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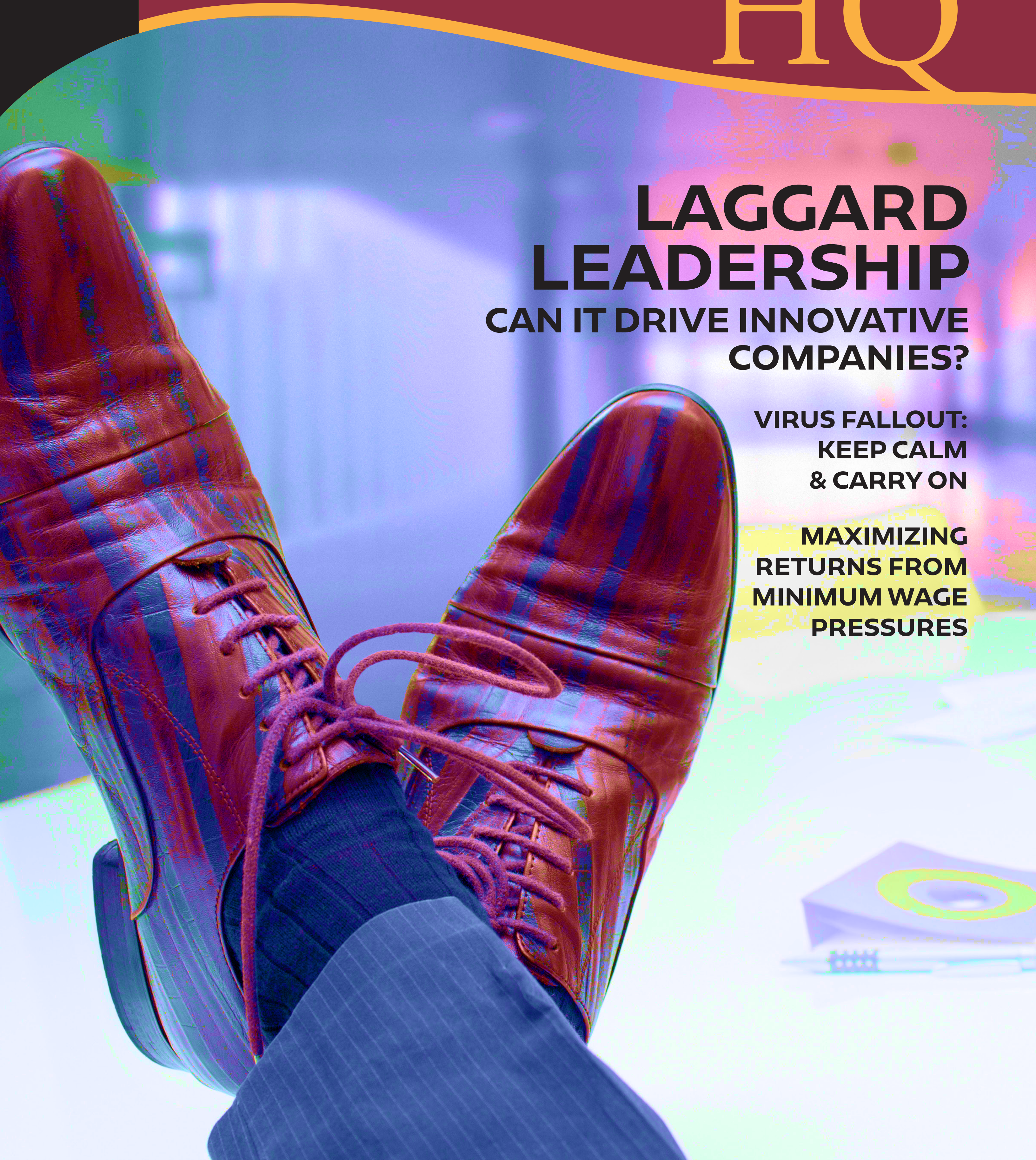


LAGGARD LEADERSHIP

CAN IT DRIVE INNOVATIVE COMPANIES?

VIRUS FALLOUT: KEEP CALM & CARRY ON

MAXIMIZING RETURNS FROM MINIMUM WAGE PRESSURES

VIRUS FALLOUT

INDICATORS TO HELP YOU KEEP CALM AND CARRY ON

by Kristi Castano,
Managing Director,
Fastlane

One of the wonders of today's society is our access to information. Imagine if we could go back in time and tell the average person how today, we can look up everything from the local 10-day weather outlook to the price of tea in China... within seconds...just by talking into a little black box. Want information? Just ask your phone, your Echo, your Alexa – your smart TV.

Astounding concept. Amazing and mind-bending. People in the past would have thought this kind of technology and access could solve every world problem.

Reality…well, it may be a little more complicated.

Information Is About Quality, Not Quantity

Consider that today's 24-hour news cycles need constant feeding. Black boxes need info to share. The reality is, many information access points equate to fractured information, and not all information sources are equally vetted. The information you get may be hyped, unchecked or just plain wrong. For those with anxious minds, checking stats on command isn't healthy, either. According to global tech support company Asurion, the average American checks their phones 96 times a day. That's once every 10 minutes.[1]

The point is, we all need good, reliable, trustworthy information to stay safe and keep our loved ones and employees safe. First and foremost, for health-related information, it is strongly advised that people refer directly to the CDC website and your local or state government.

To run businesses and understand where things are headed – again, we need good, accurate and trustworthy economic information. In times like this, it could be cathartic to monitor raw indicators yourself, rather than ingest the 24-7 newsfeed. This can help you keep an unfiltered, unfettered meter of what's happening in the world and how it affects you and your business – in a measured, level-headed way. The key is to resist the temptation to incessantly check what the black boxes are saying and tamp down panic. In other words, take some control. Here's how.

Choose Your Weathervanes

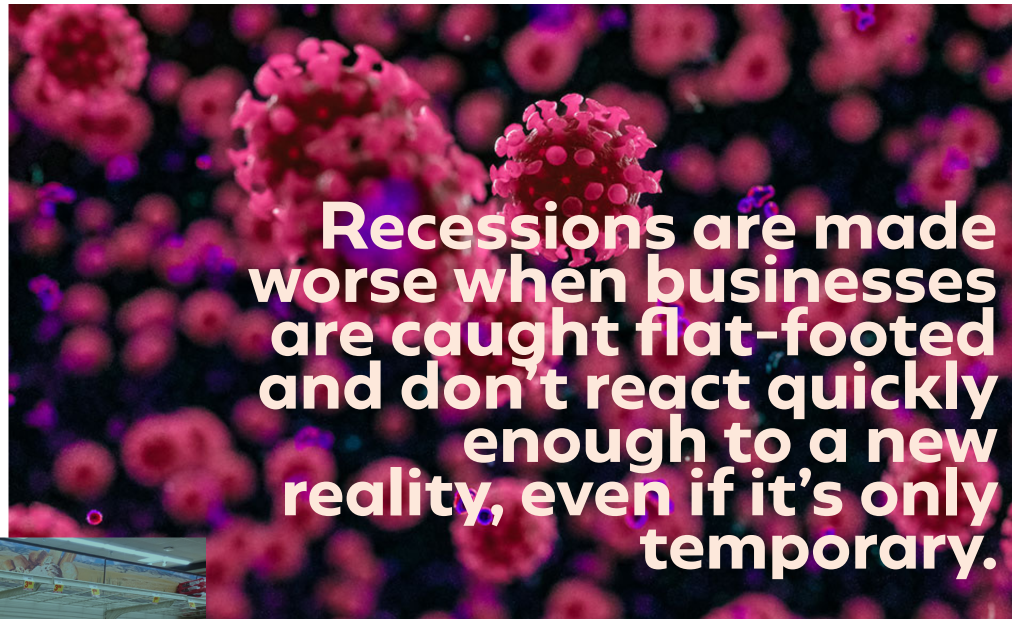
Generally, all economic indicators seem to point to a pending recession in the United States and other global markets due to COVID-19 disruptions, though the length and severity of this downturn is still quite speculative. In large part, the determining factor will be how consumers behave in the shadow of these disruptions and all this news – even as we begin to lift quarantine measures.

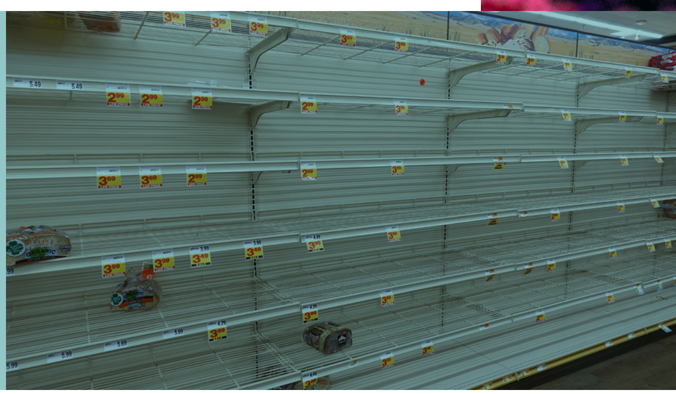
Needless to say, some industries will be harder hit than others as events continue to unfold. Any place where people gather will take an especially harder hit as people continue to practice 'social distancing.' Travel and hospitality industries need to rethink their consumer experiences, allowing for safe distancing until a vaccine has been found. This includes: hotels, airlines, resorts and cruises. So will venues and events closer to home, including restaurants, concerts and convention centers, as well as entertainment-focused venues outside the home, such as movie theaters, sporting events, amusement parks, local party facilities (think ball pits and bouncy houses), just to name a few.

Depending on your business and target audiences, ongoing changes in social behaviors will impact you in different ways. If you want to try and track economic impact of the coronavirus in real time, you may need to look beyond usual resources for alternative indicators. In a recent NPR podcast from Planet Money, hosts Cardiff Garcia and Stacy Vanek Smith provide some great tips on how to monitor what's happening in a deeper way and on your own terms. For example, you may be used to relying on monthly economy reports, such as the Monthly Employment Report or New Home Sales, to explain the health of the U.S. economy, but keep in mind that these reports are retroactive. Since they come out monthly, they give a snapshot of what happened anywhere from two to six weeks in the past. Not too helpful when things are changing by the day.

Instead, Garcia and Vanek Smith suggest looking to more high-frequency indicators that point to consumer behavior. Here are a few that can be accessed in the NPR link above:

■ **DOMESTIC WEEKLY MOVIE BOX OFFICE SALES**
These numbers come out every Friday and tell us how much money people spend on tickets for movies in theaters.





Even when theaters open again, people may be concerned that they will catch the virus in a crowded movie theater.

■ **HOTEL OCCUPANCY RATES**
This report comes out every Thursday and shares the amount of hotel rooms that are occupied. Again, we anticipate some drip here due to the measures hotels will need to take to make hotels stays safe again - possibly cutting occupancy in half. Closely monitoring this activity could help show how consumers are behaving as time goes on.

■ **INITIAL WEEKLY JOBLESS CLAIMS**
When people lose their jobs, they can report that they have been let go and file a claim for unemployment with their state government. These claims get reported weekly. We have seen these numbers soar – breaking all time records in the past few weeks.

There are many other indicators that may better match your business or industry sector. The key is the frequency of reporting. Check Market Watch's economic calendars to stay abreast of these numbers on your own time.

Plan, Don't Panic

Rudyard Kipling's missive "If" speaks to the need for stoicism right now – If you can keep your head when all about you are losing theirs… – reminding us how important it is to keep a level head. Cooler heads do prevail in times of crisis. Get your best minds together and plan your way out. Again, health-related plans first, of course, but also review your business plans and pivot or plan contingencies accordingly.

Recessions are made worse when businesses are caught flat-footed and don't react quickly enough to a new reality, even if it's only temporary. Review financial plans, business goals and marketing plans, and consider a pivot in strategy to help buffer against change in consumer behaviors. Consider where consumer attention and focus will turn – if not to vacations, amusement parks and movie theaters then possibly to home-based entertainment and escape. Increases in remote work will create different opportunities to reach out and help consumers.

It's often in times of crisis like these when the seeds of change are born. New needs are discovered, and new business ideas are formed for those nimble enough to see opportunities and act on them.
We have reached a perfect storm of 24-7 information of varying helpfulness (or not), lack of protocol for handling a global pandemic of this type, and the economic uncertainty this combination is imposing on people and businesses.

Panic only amplifies problems. Strive to maintain the business mind that is calm, collected, optimistic and measured in response to help steer a clear path forward.

1 Assurion-sponsored survey by Market Research Firm Solidea Solutions conducted August 20, 2019 of 1,998 U.S. smartphone users.

CAN LAGGARD LEADERSHIP DRIVE INNOVATIVE COMPANIES?

by David Cooper

When the word laggard is ascribed to someone in leadership, what comes to mind is someone who is slow to action, a foot dragger. It's an indelicate characterization that becomes even more explicit in today's business climate, where innovation, IT advancement and investing in the future are essential to be and remain a market leader.

Within an otherwise agile organization, and especially inside an unsuccessful one, a laggard leader is seen as risk-averse, less likely to embrace new ideas and last to support or drive change. So, the question must be asked. Can leaders who are laggards drive companies that require innovation to compete and grow?

■ In theory, the answer is a categorical no.

■ In practice, every innovation comes with risks and desired outcomes, all of which must be thoroughly assessed and scrutinized before taking a leap.

■ In reality, the answer depends on how you define leadership, how your leaders rely on your organization and vice versa, and exactly what innovation means to your company.

How Do You Define Leadership and Innovation?

Market leaders widely differ in their most notable and valued traits, and their inventions are by no means restricted to new products or services. Some lead by fostering modern internal cultures that attract and retain top talent to continue excelling in whatever the company does best. Others build and sustain traction with imaginative marketing strategies, or by conceiving and introducing sustainable new business models. Still others transcend the status quo through customer centricity or by repeatedly being first to answer and create market demand.

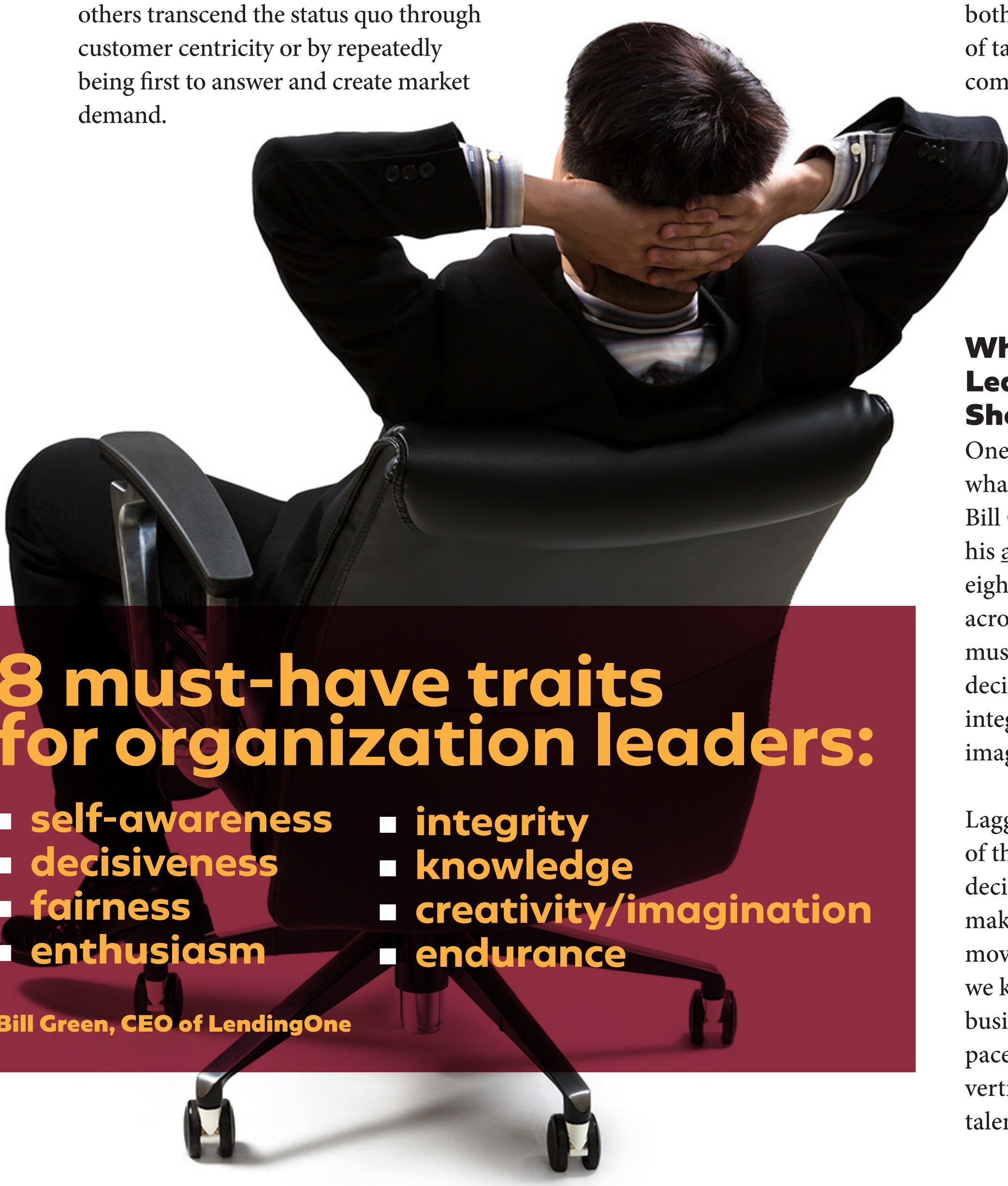
Many companies gain and grow market leadership through a strategic blend of these and other differentiators. Is there anything that all leading companies have in common?

Two Attributes Are Wholly Indispensable

In a big and bustling world of competitive distinctions, and regardless of how and where a company carves out its niches, success rides on delivering newer, better or more exciting ways for their constituents to do things – whether it be improved processes, products, services, business intelligence, or the customer's own methods of competing and growing revenue.

This requires a two-pronged commitment that is common across all successful companies in today's marketplace, and that is to cultivate and support exceptional senior leadership and drive a very intentional culture of innovation. Both are necessary, yet even this fusion of excellence greatly differs by organization.

In her Forbes article titled "Best Company Traits: Smart Leadership," Traklight CEO Mary Juetten wisely notes that every business "is different both in its aim and in its collection of talent and personalities. … these companies have the best approach to the idea of leadership, which is that they shape it to their situation, or mold their situation to those key players that drive the company forward."



8 must-have traits for organization leaders:

- self-awareness
- decisiveness
- fairness
- enthusiasm
- integrity
- knowledge
- creativity/imagination
- endurance

Bill Green, CEO of LendingOne

What Are Your Team's Leadership Qualities, Shortcomings?

One of the best roundups I've seen on what makes an effective leader is from Bill Green, CEO of LendingOne. In his article in Inc. magazine, he defines eight traits that should be universal across all organization leaders. These must-haves include self-awareness, decisiveness, fairness, enthusiasm, integrity, knowledge, creativity and imagination, and endurance.

Laggards fall short on at least two of these critical traits, one being decisiveness. They are not comfortable making fast decisions in the face of moving or undefined variables. If we know one thing about today's business environment, it is the rapid pace of change across industries, verticals, technologies and even the talent landscape, with its shifting demographics and the exploding gig economy. Laggards also come up short on creativity and imagination, the very lifeblood of innovation.

These leadership deficits impose fatal flaws on innovation.

How Do Your Ideas Move from Concept to Execution?

Teams across any organization have their appointed leaders. If we're smart, we recognize that in the day-to-day business world, most teams are made effective and successful by members who do not possess management titles. For this reason, and for a true culture of innovation to bear the fruit of successful implementation, it is critical that senior leadership drive an environment of engagement and empowerment around the company's leadership initiatives.

Innovation execution is a fascinating combination of art, science and social dynamics – a process through which something new is introduced, gains momentum and ultimately achieves buy-in and adoption within a company. It is through near identical disciplines that innovations are seeded and (hopefully) adopted in a company's markets and industry.

Who Are the Movers, Shakers and Threats to Innovation?

You may be familiar with "Diffusion of Innovations," the in-depth theory on how innovation is successfully communicated to a given population and the pace at which it is adopted. First published in 1962, the book by Dr. Everett M. Rogers (1931–2004), a distinguished professor emeritus in the University of New Mexico Department of Communication and Journalism, is currently in its fifth edition. His many phases and factors that influence innovation decisions, execution, and adoption remain remarkably effective in today's business environment.

In his book, Rogers details the characteristics of five categories of people who influence adoption momentum both within the company and the marketplace. The descriptions below focus on their relevance to company teams and innovation execution.

■ INNOVATORS
We know who the innovators are! According to Rogers, these agents of change comprise approximately 2.5% of a given population, representing the smallest but most risk-tolerant category among the five. They are the first members of your team to embrace and adopt new concepts, ideas and technologies, without much if any arm-twisting in the process.

■ EARLY ADOPTERS
Representing 13.5% of the population, early adopters are typically found in positions of leadership or have strong influence over other categories. They are enthusiastic, educated, and judicious stewards of communication throughout the execution lifecycle. And following closely behind innovators, they are quick to adopt new strategies and solutions.

■ EARLY MAJORITY
Rogers classifies this 34% of adopters as a group that takes much longer than innovators and early adopters to step forward, but they still buy into innovations quicker than the average population. While they tend to interact with early adopters, they are not considered influencers in the execution and adoption process.

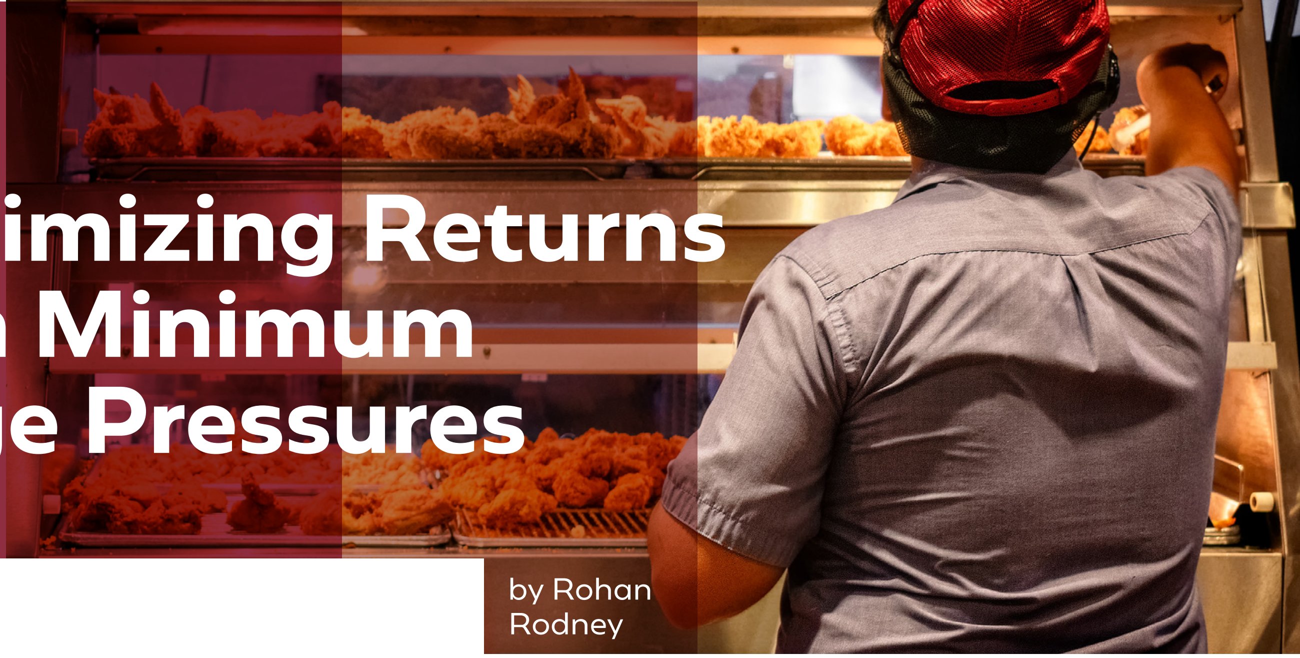
■ LATE MAJORITY
Tied with early majority adopters as the largest group at 34%, these individuals starkly differ in that they generally hold off until the rest of the organization, or population, has come on board. Described by Rogers as skeptical, they may need influence from the first three categories, encouragement from peers, or even proof of how something works before adopting.

■ LAGGARDS
Here they are. Coming full circle, this sizeable 16% of people in a given population are, as noted early on, risk-averse, unlikely to embrace new ideas, and last to support or drive change.

Because of their reserved natures and characteristics, it is very difficult for laggard leaders to visualize the importance of innovative ideas. Too often, this results in their deprioritizing innovation initiatives within the company.

Develop Your Unique Ecosystem

Only you can define and develop your cultural readiness to advance your company. Even with solid plans and exceptional leaders, success can be an uphill climb for many companies. Imagine the difference it will make when your leadership team is fully on board with exploring and entering new territory – and the growth and profits that await you.



Maximizing Returns from Minimum Wage Pressures

by Rohan Rodney

Business owners generally have empathy for their low-wage workers who struggle to raise a family on minimum wage. These owners would love to attract the best employees in the market by paying above-average wages, but they are concerned about how much savings they can pass on to customers before customers start to buy less.

This year, many U.S. business owners won't be having such internal debates. State legislatures in 25 states will raise their minimum wages in 2020 to increase chances that workers will be able to achieve a livable wage. The majority of these took effect January 1. And in the bigger picture, it doesn't help that the cost of goods sold and leases will not decline anytime soon. So how innovative must small to mid-sized businesses become to survive impending labor pressures? Most are paralyzed over what should be done. Many are eyeing one Pacific Northwest city as a gauge to see what might catch on in other cities throughout the nation.

Sizzling in Seattle

Seattle, Washington has led the charge in increasing hourly wages and now lays claim to offering workers the highest minimum wage in the country. Innovate or die has become the mantra of small businesses like Fire & Vine Hospitality, which radically changed its compensation model from above-average minimum wage to a commission-based model.

All Fire & Vine diners have a 20% service charge added to meals. If desired, diners can leave additional gratuity. Wait staff are paid an hourly wage with a 15% commission. This can sometimes top out at $70 per hour, where prior to the commission-based model, wait staff averaged around $45 per hour. Back of house workers, such as dishwashers and cooks, start between $17 and $20 per hour, representing a 40% increase over previous earnings.

Fire & Vine is thriving where many others are floundering. They have doubled in size since minimum wages started increasing in 2014. The company now has 12 hotels and restaurants and employs approximately 600 workers.

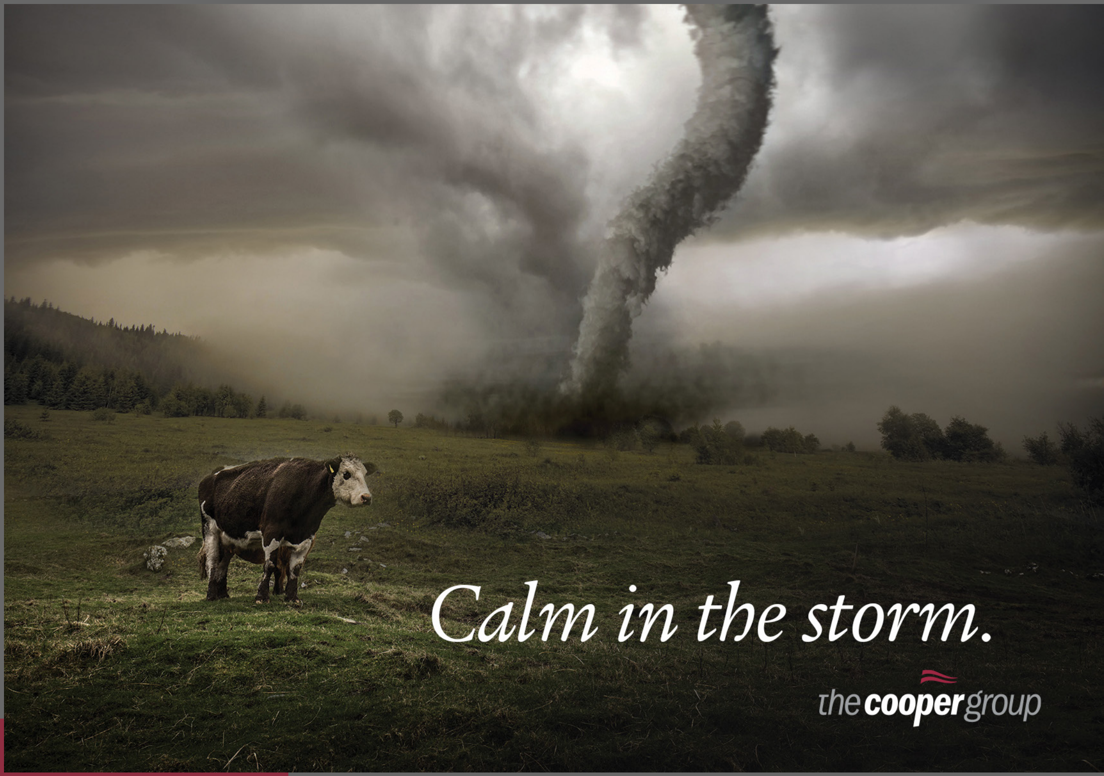
Testbed of Compensation Innovation

After performing financial forecasting, the heads of Fire & Vine knew if they did not act, they would wither. While a commission-based model may be seen as radical by many in the hospitality industry, this was Fire & Vine's chosen survival technique. As a result, their creative compensation strategy now attracts some of Seattle's best talent and ensures company viability for years to come.

Seattle at large is becoming a test bed for how businesses with low-wage earners will evolve. With tight labor and high costs of living, there is intense pressure on local businesses to ensure their open positions are among the most attractive on the market.

The best companies look at extreme challenges as opportunities to conquer. Instead of dramatically slashing expenditures or raising prices, thought leaders will use dramatic times to bring about dramatic resolutions and results. In Fire & Vine's case, happy workers are increasing service quality, staying longer and contributing to customer satisfaction and company growth.

One should wonder why it takes tumultuous events to bring about creative solutions. "Why does impending doom have to be the catalyst for explosive growth?"



The Cooper Group, Inc.
5 Concourse Parkway
Suite 3000
Atlanta, GA 30328
678-474-9678

To subscribe, e-mail us at
StrategyHQ@thecoopergroup.net