



SIMPLE BUT POWERFUL SOLUTIONS THAT PRODUCE RESULTS

**The Leader's Dilemma: Act Boldly, Preserve Your Position, or Do Both?
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Simple But Powerful Solutions That Produce Results has championed a central theme: **FOCUS (Strategy) + EXECUTION + LEADERSHIP = RESULTS**. In this issue, we suggest the importance of **bold action in the face of uncertainty**.

Game Changers In Uncertain Times

What do Kraft Foods, Kellogg, Texas Instruments, Apple, and Hyundai have in common and what might healthcare leaders learn from their experience in recessionary times?

- Kraft introduced Miracle Whip in 1933 and saw it become America's best-selling salad dressing in six months.
- Kellogg doubled its ad budget, moved aggressively into radio advertising, and heavily pushed its new cereal, Rice Krispies at the height of the depression. By 1933, Kellogg's profits had risen almost 30% and the company had become what it remains today - the industry's dominant player.
- Texas Instruments brought out the transistor radio in the 1954 recession and started an entirely new entertainment industry.
- Apple launched the iPod in 2001 during the 2001 dot.com bubble crash.
- Hyundai has made huge gains in market share this year, thanks to a hefty advertising budget and a guarantee to take back cars from owners who have lost their jobs.

According to business and finance columnist James Surowiecki, in "Hanging Tough" (THE NEW YORKER, April 20, 2009), numerous studies have shown that companies that keep spending on acquisitions, advertising and R&D during recessions do significantly better in the post recession recovery than those that adopt a bunker mentality and make big cuts.

Other reported findings:

- Firms that increased or kept ads stable during the 1921-1922 recession saw sales hold up better than those that did not.
- Chrysler introduced the low end Plymouth during the depression and by 1933 surpassed Ford as the Number 2 automaker in North America
- Companies that became or remained market leaders during the 1990 -1991 downturn increased R&D and ad budgets while those at the bottom of the pile did not.
- In 1990-1991 twice as many companies leapfrogged to the top of their industry than did in more certain times before and after that period.

Surowiecki was quick to point out that short-term market gains pushed by innovation or increases in advertising did not guarantee long term success. But many companies

maintained the sales and market share gains that they achieved from “recession investments.”

Risk vs. Uncertainty - What's The Difference?

Risk describes a situation whose parameters or possible outcomes can be estimated; **uncertainty** describes a situation where the outcomes are not clear, predictable or controllable. **Risk management** is a business discipline familiar to healthcare leaders. We don't have much experience with **uncertainty management**.

The current recession, a period of extreme uncertainty with no clear end in sight, challenges leader's ability to balance short and long-term interests. Heightened uncertainty around healthcare reform compounds the problem. The natural response is to focus on what can be controlled – operating expenses and short term results. Unintended consequences might include a weakened organization in the post recession recovery or missed opportunity.

During recessions over the last 30 years, companies that reduced spending were more successful in improving short term results. Companies that invested in downturns grew much faster in post recession periods.

Creating Alignment Around Action in Uncertain Times

So how do leaders balance these choices? Do you “bet the farm” and risk failure (however defined) or act more conservatively and perhaps miss a great opportunity?

How do leaders help key stakeholders (governing bodies, executive teams, medical staff, employees and community leaders) understand risk and uncertainty and implement the right balance of preservation and growth strategies to create the healthcare equivalent of “*snap, crackle, pop*” to ensure success over the long term?

Scenario planning represents one way of creating organizational alignment on key strategic initiatives. Clear alternative visions of your organizations position the post recession (and/or post reform) world will help create needed balance between preservation and growth strategies.

Another is to adjust the way you plan, execute, evaluate and adapt to uncertain times. Planning and decision making in periods of economic difficulty require more rigor, greater focus, and shorter time frames.

If you would like to discuss how these ideas might be helpful in your situation, please call or email.



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