



## The CEO Challenge for May 2010

# Have we entered a New Normal? Hardly.

I have a bone to pick with the phrase “The New Normal” and how frequently it’s being tossed around these days. Yes, we’re emerging from a disastrous global economic crisis. In the aftermath of a tsunami, it’s tempting to look around and call the new landscape “The New Normal.”

My discomfort derives from the implied assumption that there is a “normal” at all. It’s dangerous for businesspeople to be thinking that way. It lulls companies into complacency and blinds them to the constant evolution that takes place in the marketplace every day.

There really is only one normal ... change.

## RECESSIONS ARE NORMAL.

We experienced two recessions in this past decade. Over the last half century, we’ve averaged one every 5.5 years. For example, in this graph (page 2) we see recessions in red and the US civilian unemployment rate in blue. Recessions are regular and normal. Changing employment rates are normal.

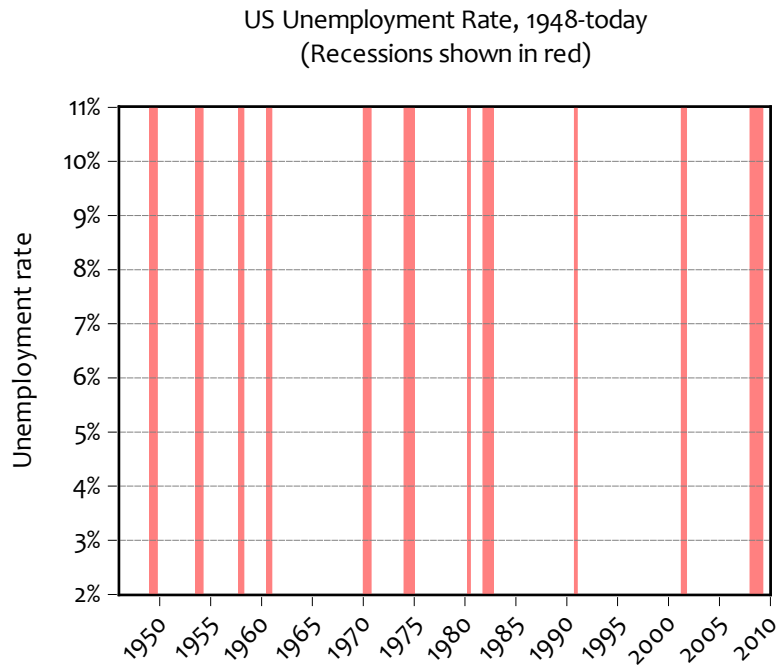
(graph, next page)

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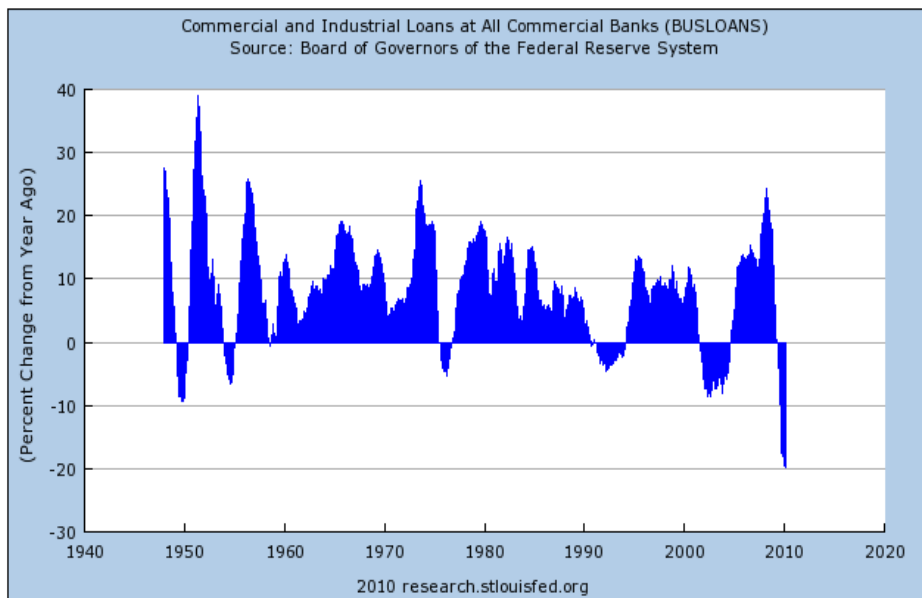
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Here's another example: the annual change in commercial and industrial loans in the US each year. Over a few years, the fluctuation can be significant:



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I could put up a hundred graphs to that show there is no “normal.” The business environment is constantly changing, and companies can’t afford to be complacent about anything. Executives need to constantly look outward to make sure that their strategies and tactics are evolving with the landscape. Even if your company is small, your customers are niche or your business is primarily local, you must be proactive.

I’m reminded of a meeting Rick and I attended three years ago. A group of housing contractors downplayed the need for a proactive revenue strategy since, as they said, “the phones are ringing off the hook without us having to do anything.” Housing is one of the most volatile industries out there, but they were lulled by the constant phone calls over those few short years. How quickly that environment changed.

Think about it. Have you seen changes in any of these variables in the last few years?

1. The competitive landscape: How many competitors you have, how they’re funded, their geographic coverage, strategies, technologies, offerings, prices, value proposition, messaging
2. Technologies used in your business and what’s in store for your products and services, your suppliers and partners, your marketing campaigns, even the way your employees communicate
3. Needs of customers: What’s happening in the personal lives or business lives of your customers? How does change affect their wants and needs?
4. Changes in distribution infrastructure, channel players, costs, competitive threats and mores
5. Suppliers: Are there more or less suppliers available to you? How concentrated is their market power? What will that mean for pricing, delivery times, level of service?
6. Your target market: How has the size of your market changed? What about the rate of growth (or contraction)? Physical location?
7. Prices: Are they constant or evolving? What about relative prices including services and other intangibles? In what direction are they headed?
8. Employee engagement: How is morale? Innovation? The general talent level of your team? Any movement there? (Hint: it’s probably changed a great deal.)

## IT’S NOT DIFFICULT

Staying aligned or even ahead of change isn’t a difficult task to add to an already-full calendar. Instead, it’s a proactive strategy that is built into the fabric of how you do business. It starts with a desire and a willingness to start the process. And like all worthwhile goals, it doesn’t just happen naturally.

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## ACTION PLAN

### 1. Adopt a learning mindset.

It doesn't matter how you learn – reading, lectures, groups, events. What matters is that you *establish habits* for keeping yourself informed. Establishing a habit takes away the discretionary nature of deciding whether or not something is worth the time. And there are lots of learning habits you can indulge:

- Join a mastermind group that meets regularly
- Join some on-line discussion groups that you check in with every morning
- Read one non-fiction book a month
- Sign up for two webinars every month on different topics
- Listen to podcasts and audio-books in the car on your way to work
- Join organizations like Vistage where business people get together regularly to discuss leadership issues & hear speakers
- Listen to weekly speeches or lectures through YouTube Education
- Sign up for thoughtful blogs

What's important is that learning becomes habitual and continuous. Keep your mind open to whatever is happening in the world marketplace. By setting aside time for thought and reflection, you will naturally start seeing the signals and applying what you learn to your business.

### 2. Know your customer

A recent study by Ernst and Young showed that less than 20% of medium-sized companies ever call, write or visit their customers to obtain feedback. The truth is, even if we do *visit* them, it's likely that we're visiting them to sell them something, not to learn. How well can you answer these questions?

- Do you know how your employees are treating your customers?
- Do you know *what it's like* to be a customer of your company?
- Do you know what frustrations your customers have about your company?
- Do you know what your customers wish you did better?
- Do you know what your competitors are telling your customers?

We talk a lot about “the marketplace,” but that's just a euphemism for people. How are people thinking, acting, buying, shopping, and choosing differently than they were last month or last year? Keeping abreast of your customers helps you maintain a valuable relationship *and* learn how they're thinking. Do you think General Motors might be in a different position today if they had reacted to their customers' changing attitudes instead of telling their customers what they should buy?

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### 3. Have conversations, not presentations.

Some time ago Rick and I were invited into a company for a revenue strategic planning session. The company was entering a new market to introduce a creative new approach that could have substantial value for their customers. Before we started the session, the CEO proudly showed us the presentation they were using with prospective customers.

The presentation was a spectacular PowerPoint with beautiful graphics, impressive charts, and lots of bells and whistles. However, what became painfully clear during the planning session was that the company didn't know their prospective clients at all. They were so busy "presenting" that they forgot to listen.

One of the most important skills to develop in an organization is to teach sales, customer service, and leaders how to have *conversations* with customers as opposed to presentations. Too often we "present" a solution or an idea before we truly understand. This isn't as natural as it sounds. Salespeople take a variety of training classes on how to talk but rarely on how to listen. Yes, they ask standard questions, but they don't often truly probe for understanding. Conversations take time. Conversations require a willingness to be wrong or admit that your solution may not be the best one. Conversations demand creative thinking and sound judgment.

However, conversations also increase understanding, build relationships, and spark new ideas. Start right now by finding ways to turn your presentations into conversations.

### 4. Challenge assumptions

In the March Challenge article we wrote about the importance of challenging assumptions {insert link}. We're adding it again here to put some additional context around the issue.

One of the reasons this recession hit some companies so hard is that they did not have a culture of challenging assumptions in place beforehand. Where would we be if more of these assumptions had been challenged?

- Housing prices will continue to rise
- Big companies know what they are doing
- Smart people at the top are making sure that this will work
- The phone will continue to ring
- Our clients love us too much to leave
- We're better than the competition

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## 5. Set and monitor external metrics.

Rick talks a lot about external metrics in this post:

<http://www.therevenuegame.com/ceochallenge/09/bestoftheworst/>. If you want to spot trends, you need to track, measure and discuss external metrics that can impact your business. Don't just look at the Business Journal for clues – keep on top of your environment directly and you'll have greater opportunity to see trends, protect your investments and create value for your customers.

## CONCLUSION

The marketplace is *always* in transition. Don't get caught up in the notion that things will settle down soon when the “new normal” kicks in. Adopt a more sustainable model of observing trends, truly knowing your customer, and challenging the status quo. Your organization can then be nimble enough to make small incremental changes all along the way instead of being flattened by one giant jolt.

**What do you think?**

**Please share your thoughts and experiences with us here!**

<http://www.therevenuegame.com/ceochallenge/5/newnormal/>

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