

CEO Peer to Peer Report

Topic: *Hunkering Down While Remaining Opportunistic- Part 2*

April 2009

Many CEOs find themselves having to further rightsize their companies. Within the peer groups, CEOs share their approaches and thoughts. A few companies, in specific industries, continue to grow quite well. A good % are at or slightly below last year. A handful are about 20-25% below last year. Ironically, pipelines, in most cases, look good.

On rightsizing costs, consider the obvious and not so obvious:

- Job cuts, bonus & wage reductions (freezes at a minimum). Approaches varied, primarily falling into three buckets:
 - Across the board for all employees (3-20%)
 - Across the board for management (10-20%)
 - On a sliding scale, lower paid employees at lower percentages
- **Careful** salary reviews (possibly delayed) and adjustments
- New models, specifically for companies that use a combination of contract and full time
- Unpaid furlows. Two examples were mentioned. In one example, employees were given two unpaid days a month- offering a lifestyle choice to those who want it. Some mention was made of possible unemployment benefits.
- Early out programs (for established companies that can afford it)

Almost all of the member CEOs have chosen to do both job cuts and wage reductions. Some companies took this step to achieve profitability; others felt it was appropriate for adjusting to the new world and getting profit in line with expectations. Those in the later camp set a profit target in line with the industry and adjusted from there. Surprisingly, nobody has yet to mention bad morale as a result. Caution was raised about retaining key employees as one star employee had been nabbed by a competitor. Further contingency plans with triggers were also recommended. **Members continued to stress the importance of “do it once and do it deep”.**

On the importance of CEO messaging, messaging ranged from- “When things get better, we will re-instate” to “This is the new world/norm, we need to adjust to survive”. Some felt it was better not to “promise” adjustments, allowing room for selective adjustments for the best performers. One CEO noted that it’s important to know where you stand on wages as compared to the market. He also encourages employees to test the market so if they want to negotiate, they can do so with facts. Everyone agrees that you need to be very careful about messaging. It’s important to give employees the confidence that the company is in a strong financial position. They prefer to know you went deep vs. fearing another cut. If your message is “we hope the market is going to turn”- employees will be shaken at any indicator that proves you wrong.

On general expense cuts, there was no consistency on expense cut choices. Options ranged from 401k benefit adjustments (match reductions, eliminations or deferments) to eliminating company rewards. With the exception of exploring self-insurance options, health insurance wasn’t a popular adjustment. Deferring salary reviews was another option mentioned. It was highly recommended that legal advisors be consulted, especially around benefit/salary changes and job reductions.

On remaining opportunistic, with cost reductions & added workload, member CEOs are still actively seeking opportunities, the following are being pursued:

- Acquisitions & lease re-negotiations
- Partnerships to drive sales
- Attracting star employees from competitors
- Government grants & funds
- New offerings crafted around specific customer needs (ie, ways to save cost, etc)
- Repositioning around specific competitive failures
- Radical culture changes from “legacy” to what makes more sense (roles, org structures, comp, etc)
- “Special bonus pools” that recognize results (ie, ROI, innovation) so people have a chance to earn cuts back

Proposed Next Topic: How do we take advantage of rightsizing to heighten profitability when things turn?