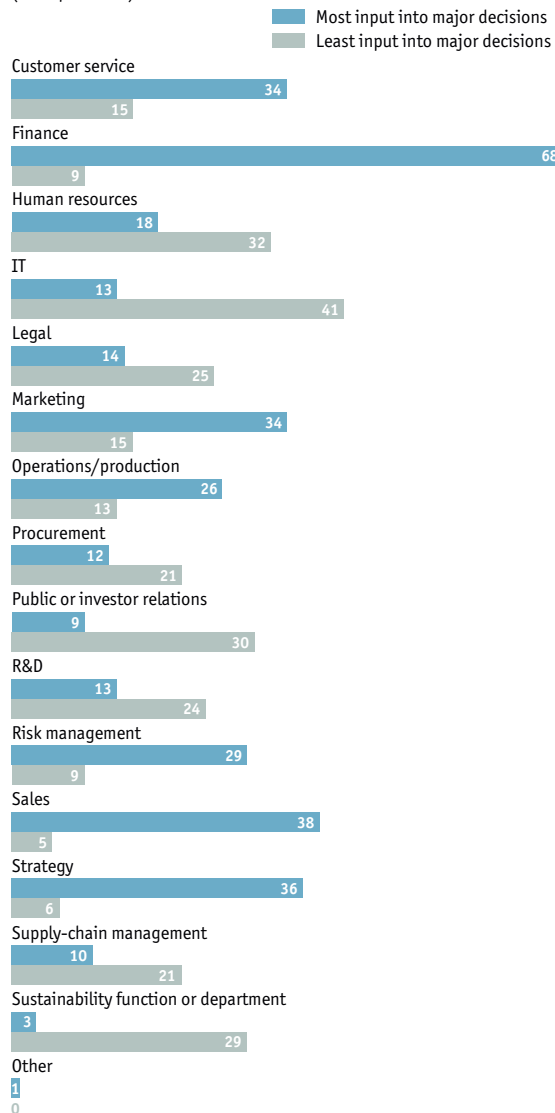
Given the changes in the economy over the past year, which of the following types of information or analysis have become more important than they were before when making major decisions? Choose up to three.
(% respondents)



Given the changes in the economy over the past year, what changes in decision-making practices do you believe would lead to better decisions at your organisation? Choose up to two.
(% respondents)

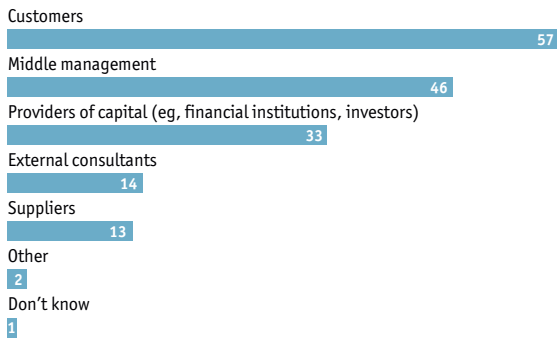


When major decisions are made – decisions that result in a change in the organisation's business objectives – which functions provide the most input? The least? Choose up to four in each category.
(% respondents)



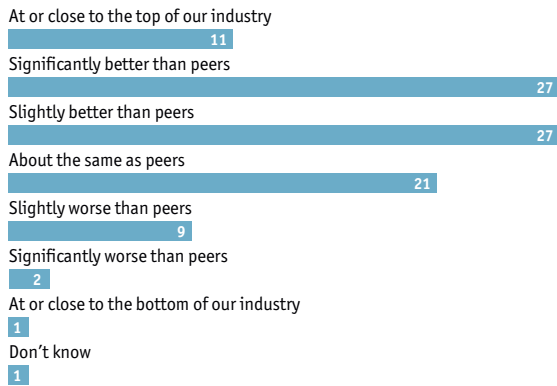
Given the changes in the economy over the past year, which groups do you believe need to be consulted more than in the past when making major decisions?

Choose up to two.
(% respondents)



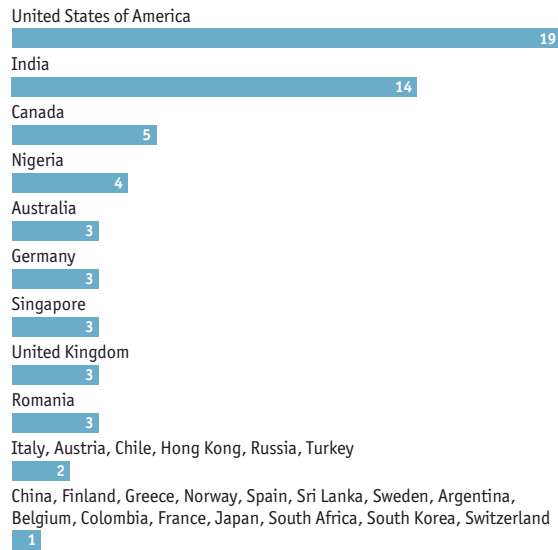
Over the past year, how has your organisation performed relative to its industry peers?

(% respondents)



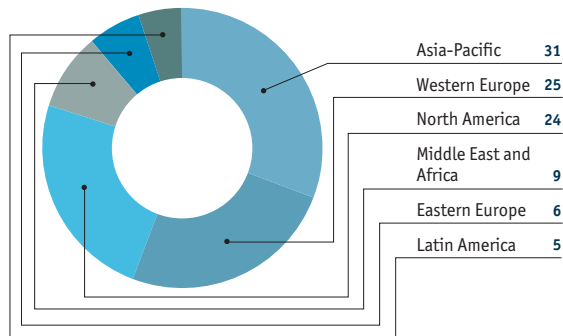
In which country are you personally located?

(% respondents)



In which region are you personally based?

(% respondents)



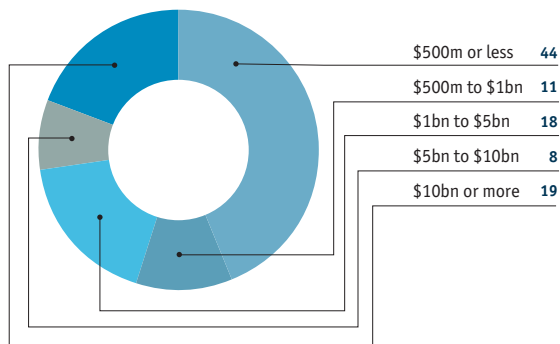
What is your primary industry?

(% respondents)



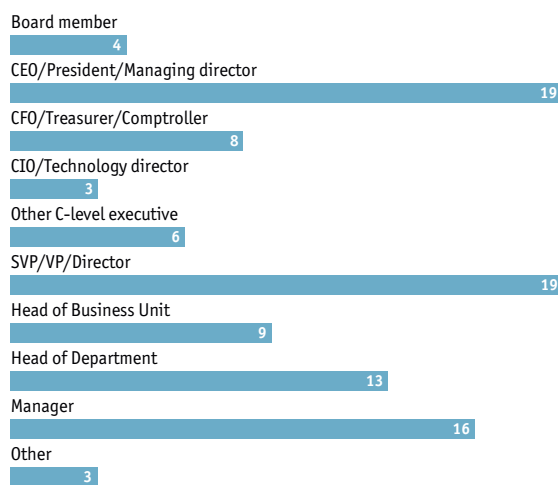
What are your organisation's global annual revenues in US dollars?

(% respondents)



Which of the following best describes your job title?

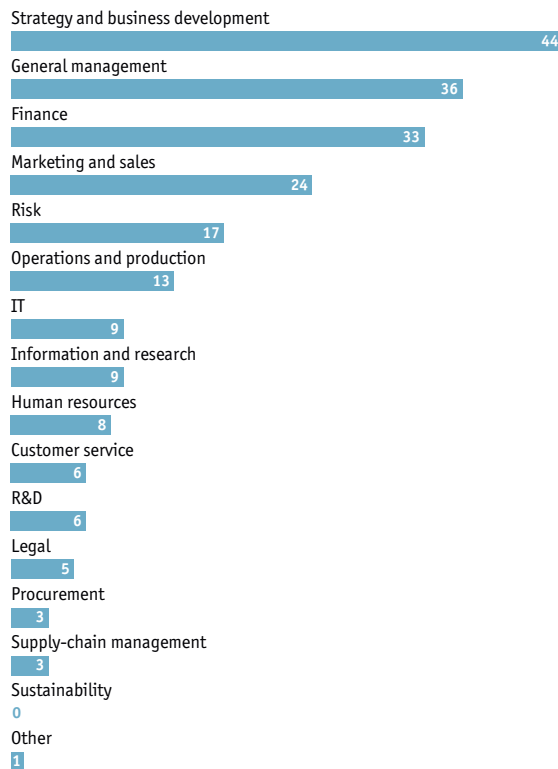
(% respondents)



What are your main functional roles?

Please choose no more than three functions.

(% respondents)



Whilst every effort has been made to verify the accuracy of this information, neither the Economist Intelligence Unit Ltd nor the sponsors of this report can accept any responsibility for liability for reliance by any person on this report or any other information, opinions or conclusions set out herein.

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