

Recession-proofing: Resilience(The new competitive advantage)

Frank Wilson

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When American financier J.P. Morgan was asked how the stock market was going to do, the man made famous for the creation of U.S. Steel and General Electric replied, "It will fluctuate."

It's a funny comeback, but after three decades as co-founder and CEO of The Employment Solution(TES), I can attest to the deeper wisdom in those words. The only constant is change, and the one thing you can definitely expect is the unexpected.

TES is a model for the power of corporate resilience. Headquartered in Toronto, with offices across Canada and in the U.S., TES is a staff augmentation firm that has enjoyed phenomenal growth, moving from revenue of \$14 million in 1993 to a current forecast of more than \$100 million in 2007. It started in 1975, when Ray Moscoe and I, after years working for other staffing firms, decided to start an agency based on our own ideas of how the client/agency/candidate relationship should work. From that beginning, we have risen to a dominant position in our primary market of high-tech and engineering staff resourcing. We compete successfully with multinational firms many times our size.

What makes our growth remarkable is that it spans some extremely difficult events and periods: three recessions, the dot-com bust, the sudden implosion of our largest client group and major changes to the way clients purchase services — any of which could have sunk a company with a more conventional approach. Unfortunately, too many organizations don't build "shock absorbers" into their business model, and pay a high price when the going gets rough.

But planning for the unexpected is tricky because, well, it's the unexpected. A good disaster plan is essential, but what to do about the slower, subtler trends that will make your hitherto successful business model unworkable? What about the emergence of high-powered competitors or new technologies that radically change your business environment or your customers' expectations? How can you prepare for events that were unlikely, or even unthinkable, when you started out?

The short answer is that, ultimately, you can't anticipate every change. However, any company can adapt, evolve and even thrive when the ground shifts beneath it if it has resilience: the ability to absorb and then capitalize on unexpected events and adverse conditions.

How can you ensure the resilience of your company? It's easier than you think. Here's how we did it at TES — and how you can do it, too.

1. Create company ambassadors

When we set out 32 years ago, we weren't the only ones to know that staffing success requires close, attentive relationships with employers. But we were convinced that relationships with candidates — that is, the employees we were placing — were an enormous untapped resource.

Most staffing firms back then tended to treat candidates as a commodity. It wasn't unusual to park a candidate in the waiting room and keep them there for hours while agents called around looking for a placement. There wasn't a lot of respect for candidates as individuals or professionals. At TES, we made a point of getting to know them, learning from them and offering training opportunities, career counselling and long-term relationships. They responded by becoming a powerful field force for promoting our services.

Clients who received a satisfied, motivated, hand-picked candidate tended to return for more of the same. Candidates also frequently brought in new clients as they moved into new companies and talked up our services there. The returns on that investment keep coming in, as many candidates enter their second, third and fourth decades of finding work placements through us.

When business downturns threatened our industry, we had an important advantage. By building candidate loyalty, we'd created an enormous field salesforce — one that communicated our value to clients and transmitted feedback to us. Businesses in any industry can achieve similar effects by ensuring that every employee who communicates with any customer is able to promote your business and collect feedback. Other company "ambassadors" can include agents and distributors, as well as end-users with purchasing influence.

2. Go the extra mile

Too many suppliers see their job as done when the box of goods is dropped off at the loading dock. When that's the nature of your relationship with a customer, you're easily replaced. Instead, invest time to understand the factors influencing your customers' business. Take an active role in making their work better, more efficient and more responsive to challenges. When times get difficult, they'll turn to you for more help, not less.

For example, one client in the petrochemical industry started out needing only people from us. But changes in its business structure made it more difficult for the company to deploy those personnel smoothly in the field. We started taking on more and more of the logistical tasks, and, today, we train the chosen candidates in field procedures, lease trucks for them and equip them with laptops, safety gear and even bear repellent. The client is happy because they know that we can "fill in the cracks" for them and make their business run more efficiently. We're happy because it's high-margin work that creates a dependence on us. When clients see you as integral to their business in this way, they are less likely to put your relationship on the chopping block when facing market downturns.

3. Hire and hold

A large part of resilience is motivating the best people to join your organization and to stick with it through thick and thin. If you want your

team to hold together, you need to think about what will keep them with you when the dollars aren't flowing freely. We believe that what really makes people commit to an employer is an opportunity to use their strengths. So, while we make sure our new hires learn how to "drive our car, our way," we also support them in improving their skills and seeking new challenges. An employee with a good idea can take it directly to the executive team. We support employees across a broad variety of training activities, and encourage those who want to upgrade their qualifications.

With this approach, TES managed to hold onto our hand-picked resources even when business plummeted in 2000 by nearly half. We took the hit together; key employees, including the owners, took pay cuts, so we were able to keep layoffs minimal and work together to build up the business again.

4. Return to fundamentals when conditions change

There is nothing more disastrous than fighting this year's battles with last year's strategies. But before you can retool your approach and ride out the storm, you need to think about the principles and concepts that put fuel in your tank in the first place.

In your company, it might be pricing, quality, reliability or another factor. In our case, it has been relationships. Close, long-term relationships with our clients and our candidates were and are the core of our business, so we put our energies there. If we were struggling, then our clients were, too. More than anything, they needed to know that we were committed to helping them adapt to the cooling economy and continue succeeding. So, everyone rolled up their sleeves and went back to the basics: doing research to determine why some client relationships had faltered, proposing new approaches to ensure relationships are better maintained and enriching old relationships, involving anything from golf to social evenings.

5. Monitor changes in client needs before they result in lost sales

Commoditization is the newest challenge in the market. Companies are under pressure to drive down costs in every category possible. That pressure increases the importance of standing out in other meaningful ways, not just on the bottom line.

At TES, we've worked hard on value-add. We don't just deliver the personnel. There's a whole menu of side services that can go with them, such as market analysis, skills forecasting or project planning. We spend quality time with customers, and we monitor their spending patterns to better understand their challenges and needs. And we do constant market research. If we see a skills shortage looming in a particular area, for example, we encourage candidates to seek training, which we often subsidize, and we make a concerted effort to locate untapped sources of personnel who have those particular skills. Responsiveness to changes in client purchasing patterns can keep you from being left behind with an outdated product list. Of course, these tactics are not recession-specific. We'd do all this anyway; but when an economic downturn hits, we're better protected than those who haven't.

6. Don't lead on price

Obviously, your pricing must be competitive. But if offering a lower price than anyone else is your first and best strategy for securing business, you're playing a high-risk, low-reward game. There is a trend developing for clients to set up reverse auctions and to award the business to whomever comes in with the lowest price. It sounds good, but it's self-defeating for everyone involved.

The "winning" supplier must shave margins impossibly tight and compromise quality to meet the committed price. The "losing" supplier misses out on the deal, even if its business model is more robust and delivers better product. The client runs a high risk of inferior quality, service interruptions and lost productivity. It's a bad deal all around.

This has been particularly true in the staffing industry, where the product is people and their marketable skills. If your business model is based on driving prices lower than any of your competitors, your "product" will get up and walk away to someone who treats them more fairly! At TES, we have avoided the risks associated with the lowballing game by positioning ourselves differently: as specialists who can deliver exactly the right person to fulfill the client's needs from start to finish. It's a harder business model in the long term, since clients won't expect bargain-basement pricing.

7. Keep communication lines open and short

Many larger companies lose a lot of time and information in the process of communicating things up the ladder to management. For us, a lean executive chain means that everyone has 24/7 access to a vice-president via an open-door policy and BlackBerrys. Consequently, we can solve 99% of problems as they arise, and our execs stay grounded in the day-to-day challenges of making the business run. Even a large company can foster a significant degree of agility and change-readiness through this measure.

8. Assess your vulnerabilities

Your greatest asset may be your greatest liability. At the height of the tech boom, telecommunications clients made up more than 50% of our business. When they hit their big plunge, we suffered quite badly.

We don't need to learn that lesson twice. We have diversified our client base across a variety of sectors. For every industry that's currently in a "cooling" phase, there's one that's warming up. We've also broadened the range of our offerings. We now provide staffing from the call centre right up to the boardroom, as well as a managed services and logistical component.

9. Grow intelligently

We've all heard the phrase "victims of their own success." How can you ensure that business growth doesn't endanger the flexibility and focus that is essential for true resilience?

Answer: by taking deliberate steps to protect and extend the practices you want to retain. As we open new offices across the country and expand existing offices, we've brought in a training program, transferred experienced people into new areas and set up a mentoring program that

matches new staff with seasoned team members. It's been a tremendous success. We hire people for new ideas, but we ensure they understand why we do things the way we do before they start adding their own perspectives.

Likewise, we've used forethought and planning in expanding our client base. With sales more than doubling this year, it's easy to get swept up in the thrill of rapid growth. But it's not enough just to sign the contracts; we want to balance our client portfolio and ensure that we'll be able to fulfill all the promises we make. Good fortune makes it hard to think about the pitfalls lying ahead of you, but that's the best and most important time to do exactly that.

It's an easy prediction that the future is full of promise and hazards. With a resilient business, you can survive, and even thrive, on adversity.

Frank Wilson is co-founder and CEO of The Employment Solution, a Toronto-based staffing company specializing in IT, engineering and office services/executive search.

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