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TALES FROM THE DOWNTURN: PART 2

Jack Reigle

The top design-business adviser and author of 'Silver Bullets: Strategic Intelligence for Better Design Firm Management' offers tips for turning a slowdown to your firm's advantage. The upshot? Focus on your strengths.

By Ned Cramer

When you're talking with clients - which range from giants like RTKL and NBBJ to small regional firms - what are you hearing about their anxieties about the economy?
They still feel pretty good, they have a decent backlog, they are as busy as can be. Out of the dozen or so that I've talked to in any detail in the last few months, maybe one is experiencing a slowdown. The rest are more concerned about the backlog going into '09.

The states are still spending. That will carry any number of firms that much further. But just from a tea leaf kind of reading, I would say you've got to expect overall a 15 percent decline in state spending, beginning with the new budgets later this year.

Credit: Brian Smith

It sounds like you've been hearing what I've been hearing - that the majority of well-managed, sizeable firms haven't felt a crunch yet.
You've got three phases to go through, which equals about two years. What I'm encouraging my clients to do is set up criteria for cost cuts - managing the business a little better, perhaps staff reductions - so that you have a disciplined way of saying, "Every eight months, we're going to look at the criteria we set, and we assume we're going to lose 5 percent through each of those periods. And what would our actions be, at what points in time, assuming that comes true?"

This wraps up into the larger point, which is to get out of the denial phase quickly, even if you're really busy. Accept the fact that we are in a slowdown. It's going to continue, and it's going to get worse.

Despite the Federal Reserve saying that we may not be in a recession?
Smarter people will play that point of view and still look to strengthen their positioning in the marketplace.

You've got to use your own gut, but I think it's safer to plan this out. If we all get nicely surprised with some growth spurts and things turn around, well ... hallelujah!

Is cutting costs all about layoffs, or are there other strategies?
There's both. The sequence is important. The first thing is to manage your costs. Go through that exercise with the key people, then reverberate down to the staff . The knowledge of what you're doing helps set up the second step much more effectively than just letting Sally and Joe go. First you need to show that you're going to manage the firm better.

Once you've thought strategically about expenses, what's next?
You have to look at judicious staff cuts. But you've got to set criteria. Judge on performance and potential, and see how people fall out on a ranking first. Then look at the cost versus the savings to the business. Get all the objective stuff done first. People run to the subjective side first. It becomes a turf war. You don?t have an objective basis that everybody's participated in to bring the conversation to the appropriate conclusion.

It can become a little bit of a melee.
Downturns require more discipline than expansion periods.

What else are we looking at?
The other thing is strengthening your position. If you're a generalist firm, and you're only making a few-percent profit, and you're in the bottom of the performance stack, even after the expansion of the recent years, this is another, last chance to become more specialized and focused. Cut away at the less productive sides of the business. If you haven't made the decisions to be in two or three key markets - where 85 percent of your business comes from two or three key markets - this is the time to do it. Even if that means shrinking the firm in half.

So, in a way, this difficult phase might actually become a long-term business opportunity to refocus the firm.
The transition strategy is on the other side of this mountain we have to climb. What will the value of your firm be? With the baby boomers making their exits, more firms are going to get bought. And the only way to get a decent dollar out of that is to be able to become a division of a larger firm as an intact, fully functioning, focused entity.

That flies in the face of conventional wisdom to diversify.
That's a fear-driven strategy. You're just propping up the machine of the firm, but losing your identity and the depth of the knowledge that you'd otherwise be creating. Focus on developing client tools and products: a feasibility study, an energy analysis. Offer them something that comes from your years of experience. Run fast; do it quickly. That expertise, that depth, is the only way. It pays off in the good times and is even more necessary in the bad times, because there is an end to this tunnel.

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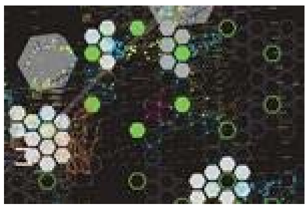

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