

Business in 3D

Embracing the challenge of change

Shirlaws
Love business.

Preparing your business for change - Darren Shirlaw

Over the past eighteen months I have presented to over 10,000 businesses across the globe on the evolving economic climate and the subsequent impacts on business. Many of you will have experienced my insights and followed my article series about the importance of understanding the cycles.

The recession is now formally a 'W' and this means that the entrepreneur, the leader and the manager will need to drive their businesses into a W shaped **RECOVERY**. This is the first time since the 1970s that this is needed, and it requires not only a **CHANGE** in skills and approach, but also a **CHANGE** in fundamental business thinking.

Understanding the W is the backdrop to the **CHANGE** in thinking.

To prepare for the 'Business in 3D: Embrace the challenge of change' event I have highlighted a few key messages specifically about the 'W'.

The challenge with understanding of the 'W' is the level of uncertainty attached to timing.

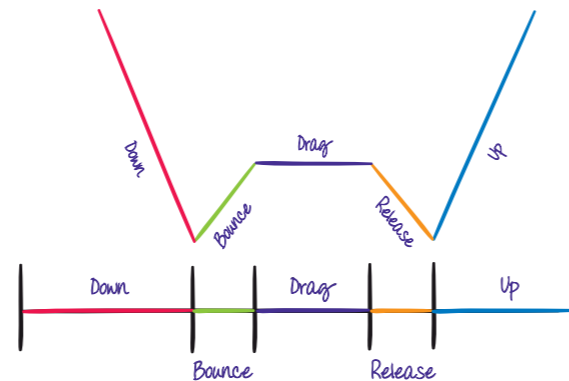
- When will the markets shift through the 'W'?
- What if the market does not follow the 'W' and only follows the 'V'? – You could hold off and not invest and miss the uplift.
- With many managers holding off investing this prolongs the shape of the 'W' – similarly to the 'L'.
- If you try and time events across the 'W' and miss time this has a huge impact on profitability of the business.

The shape of the 'W' tends to unfold as five events:

1. **The down:** the first part of the 'W' is the fall away in the markets – for 2008/09 this was a drop of over 50% across most markets.

2. **The bounce:** the second part of the 'W' sees the market economy bounce. This usually occurs within a six month period immediately following the down phase and the market rises by over 30%.

3. **The drag:** this is the part usually missed by the markets. The 'W' shape represents the top of the middle part of the 'W' as a point – when indeed it is usually a flat period. These are not found in graphs with long period axis, but shorten the axis period and you will discover that in fact the middle of the 'W' is flat, almost like the 'L' phase. This is where most CEOs/managers make big mistakes, thinking the economy spikes and drops when in fact it goes into a flat phase. The time period of this is indeterminable and can last six months, two years or longer.



4. **The release:** occurs at the end of the drag phase. The markets are awaiting 'return on investment' (ROI) from the bounce phase, and while waiting the market runs out of cash. The result is a fall away in the markets until ROI hits and the cash flow increases in the markets/businesses. This release causes great confusion for the uneducated business manager who will often think that the market is returning to the down phase. What is really happening, however, is the markets are just catching their breath waiting for the next big upswing.

5. **The up:** this is a return to the upswing in the market – boom times are just around the corner.

The last 'W' we had was 1973/74 and the graphs are remarkably similar to this cycle.

With the understanding of the 'W' comes the understanding of the choice of strategies that will dictate the success of your business through the recovery. Many businesses will have already 'down sized' and focused on productivity and efficiencies. Now they need to focus on their growth strategy in a niche/deep/targeted play.

Join David Smith, Lord Digby Jones and I at the 'Business in 3D' conference as we delve into changes in the world, market and business, and the impact of this on your growth strategy.

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