How to Use Downtime to Repair Your Organization

Want to help your company survive the recession? Use this downtime to engage in some long-term planning, says Pankaj Ghemawat, the Anselmo Rubiralta Professor of Global Strategy at IESE Business School in Barcelona.

"Downturns are a good time to perform physical and organizational repair work that simply isn’t practical when a company is running flat out trying to meet demand," writes Ghemawat in this month’s MIT Sloan Management Review. Updating his classic 1993 article "The Risk of Not Investing in a Recession," Ghemawat examines how his advice holds up in the current economy. Some key points remain the same 16 years later:

1. **Invest in your company**

Ghemawat advises looking beyond the current recession and focusing on long-term planning and investment. Though many businesses automatically clamp down on spending during a downturn, Ghemawat explains that concentrating on one’s long-term competitive position — and spending accordingly — gives companies the opportunity to recoup losses and make larger profits once the recession ends.

2. **Beware of the long-term effects of hasty layoffs**

Commenting on current downsizing trends, Ghemawat says, "We seem to have slipped very fast from assertions by companies that their people are 'their greatest assets in the knowledge economy' to a situation in which companies need to be reminded that people are assets at all." Layoffs need to be based on long-term strategies, not indiscriminate chopping designed for short-term gains.

3. **Repair communications**
“The other people-related point worth making is that, given the ambiguities and anxieties that a recession induces, it is a time for more rather than less communication about what the company plans to do,” Ghemawat writes. As company morale can be especially precarious during times of uncertainty, adopting a more open communication plan can be an important strategy for repairing your organization.

4. Be a bargain hunter

Ghemawat states, “It may sometimes be possible to acquire assets for less than their true value during downturns.” Compile a list of the assets you’d like to gather for your company and keep checking on the prices. This is another way to make spending during the recession pay off in the long term.

While Ghemawat comments that the advice given in his original article still holds up, he emphasizes a few points more strongly for current readers.

“The most important question managers should ask is, ‘What’s your company’s strategy for dealing with the recession, or are you simply trying to hold your breath until it ends?’ Specifically, I would give more weight to actions related to people, globalization and innovation,” Ghemawat concludes.