National Restaurant Search

EXECUTIVE RECRUITERS

Serving the hospitality industry Since 1981

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National Restaurant Search LLC

National Restaurant Search has remained the food industry's most respected executive search firm for nearly three decades. We seek to be the best. Therefore we are committed to recruiting the best candidates for our clients needs. We strive for excellence in everything we do and our clients needs always come first. Over the years we have built relationships, credibility and reputation by establishing an exceptional level of trust with both our clients and candidates. With offices in Chicago, Atlanta, and Minneapolis, and opening in Dallas in 2011, we offer a full range of search and consulting services to national and international corporations, early stage entrepreneurial companies, private equity and venture capital firms.

Our profession is an art, not a science. The quality of creative thinking the recruiter brings to his art, the judgment he uses in assessing prospects against client requirements, and the skill to close in a manner beneficial to the client and candidate come only from experience. There is simply no substitute for experience. Our search consultants all have executive level management experience within the hospitality industry, which makes us uniquely positioned to bring our clients valuable organizational perspective, while helping them to capitalize on the brightest talent and best performing candidates in the marketplace.

National Restaurant Search continually monitors the hospitality industry and keeps abreast of economic trends that affect our clients. We are also acutely aware that the shortage of talent, already evident before the recession, is reasserting itself strongly. Companies have begun to think strategically again, and in looking for growth are seeking out those managers and executives who can offer both operational strength but also practical leadership in taking organizations and teams forward. We see this as a challenging but exciting time to be partnering with clients to help them build and strengthen their management teams as they seek new growth in a much changed world.

I would welcome the opportunity to discuss how National Restaurant Search can be of service to you and your organization.

Sincerely,

Ron Stockman
President
National Restaurant Search
Ron@Restaurantheadhunter.com
www.RestaurantHeadhunter.com

www.linkedin.com/in/ronstockman

National Headquarters
National Restaurant Search
700 E Diehl Road
Suite 130
Naperville, IL 60563
Phone 630-482-2900
Fax 630-482-2922

For more information visit www.RestaurantHeadhunter.com

Articles

1: Restaurant Finance Monitor Article on National Restaurant Search

2: *Pondering the Poach* by Deborah L. Cohen

The "New Normal" Requires a New Mindset

by David Rhodes and Daniel Stelter
Strategy, July/August 2010

Hunkering down may be the preferred strategy in tough economic times. But as these authors suggest, companies that recognize the opportunities and modify their business model can actually grow. Managers will learn some key tactics that will make their companies stand up and out during tough times.

As the world fitfully rebounds from the Great Recession, many global managers are confronting a "new normal:" the prospect of slow growth for many years to come. Managing in this new era will be different— and much will rest on how willing CEOs and their executive teams are to stray from their comfort zone and challenge their traditional ways.

For the past two decades it has been possible (if not always achievable) to be successful simply by riding market growth. For most companies, those days are over.

Our base assumption, as we write this, is that economic growth over the next several years will be wildly uneven, with most western economies— including those of the United States, the Euro zone, the UK and Japan— growing modestly, or not at all. At the same time, China, India and other developing economies will continue to grow as much as 8 percent to 10 percent per year. Moreover, there will be intense competition everywhere.

To cope with these challenges, executives will need to question, reassess, and redefine their managerial thinking. They will have to reexamine the context in which they make decisions. Some basic beliefs and received managerial wisdoms will need to be challenged.

Managing in a more uncertain environment will be a new test for most executives. But others before them have been successful in far-more-challenging times. For example, during the Great Depression, companies such as DuPont, General Electric, IBM and Procter & Gamble defied the odds, churning out profits and growth while competitors went under. More recent examples are stagflation in the U.S. during the 1970s or Japan's Lost Decade. In this article, we describe some of the challenges leaders will have to contend with in the years ahead and suggest strategies that will help meet those challenges.

GLOBALIZATION WILL INTENSIFY

Globalization will continue to drive many management decisions, as it has for the past two decades. The liberalization of many of the world's economies and the incredible speed at which China and India have been growing contributed significantly to the pre-recession boom years. Thanks to rising demand and globalized production, many companies achieved record-high levels of profitability.

Although the new era will be marked by increased protectionism, the trend toward further global integration will continue. It might slow down and certainly will change. Asian, Latin American and East European countries previously seen only as sources of cheap labor are emerging as significant markets with hundreds of millions of consumers, some new to the marketplace and others that are working their way up to the middle class. This "next billion" market— which will be intensely contested— will be among the rare growth opportunities ahead.

The rapidly developing economies also will spawn a new generation of competitors, or global challengers. Even before the Great Recession, many companies in developing economies had built a powerful international presence. In the wake of the crisis, many of these same companies are emerging more powerful than before. They have the advantage of being based in comparatively fast-growing markets that haven't suffered the same kind of damage as most developed nations. Building on their cost advantage and growing technological capabilities, these global challengers will increase the competitive pressures they exert on established brands. Traditional multinational companies from the industrialized countries shouldn't underestimate them. Indeed, they need to take action, as General Electric and other smart companies already are doing.

An example of GE's approach, known internally as "glocalization," can be seen in the conglomerate's health care innovation program. It has already produced two significant inventions tailor-made for developing economies: a $1,000 handheld electrocardiogram (ECG) device, and a portable ultrasound machine selling for around $15,000. Designed to be small and comparatively inexpensive (the ECG device for rural India and the ultrasound machine for rural China), both inventions are now being sold in North America as well.

The changing nature of globalization will require managers to rethink their entire approach to business-from research and development and product design to manufacturing, sales, marketing and even government relations. Long-standing prejudices about business models will have to be jettisoned and a flexible quickresponse mindset, capable of responding to the challenges of rapidly transforming global markets will need to be developed.

OTHER CHALLENGES

Continuing, rapid globalization and low-cost competition from companies based in fast-developing countries are not the only serious management challenges executives will face. They also will need to recalibrate the importance of government relations, as government becomes more involved in purchasing and economic decision-making. They will have to become more aware of changing customer behaviors and attitudes. They will also have to accept that fact that virtually everything they do will be done in a "fish bowl," as heightened governance standards become the norm. And they will have to rethink such business fundamentals as shareholder value. That a seismic shift is taking place became clear when Jack Welch, former chairman and CEO of GE, told the Financial Times that "on the face of it, shareholder value is the dumbest idea in the world." This from a man who is famous for his commitment to managing for shareholder value and for his company's performance against earnings estimates quarter-after-quarter, year-after-year.

If Welch's view becomes more prevalent, it would underline a relative loss of influence for investors-something that we expect will intensify over the coming years. It would also signify a broader shift in management priorities, from the tyranny of managing for short-term results to a medium- to long-term focus. This would enable executives to more effectively balance longer-term investment against shorter-term, revenue-generating actions.

As experience shows, this is how true and lasting value is created-even for shareholders. Optimizing for the short term is not the way to create sustainable competitive advantage. So in this respect, at least, there may be a positive outcome from the Great Recession.

LEARNING FROM SUCCESS

It is often said (correctly) that we must learn from past mistakes so we don't repeat them. Less said, but equally valid, is that we need to learn from past successes. We have studied past recessions— as well corporate crises and successes— and have distilled what we learned into seven lessons for today's leaders as they face the new era.

1. Go on the offensive.

Invest in success. We know times have been tough, but the best time to go on the offensive is when your competitors are weak. Consider IBM. During the Great Depression, business machine production fell precipitously, declining 60 percent from 1929 to 1932. At the time, IBM was a small player in the industry. But CEO Thomas B. Watson was convinced of two things: that the industry had a strong future, and that companies that were cash-strapped would turn to automation for cost savings.

Instead of cutting back, as most of its competitors did, IBM accelerated the development of a new, state-of-the-art accounting machine, launching it in 1930 (and a scaled-back, less-expensive model a year later). Starting in 1932, IBM committed 6 percent of total revenue to R&D and built America's first corporate research laboratory. The company also added leasing to its arsenal, in turn adding legions of new customers who needed, but couldn't afford to purchase machines. The investments paid off. During the 1930s, IBM launched three times as many products as it had in the previous decade. These and other Depression-era decisions gave the company a decisive, long-lasting advantage over its competitors. Its revenues doubled between 1928 and 1938, while industry revenues overall declined 2 percent. By 1938, IBM had leapfrogged from a distant fourth place in the business-machine industry to a close second, behind the now virtually forgotten Remington Rand.

2. Focus on customers.

The market research techniques we take for granted today didn't exist in any meaningful way prior to the Great Depression. That was when Procter & Gamble pioneered the techniques that became the industry standard. Since then, many managers have cut their R&D and product development budgets during tough times, as well as market research. Such cuts can put their companies at a serious disadvantage.

The flip side is also true: A deep understanding of how consumers are responding to a prolonged downturn can lead a company to go beyond new-product innovation and change its fundamental business model, giving the company a decisive edge. Had Kimberly-Clark not continually monitored how consumers thought and behaved during the stagflation of the late 1970s, it never would have launched the Huggies brand of disposable diapers in 1977. The diapers became the top-selling brand by 1985. Similarly, during Japan's Lost Decade, consumers turned more to discounters and mass merchandisers, a trend that Asahi Breweries rode to success. Tough times will focus your customers' minds; you need to focus on your customers so you can take advantage of their changing attitudes and behaviors. If anything, a slow-growth period is when you need to increase market research.

3. Unleash advertising and marketing power.

In tough times, advertising and marketing expenses— classified as discretionary— are usually among the first to get slashed, even before market research and R&D. The irony is that because so many firms cut their advertising budgets, advertising costs tend to fall during recessions— meaning that the few companies that advertise aggressively get much more attention at a significantly reduced price.

This increased attention at relatively low cost can be a powerful tool, as P&G again found during the Depression. Seeing an opportunity to reach its core customers— then referred to as "housewives"— by advertising on radio, the company launched the first daytime serial radio program in 1933, a genre that became known as "soap operas," since P&G was advertising soap. Today, when competitors start to spend and try to catch up as better times return, it is either too late or very expensive.

4. Invest in the future through opportunistic mergers and acquisitions and strategic divestments.

A Boston Consulting Group study found that M&A deals completed during downturns— when premiums are lower and opportunities richer— outperform those completed during upturns by an average of 14 percentage points, relative to total shareholder return. To expand its leadership in the soap market, Procter & Gamble acquired 12 brands during the 1920s; it was preparing for more acquisitions when the Depression hit. Rather than abandon its plans, P&G pushed ahead— acquiring additional brands in the United States, Britain, France and Japan. P&G introduced more successful products during the 1930s than in the previous or subsequent decades.

DuPont followed a somewhat different path. With many of its suppliers failing, the company was faced with possible shortages of raw material. So it purchased one of the suppliers facing bankruptcy. This acquisition not only helped DuPont secure the raw materials it needed, it also provided DuPont with a range of specialized chemicals that enabled it to enter new markets—electroplating, refrigeration, bleaching, disinfectants and pesticides.

5. Employ game-changing strategies.

With customers trading down and businesses cutting back, now might be the right time to develop a low-cost business model. It also might be the time to shift from selling products to selling services, or outcomes. Or a time to reinvent the business. IBM's offer to lease accounting machines during the Depression was a game changer, reducing customers' up-front capital expenditures, while building the customer base. To make the leasing business work, however, IBM had to develop an entirely new cash-flow equation, a different pricing and sales process (which involved making money on the machine card stock— rather like printer peripherals today), and a different approach to residual value and inventory management.

6. Be a leader.

Successful leaders during the 1930s put significant emphasis on being visible to people at all levels in their companies. Richard Deupree of P&G spent significant time ensuring that employees understood the challenges facing the company and the approaches being taken to solve them. In tough times, employees are hungry for information and leadership. In an information vacuum, they will connect the dots in the worst ways imaginable.

Leaders set clear expectations. They mobilize the extended leadership team. They keep it real. And they drive results. Motivating the organization when tough decisions have to be made will require a well-balanced approach. Initiatives need clearly established milestones and metrics—and unambiguous ownership. Leaders need to track progress rigorously against those metrics and milestones, intervene when necessary, and communicate any changes in direction. Leaders also need to celebrate success and recognize team members who achieve the best results.

7. Invest in people.

Retaining the best talent will become an even bigger challenge as slow growth limits career advancement opportunities. It is important to actively manage the attrition of lower-performing employees in order to ensure that there are career opportunities for the most talented people. In the 1930s, leaders focused on securing jobs for the most skilled workers, mainly by reducing the number of working hours and, when necessary, shifting high-skilled labor to lower-skilled jobs to keep them on the payroll. They also added social benefits that in part compensated for lower wages. Today's leaders will have to come up with innovative approaches that address not only compensation and advancement, but also solutions for issues as work-life balance and changing demographics.

MOBILIZING FOR GROWTH

Management teams are acutely aware of the increased pressure that comes with an economic slowdown. If anything, however, this reinforces defensive tendencies and promotes a mindset inclined to explain why growth is hard to achieve— rather than an attitude of actively seeking growth and a disproportionate share of the market.

This "crisis mode" reinforces attitudes that impede growth even in normal times. These attitudes promote a risk-averse culture that increases in parallel with the increasing cost of failure for any individual. Such attitudes also slow down decision making as managers seek extra reassurance before taking action and make leaders more reluctant to empower their top managers.

So then, how can companies overcome these obstacles? Strong leadership— which creates a climate in which the risk of failure does not overwhelm real opportunities— obviously helps. Even when funds are short, it is important to allow, and even encourage, experiments and pilot programs. Keep in mind that every dollar invested has even more impact as the competition scales back. The difference between success and failure, even in the best of times, often depends on knowledge. How well does the company understand the potential of new markets for existing products? Does the company understand how the recession has affected customers? Do recent economic developments and the emergence of a "new normal" mean it's time to challenge the conventional industry wisdom and elements of business economics? Remember, the simple act of challenging business economics has led to innovative business models such as low-cost airlines, overnight delivery and online sales.

The Great Recession may be over, but an era of slow growth has begun and the new realities of business life have started to emerge. As with other major crises, the fallout from the Great Recession— and the financial meltdown that preceded it— will influence the global economy and the way business is done for decades.

But this is not necessarily bad news for all companies. Companies and their leaders will have to get used to heightened competition. Those who take the initiative, respond decisively to the challenge, differentiate themselves from less fleet-footed competitors, and execute their strategies with single-minded determination can still expect to grow. For those companies, the Great Recession and its new realities present a once-in-a-lifetime opportunity.

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