

LeaderPerfect Newsletter

February 15, 2009

In Tough Times Focus on Core Competency

by Dr. Mike Armour

Lately everyone seems to be asking, "How's business going?" With so much economic turmoil afoot, it's a natural inquiry.

For my part, the answer tends to be determined by the day on which I'm asked. Some days it looks like I'm facing a pretty tight year financially. The next day unexpected opportunities open up, and I'm likely to answer, "This looks like a really great year."

The euphoria lasts several days, until a client that I was counting on calls and cancels or postpones a contract. Then I'm back to being unsure again. Does this sound familiar? It's all part of the "uncertainty" game that most of us are in right now.

Choosing Your Focus

What, then, should be our strategy in topsy-turvy times like this? What approaches are most likely to see us through the white water that lies ahead?

First and foremost, I would suggest that you focus on your core competency. Whether you're a sole proprietor, a small shop owner, a member of a professional firm, a job seeker, an administrator, or a corporate executive — whatever your position, answer this question: What is it that you or your company really does well? Where do you seem to be truly gifted?

While you're thinking about that question, let me offer a general observation. When times are good we are more willing to take risks, particularly reasonable ones. So we easily become expansionists. We expand into new initiatives or new lines of business, especially those which hold a promise of greater income or cashflow.

Over a period of time, therefore, we add first one thing, then another to our pattern of commitments. Many of these commitments may stretch us well beyond our core competency. But so long as the new commitments have a modicum of success, we are unlikely to curtail them..

Then comes an economic downturn, such as the one we are in now, and we can no longer support all of the commitments or lines of business we have. We thus face a quandary. What will we cut, and what will we hold onto? Which of our commitments will we stake our survival on?

The answer, I believe, is to regroup around things in your core competency. There's a simple reason for this. In tough times, getting business is a notable challenge. To gain business, there are only three ways that you can compete.

- You can choose to compete on price. But in hard times, the number of people competing on price sky-rockets. If you take this route, you're throwing yourself into the teeth of the competition.
- You can compete on quality, charging a higher price than the competition by persuading customers that the additional price for your service or product is justified because of the superior quality you offer. Your goal is to maintain cashflow with a smaller customer base, because you are benefiting from higher margins. It's a viable strategy. But when customers and clients are squeezing pennies everywhere they can, it's not always easy to convince them that your quality is so superior that it justifies your higher price.
- The remaining option is to compete by differentiating yourself from the competition. Now customers are buying what you offer that is a unique add-on to what they would receive if they were buying the same service or product at a comparable price from someone else.

Differentiate Yourself

In my estimation, this third approach is generally the best strategic choice in difficult economic times. However, differentiating yourself from the competition is most likely to occur in areas of your greatest core competency. That's where you will more readily and efficiently find ways to differentiate yourself from your competition.

This, then, becomes my reason for recommending a focus on your core competency. If you must shed certain commitments or lines of business, use core competency as the filter for doing so. Unless something outside of your core competency is a genuine cash cow, you should make it a candidate for elimination. The energy and time you free up can then be used to creating deeper or more distinctive offerings in the arena of your greater competence.

Right now I'm working with companies that are divesting themselves of profitable subsidiaries, simply because the subsidiary is outside their sphere of competence. The boards who have made these decisions clearly recognize the value of a competence-centered strategy for surviving tough times.

This same wisdom is apropos for all of us, whether we're downsizing our department, repackaging ourselves for a job search, trimming excess cost in our small business, or maximizing capital preservation to give us greater survivability. Focus on doing what you do best. In tough times get even better at it. You're far less likely to succeed — or even survive — in areas of secondary capability. A bright tomorrow depends on pursuing opportunities at the heart of what you truly do well today.

© 2009, MCA Professional Services Group, LLC

This article may be posted to a web site so long as all copyright notices are preserved, along with an associated link to www.leaderperfect.com. You are also free to circulate this document in hard-copy form so long as the copyright statement and this notice remain attached.