

## CEO Peer to Peer Report

Topic: *Managing within the Current Economic Conditions*

*October 2008*

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Almost 30 CEOs gathered at the Raffoni CEO Consulting Annual Retreat. Amongst many topics, CEO members exchanged views and insights with respect to the current economy.

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*The following ideas were shared:*

- **Hunker down while being opportunistic.** Cut expenses where you can, but also invest cautiously in the future. Try to orient people around goals that foster growth. Remember that competitors are often paralyzed during these times. You may be able to attract new customers either organically or through acquisition by offering a better value proposition.
- **If you have to cut—have “one deep cut” vs. death by a thousand wounds.**
- While it seems obvious, **watch collections.** Be wary of fraud.
- **Liquidity is key:** think about shifting from cash using to cash generating.
- **Credit is tight:** a lot of investors are simply off the table- **valuations are crushed.** Of the investors left, many are only taking cash flow risk.
- **Watch for ripple effects** and/or delayed purchases and/or tightened terms.
- In some industries, often the middle gets squeezed as customers look for either low end or high end/specialized options. Retail seems to be reacting in this way.
- **Don’t underestimate the pressures your employees are facing.** The pressures aren’t just at work- inflation, spouse loss of work, 401k declines. This is traumatic for many. Be sensitive with actions and communication.
- While it’s hard, **try not to let employees use the economy as an excuse.** This downturn is clearly radical, but downturns exist frequently.
- **CEO communication and messaging is very important.** Decide what message you want to deliver and keep people focused on it. Messages could range from “This is temporary” to “Let’s figure out a way to improve margins”.
- **Be creative:** push cash out, consider cancellation penalties or being more flexible if that makes sense, try not to sit on inventory, etc.
- Remember that **psychology is a big factor in all of this.**
- **Pay attention to industries and lag times.** There seems to be a lot of variation amongst industries. Maybe yours will be fine.
- Keep in mind that **consumer spending is definitely down 3%** and this is a big number.
- Recognize that **this is an opportunity to renegotiate:** real estate, people/wages, and services.
- **Keep the positives in mind=** gas prices, the dollar, commodity pricing, large talent pool.
- **Q1 will be telling**

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