



Scared Money Never Wins

An old gambler's adage — "Scared money never wins" — is as timely today as it was when it was coined in the 1940s. Only now, the phrase should be top-of-mind for CEOs and their management teams as they strive to define and implement successful strategies in today's uncertain business environment.

The economy remains sluggish. Unemployment remains high. And stubborn challenges continue to vex nearly all business segments, with little material improvement expected anytime soon. As an executive, should you be worried about your future prospects? Absolutely.

Indeed, research conducted by MainStream Management forecasts that high unemployment will persist. While the unemployment rate has decreased from a high of 9.4 percent to 7.8 percent in January 2013, it fails to tell the whole story and its drop does not mean that economic good times are a rolling. First and foremost, the unemployment rate does not account for the duration or permanency of jobs being lost or gained. Nor does it reflect the impacts of production efficiencies and population growth — both long term drivers of employment gains.

But, there is some good news, as structural shifts in employment will produce a distinct group of winners based on two factors:

1. The Private sector's ability to take advantage of changing workforce demographics and technology innovations.
2. The right incentives and regulatory support from the public sector to allow private enterprise to succeed.

With full-fledged financial deleveraging occurring in the private sector, lower levels of spending and income growth at the consumer level, and Government policy decisions in the balance, the appetite of business leaders to invest in growth has waned. But, after 4 years of streamlining operations, cutting costs, and pruning unprofitable business lines, organizations can no longer save their way to success. Moreover, waiting for the 'old normal' of a robust economy is not a winning strategy considering that any meaningful economic growth is at least several years away.



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— Drew McManigle, MainStream Management

“Yikes!”

With that bleak picture before us, who can blame business leaders for feeling tempted to shiver under the covers in the morning rather than bounding out of bed to confront the many-headed monster lurking just outside the door of their company headquarters?

CEOs, leaders and stakeholders are saying and asking themselves, “OK, the economy’s not great, there are ‘big hairy,’ unknowable and unsolvable issues like the Federal deficit, the Sequester, ObamaCare costs, new regulations and similar yucks that scare the hell out of me. So, now what?”

This is where you have to remember: Scared money never wins! If you allow the fear of uncertainty to dictate your thinking and your decision making, it will choke you into hunkering down. This is a strategy that your business cannot afford.

Even rappers, Young Jeezy ft. Lil Wayne, sing it right, “Scared money, don’t make no money.”

Being tentative, or worst of all – doing nothing, is analogous to playing with scared money. Scared money makes suckers’ bets. Scared money gives your competitors the upper hand. Scared money retards business growth. When you come right down to it, it does mean no money.

Positive Action

This is a time for cool-headed, growth-oriented thinking and positive, productive action. Savvy CEOs and their teams can use this challenging environment to stay ahead of the curve. Here are three suggestions toward that end.

1. *Plan for Action:* Develop thoughtful short- and long-term growth strategies and begin boldly investing in those strategies now.

We can hear the griping: “How can anyone realistically invest when there is so much uncertainty?” Consider Polaroid or Montgomery Ward or Bethlehem Steel or Borders Books. The former CEO’s of these and other fine companies that didn’t make it likely thought the same.



The question is relevancy. How do we keep our business, our products, our operations, and our people relevant through this cycle and into the next? Answer: Well thought out, broad and detailed business, operational, growth and acquisition/sale strategies that can be implemented quickly.

As an executive leader operating in challenging times, having a full quiver of preplanned, vetted and agreed to plans that cover just about any real contingency provide:

- The confidence to act quickly whenever necessary.
- The ability to sharply focus on what matters most and the ability to measuring performance against these priorities.
- The impetus and the compass to take full-advantage of opportunities or challenges that may arise.
- The nimble capacity to adapt and make tactical adjustments in executing the plan.

After all, you don't want to go into a knife fight with a rock, right? We prefer keeping a sharpened Ka-Bar handy. (The odds are better...but that's just us.)

2. Improve Your Product Capabilities and Operational Processes: Now may be the time to consider making thoughtful, targeted and strategic (there's that word again) capital improvements to revenue-generating production equipment and materials. And no, we're not suggesting going out and upgrading to the G-VIII because you think you can get a deal. But, many are sitting on squirreled away cash that could be used to improve efficiency, performance or gain market share.

As an example, because of the depressed real estate market, perhaps it's time to move to that larger, more efficient space with better transportation access. Or, perhaps it's time to look at several of your ailing competitors, take advantage of their poor planning and capitalize on an acquisition that drives market share and removes competition. And, in this economy, there are deals to be had in new and used production equipment.



“ Leaders must have the forethought, diligence and nimbleness to take advantage of opportunities. Yet, the best options may be the least thought of, so change your paradigm by taking an outside-in review of your operations. ” — Laurie Brunner, MainStream Management

Yet the best options may be the least thought of. Change your paradigm by taking an outside-in review of your operations. Working with your customer to define specifications and improve supply chain efficiencies can create significant competitive advantage. Or step back and analyze production locations. Overseas sites may have made economic sense 10 years ago, but there is a decent probability that their raison d'être has lost the shine with higher costs of overseas labor, production lead times and “I want it now” customer demands.

Of course, all this takes a longer-term view and proactive leadership. (‘Just sayin’!)

3. Trade-Up Personnel: Making “people changes” is always a tough subject, especially now when we all recognize that to lose one’s job means there is no assurance that another similar opportunity will come along for a particular individual. But no one ever said leadership was going to be all country club golf, canapés and martinis at 5:00 p.m. Take a real and pragmatic look at your bench from top to bottom. And, have all your direct reports and line managers do the same thing. This can all be undertaken with the care, diligence and high degree of respect it deserves.

The reality is that with high unemployment, there are great opportunities to upgrade personnel with relevant or even better skills, who are highly motivated, can bring fresh ideas and energy and, yes, may be more economical to on-board. As CEOs we’ve all had our share of “Old Bob” or “Bobbie” — you know the guy or gal who has worked here since “The Flood.” Everyone loves him or her and customer(s) rave – or so you are told. But somehow you just can’t figure out for the life of you what they do all day. Sound familiar? Leaders who eschew this opportunity to improve the quality and level of their team, across the board, are missing the boat. Dropping this ball shortchanges you, your team and your stakeholders.

Time to be Bold

Unless your company is literally in the gambling industry (and if you happen to run a real casino, you know the truth about that “scared money” adage), you understand that business is not a game of chance. You’re not “betting” on the future — you’re planning, executing and managing for growth, even though that future is fraught with uncertainties.

Every age in history has its challenges and uncertainties. And every age in history has leaders who figure out not only how to survive, but how to thrive and grow amid those challenges.

Leaders must have the forethought, diligence and nimbleness to take advantage of opportunities. They must lead the development of realistic and actionable growth strategies that incorporate business, product and operational improvements to capture market share. And, all the while, having the courage to make the necessary changes and upgrade talent at all functional levels to meet the evolving needs of the business.

Bold leadership is never easy, and its results are never guaranteed, but — fear not — investing in success is always worthwhile.

About MainStream Management

MainStream Management provides business leaders the turnaround expertise needed in both finance and operations to confidently invest for growth. We've helped dozens of companies answer the questions of 'what's next' and 'what should we do about it.' Using data analytics and our team industry experts, we've created 'brave money' strategies that have enabled our clients to achieve improved profits and returns in this uncertain economy.

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